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Examining the role of advertising on the behaviour of co-operative bank consumers

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ABSTRACT

Even though the central role of advertising in consumer behaviour is well-documented, pertinent research on financial advertising is limited for both investor-owned companies and co-operatives. This becomes especially important in today's turbulent financial times. To this end, the study investigated the effect of advertising on the selection and perceived loyalty of Cypriot consumers of financial co-operatives, prior and during the financial crisis and the restructuring of the island's banking industry. The findings suggest that advertising has a marginal role in the said decision-making stages but essentially provide insights that open a window of opportunity for financial advertisers to develop effective advertisements. It is proposed that during the crisis, corporate and informational advertising should mainly be employed and such advertisements should communicate the service elements that, as a result of the increased perceived risk evoked by the crisis, have become salient. These service dimensions relate for the selection stage to reliability factors, and for the cementing of loyalty to solvency and process factors associated with relationship building.

1. Introduction

In spite of the widespread acknowledgement of the central role that effective communication strategies assume in shaping consumer behaviour, and the plethora of existing advertising-related studies, research pertaining to financial advertising is limited (Cheese, Day, & Wills, 1988; Laskey, Seaton, & Nicholls, 1992; Mylonakis, 2008b). Even those studies that document the role of financial advertising in consumer behaviour are largely unfocused, treat advertising as one of the multiple factors that shape bank-client behaviour, or mainly examine whether advertising has influenced the choice of customers for a financial institution. Nevertheless, current theory acknowledges the importance of not only attracting but also retaining customers, necessitating the investigation of advertising's impact on customer loyalty.

Indeed, the role of advertising on consumer behaviour as well as customer loyalty is well-documented (Berger & Mitchell, 1989; Heinonen & Strandvik, 2005; Praxmarer & Gierl, 2009; Schiffman & Kanuk, 2007). As Raj (1982) suggests, in a frequently purchased product class, consumers of high loyalty increase brand and product purchase when advertising for that brand increases. Similarly, Chioveanu (2008) argues that advertising encourages brand loyalty in consumers who would otherwise purchase the cheapest alternative on the market and underlines that persuasive advertising can be used to relax price competition. Furthermore, Breuer and Brettel (2012) in their study about the effects of on-line advertising on existing and new customers indicate that a specific type of online advertising called coupon/loyalty advertising is frequently used to stimulate customer purchase behaviour by offering rewards to consumers who sign up for the programme or providing rebates for returning customers. In this regard, advertising can be utilised in ways that will not only attract new customers but will also retain existing ones.

Though, in the field of financial marketing there is limited information regarding the way(s) that advertisements influence the behaviour of co-operative bank consumers. In fact, existing literature suggests that retail co-operatives are low users of advertising (Boynton, 1982 and Combs & Marion, 1984 in Hardesty, 2005) and clearly advertise less extensively than investor-owned firms (Hardesty, 2005). Gruber, Rogers, and Sexton (2000) empirical analysis, however, suggested that being a

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co-operative actually had a positive estimated effect on advertising intensity, albeit weakly significant. Hence, two decades from Laskey et al.'s (1992) alarm on the paucity of published research on the effectiveness of financial advertising, pertinent research remains limited. Further, research on financial advertising seems non-existent in co-operative societies, which constitute an important sector of the economy.

In this respect, the paper aims to investigate the effect(s) of financial advertising on the behaviour of retail customers of Cypriot co-operative banks both at the selection and post-purchase stages. In addition, the paper examines the influence of advertising prior and during the Cypriot financial crisis in order to derive, through comparison, the potentially revised role and influence of financial advertising. Finally, the paper concludes with managerial implications regarding the role of advertising for banks in a during/post-crisis era.

2. The role of advertising on bank consumer behaviour

Consumer decisions require information but the impact depends on the source of information, the quantity and the quality of that information and the manner in which it is processed by the audience. Marketing literature has extensively researched the role of advertising strategies on consumer behaviour (e.g. Aaker, Stayman, & Hagerty, 1986; Batra & Ray, 1986; Chang, Rizal, & Amin, 2013; Escales & Luce, 2004; Hong-Youl, Joby, Swinder, & Muthaly, 2011; MacInnis, Moorman, & Jaworski, 1991; Puto & Wells, 1984) as well as image and brand equity (e.g. Chaudhur, 2002; Cobb-Walgren, Ruble, & Donthu, 1995; Pickton & Broderick, 2005), and has consistently concluded that effective communication enhances the brand and in turn, positively affects consumer decision-making.

