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Consumption of financial services: developing a conceptual framework

Abstract

Consumption of financial services is central to understanding economic lives of contemporary consumers. An abundance of empirical contributions on the ways in which people manage their economic capital and interact with their financial service providers have been spread across different fields. This paper contributes to the rich body of literature dealing with different aspects of consumer behaviour in the financial context by systematizing the accumulated knowledge and proposing a conceptual framework that encompasses relevant aspects of consumption of financial services. In this framework the financial consumption process is presented as a multifaceted construct that incorporates selection and purchase of financial products and services, relationships between consumers and their financial service providers as well as the broader sociocultural aspects of financial consumption beyond the immediate situation of purchase. Finally, the paper develops a research agenda for future studies, providing suggestions for future research.

Keywords: Financial services, Financial consumption, Banks, Service relationships

Introduction

Lives of modern consumers have become closely connected with the financial world. Over the last two decades researchers from different fields have shown an increased interest in the ways consumers manage their economic capital and interact with their financial service providers. The large interdisciplinary body of literature on this topic consists of multiplicity of contributions from the fields of bank marketing, service marketing, economics, economic psychology, economic sociology and consumer research.

The majority of research is empirical in nature and embraces a wide variety of topics: selection of the financial institution (McKechnie 1992; Lee & Marlowe 2003; Söderberg 2013) and related issues of customer involvement and customer segmentation (Kamakura et al. 1991; Harrison 1994; Foxall & Pallister 1998; Beckett et al. 2000; Aldlaigan & Buttle 2001), financial consumption patterns and practices (Bernthal et al. 2005; Henry 2005; Cook et al. 2009; Peñaloza & Barnhart 2011), innovation adoption (Johns & Perrott 2008; Grabner-Kräuter & Faullant 2008; Chiou & Shen 2012), personal financial strategies (Lunt & Livingstone 1991; Browning & Lusardi 1996; Jain & Joy 1997; Henry 2005; Patel et al. 2012) and determinants of customer loyalty to the financial institution (Çalık & Balta 2006; Lam et al. 2009; Cooil et al. 2007; Keisidou 2013).

However, despite the abundance of empirical studies, research contributions are spread across different fields, and there have scarcely been any attempts to systematize the accumulated body of knowledge or to develop a conceptual framework that would provide an overall view of different aspects of consumption of financial services. That is, a framework that would view the consumption process in the financial context not only as the selection and purchase of financial products and services, but as a multifaceted construct that also encompasses relationships between consumers and their financial service providers as well as the broader sociocultural aspects of financial consumption beyond the immediate situation of purchase (McCracken 1986).

This paper contributes to the rich body of literature dealing with different aspects of consumer behaviour in the financial context, by examining the accumulated knowledge on these three aspects of financial service consumption. It adopts the sociocultural approach that regards consumption as “the selection, purchase and use of goods and services” (Campbell 2005), proposing a conceptual framework that incorporates relevant contributions from the field. In this paper I revisit the last two decades of literature, systematizing the research streams across three dimensions: 1) different stages of the financial consumption process, 2) relationships between consumers and their financial service providers, and 3) sociocultural aspects of financial consumption. The first section explores literature on the financial consumption process. It encompasses three subsections: the pre-purchase stage of financial services consumption or the bank selection, the different aspects of purchase situation and consumer decision making, and finally the post-purchase stage and the different ways consumers use financial products and services as well as consumers’ personal financial management strategies. The second section provides an overview of extant knowledge on customer-bank relationships. The third section deals with sociocultural aspects of financial services consumption. Finally the contributions from these three streams of literature are summarized into a three-dimensional conceptual framework, which incorporates relevant literature on different aspects of financial service consumption. In the end of the paper I develop a research agenda for future studies, providing suggestions for future research.