Within the advertising field, researchers have utilised various models of information processing and persuasion to explain the potential effect of advertising on consumers. These include the Audience Involvement Levels (Greenwald & Leavitt, 1984), which proposes four different involvement levels based on how the audience allocates its attentional capacity to a message source, and the extensively used Elaboration Likelihood Model (ELM) (Petty & Cacioppo, 1984), which proposes the central and the peripheral routes to persuasion, where processing (cognitive activity) would be high or low respectively. The ELM is also seen as a useful framework for services (Bitner & Obermiller, 1985). Nevertheless, in view of the characteristics of services, services advertising is seen as distinct to advertising of goods and is largely treated as a separate field (see for example, Albers-Miller & Stafford, 1999; George & Berry, 1981; Stafford, 1996; Tripp, 1997). Research has further refined this perspective and has highlighted differences between services: for instance, Turley and Kelley (1997) reported significant differences between business-to-business and consumer services advertising, while Stafford's study (1996), revealed that in designing advertising messages the degree to which services are high in experience or credence properties should be considered. The banking industry is very different from other service industries and banking as a service is considered unique (Zineldin, 1995). Hence, in view of the high credence properties, high-perceived risk and high-involvement nature of financial services, research is needed to shed light as to whether financial services advertising is different and if so, how the advertising of financial services should be conceptualised and executed.

Nowadays, this understanding becomes salient since the internationalisation of the banking system, the increase of sophisticated and demanding bank customers, the highly competitive financial services market and the fact that financial instruments do not differ greatly among banks, necessitates an increased emphasis on communication efforts. Indeed, one of the most widespread ways of promoting banking services is advertising, which according to Albers-Miller and Straughan (2000), is largely used as a window of opportunity by banks against market saturation. As such, it is imperative to fully comprehend the current role (and the importance) of bank advertising on consumer behaviour, and therefore construct and explore managerial strategies for future marketing of bank institutions.

In this regard, Cheese et al. (1988) were the first to highlight the importance of effective communications strategies in the banking sector, while Crane (1990) focused on advertising in particular, and proposed that corporate advertising should be an integral component of the communications programme of a financial institution. Nevertheless, research has not amounted to this thesis and in spite of the wealth of existing advertising-related studies, financial advertising research (i.e. advertising performed by banks, financial institutions, insurance companies and investment companies) is scant. Specifically, some researchers who investigated consumer behaviour in the purchasing of financial products do not include advertising in their models (e.g. Beckett, 2000), others model advertising as one of the many factors that influence consumers (e.g. Ioannou, Lewis, & Cui, 2003; McKechnie, 1992), while others (e.g. Mylonakis, 2008a) examine the impact of financial advertising on bank customers regarding specific banking products such as banking accounts, credit cards, consumer loans, housing loans. Possibly the most notable study in the area has been offered by Mylonakis (2008b) who focused in determining whether advertising influenced the consumer's choice of financial institution. Put differently, the author examined the effect of advertising at the initial stages of the consumer decision making process. Interestingly, Mylonakis asserted that "the traditional product-oriented banks are becoming increasingly customer-oriented focusing more and more on customer loyalty" (p. 44).

In fact, the majority of researchers (e.g. Berry, 1995; Christopher, Payne, & Ballantyne, 2002; Gronroos, 1994; Ioannou, 2012; McKechnie, 1992) question the applicability of the marketing mix paradigm in service industries and suggest that in view of the nature of service performances and their distinct characteristics, the relational philosophy needs to be embraced. This necessitates the change of focus from individual transactions and attraction of customers, and the turn towards adopting a long-term perspective, whereby the emphasis lays on retaining customers. Yet, even though the importance of adopting a relational approach has been extensively debated (see for example, Christopher et al., 2002; Østergaard & Fitchett, 2012), current literature on financial advertising has not fully examined the role of advertising on the client's perceived loyalty/bond towards the organisation, but has been confined at the initial stages of the consumer decision-making process (i.e. selection). Specifically, within a banking context, existing literature has examined the advertising-loyalty relationship, but this examination is rather based on indirect results instead of findings derived from a study dedicated on this specific topic. For instance, Bloemer, De Ruyter, and Peeters (1998, p. 284), who investigated how image, perceived service quality and satisfaction influence loyalty in a retail bank setting, found that: 'The use of corporate advertising creating the perception of a strong financial institution, with innovative products and services and modern facilities, seems important for the establishment of customer loyalty in retail banking'. Similarly, Nguyen and LeBlanc (1998) argue that advertising has a mediating role to loyalty whereby together with corporate identity and delivery systems, the quality of advertising contributes to the banks' image and in turn to brand loyalty.

Moreover, this relational philosophy is implicitly embedded in co-operative practice since the fundamental beliefs of co-operative members in the ethical values of honesty, openness, social responsibility and caring for others (ICA, 2013) are essentially