Stages of financial consumption process

Pre-purchase consumption: bank selection

Bank selection is an important step in the financial consumption process, as financial consumption evolves over time, involving customers and service providers in a number of continuous transactions (McKechnie 1992). As the financial industry tends to have high switching costs, once consumers have chosen their bank, they tend to stay with it over prolonged periods of time, gradually increasing the amount of transactions and building their personal assets (Levesque & McDougall 1996; Bell et al. 2005). A number of researchers explored the factors influencing the bank selection process over the years. However, despite multiple attempts to find a universal solution, researchers couldn't single out one dominant influence on customers' bank choice, concluding that customers tend to consider multiple factors when choosing a financial institution (Lee & Marlowe 2003). In her overview of consumer buying behaviour in financial services McKechnie (1992) has listed some of the common choice criteria: customer confidence, trust and loyalty, dependability and size of the institution, location, convenience and ease of transactions, professionalism of bank personnel and availability of loans. Lee and Marlowe (2003) examined the influence of convenience, low fees, minimum balances and ranges of services, stating that while all these factors are important, customers consider several of them at the same time when making a choice.

Purchase of financial products and services

Purchase situations

A lot of empirical studies over the years have been dedicated to exploration of behaviour of financial services consumers in purchase situations. In recent experimental study of Swedish customers Söderberg (2013) found out that certain advisor characteristics, such as gender and mood, can influence customer perceptions and willingness to follow their advice. Thus customers were more willing to follow advice of a smiling female advisor, despite perceiving it to be associated with greater degree of risk. However, customers of both genders perceived male advisors as more credible and subsequently their advice to have a lower degree of risk. A number of studies suggested that purchase decisions can also be affected by ethnic background of customers, criticizing the lack of cultural awareness of financial institutions that operate colour-blind marketing strategies (Burton 1996; Jain & Joy 1997). However, exploration of purchase situations per se has not been as much in the focus as the attempts of customer profiling and segmentation and exploration of customer involvement.

Customer profiling

The majority of studies of consumer behaviour in purchase situations have been concerned with consumer profiling based on a variety of dimensions, as managerially-oriented researchers tried to determine the most profitable customer segments. For instance, Harrison (1994) combined dimensions of financial maturity (Kamakura et al. 1991) and perceived level of financial knowledge in order to segment bank customers, which resulted in four segments, that he labelled financially confused (low maturity, low knowledge), apathetic minimalists (low knowledge, high maturity), cautious investors (good knowledge, moderate maturity) and capital accumulators (high knowledge, high maturity). He subsequently found that customers with the highest and lowest levels of perceived knowledge are the least profitable, as the customers who don't know anything about financial services usually have low interest in acquiring new products, while those with extremely high levels of perceived financial knowledge are highly sophisticated and often prefer to use external financial experts, thus not generating fees for the bank.

Beckett, Hewer and Howcroft (2000) conducted a focus group study in the UK and developed a typology of financial services customers based on the dimensions of consumer confidence and involvement, identifying four ideal types of repeat passive, rational active, no purchase and relational dependent customers. The follow-up study by Howcroft, Hamilton and

Hewer (2007) combined focus groups with survey questionnaires and divided customers into six clusters using dimensions of involvement risk and confidence: action inert, repeat passive, emerging on line, emerging repeat-passive, rational active and emerging profit potential customers. In general, the findings indicated that customers did not possess high levels of interest in the financial products and services and did not perceive many differences between financial services providers. Other attempts of consumer profiling used dimensions of trust, commitment and involvement (Tsarenko & Tojib 2009; Sunikka et al. 2010).

Customer involvement

Customer involvement in financial services has been studied extensively in relation to buying behaviours of bank clients. Often defined as a "person's perceived relevance of the object based on inherent needs, values and interests"(Zaichkowsky 1985, p.342), it has attracted considerable attention of researchers, who had tried to measure it or explore its nature in different contexts. In the financial services marketing, a certain amount of studies has been dedicated to exploration of the consumer purchase behaviour in the financial context using a number of measurement instruments. The main measurement scales, applied to this context, have been the Personal Involvement Inventory (PII) (Zaichkowsky 1985), purchase-decision involvement scale (PIS) (Mittal & Lee 1989) and consumer involvement profile (CIP) (Laurent & Kapferer 1985).

In the financial services marketing all three instruments of measuring consumer involvement have been explored in relation to their applicability to the financial services consumption context. Foxall and Pallister (1998) compared PII and PIS scales and concluded that in the financial services the rational dimensions of consumer involvement overrun the emotional dimensions, as consumers didn't become emotionally involved with the financial services brand, with the notable exception of mortgage buyers. Aldlaigan and Buttle (2001) further applied the PII and CIP instruments to the financial services, and confirmed the dominance of rational involvement in the financial services context, providing evidence that while risk importance and interest are the highest rated dimensions of involvement in the financial services, the sign value, pleasure and interest (the PII dimension reflecting personal interests, motivations and values of the customer) are insignificant and less relevant for this context. By empirically testing these two measures on the sample of 120 students, they were able to classify financial services according to their levels of involvement – thus mortgages, investments and savings were deemed high involvement services, while checking accounts, personal loans and cash machine can be considered medium involvement. Interestingly enough, no services in the financial context have been discovered to be low involvement.

Post-purchase: personal financial strategies and financial consumption patterns

Consumption of financial products and services was studied across multiple streams of research. In bank marketing literature a significant amount of attention was dedicated to customer adoption of innovative products and services, while in consumer research, economics, economic psychology and economic sociology the main focus has been on usage of financial products in relation to broader issues of personal financial strategies particularly personal financial planning and debt.

Adoption of innovative products and services

In the field of bank marketing, a blooming body of literature adoption of internet and mobile banking has emerged over the last fifteen years. Most of the studies have been dealing with consumer attitudes and the factors influencing the adoption decision. Relationships with the bank – especially consumers' trust and commitment to the financial institution have been found to have a significant impact on the technology perceptions and adoption decisions (Johns

& Perrott 2008; Grabner-Kräuter & Faullant 2008; Chiou & Shen 2012). The other factors that affect technology acceptance are consumer innovativeness (Aldás-Manzano et al. 2009), information and guidance provided by the bank (Laukkanen & Kiviniemi 2010), service quality (Yap et al. 2010), perceived usefulness, social norms and social risk (Riquelme & Rios 2010), tradition and dispositional resistance to change (Chemingui & Iallouna 2013; Mzoughi & M'Sallem 2013), technology readiness and demographic characteristics (Yousafzai & Yani-de-Soriano 2012). Most of the studies have been conducted in local contexts using survey research methodology and do not account for sociocultural factors, which sometimes leads to confusing and contradictory results. For instance, a study conducted in Singapore place brick-and-mortar relationships as the central influence on the consumers' adoption decision (e.g. Chiou & Shen 2012), a study conducted in the UK attributes adoption decisions to customer-specific factors saying that highly innovative customers value usefulness of the service while customers with high levels of discomfort and insecurity value ease of use (Yousafzai & Yani-de-Soriano 2012), and the study conducted in Saudi Arabia just states that mobile banking services are primarily used by young males (Sohail & Al-Jabri 2013). A deeper qualitative exploration of these consumption patterns could give us more insights into the contextual influences behind this variety.

Savings, investments and financial planning

Early studies in the financial services literature were based on the life cycle model of saving (Ando & Modigliani 1963) and viewed consumption of financial services in terms of hierarchy of investment objectives along consumers' life cycle. According to this model, consumers plan their consumption and savings evenly along their lifetime, keeping their spending levels approximately the same in every period in order to maintain stable lifestyles and planning their consumption and savings behaviour in long-term perspective.

Kamakura, Ramaswami and Srivastava (1991) developed a hierarchical model of consumption of financial services based on consumer financial maturity and the difficulty of acquisition of the services. According to the hierarchical model consumers tend to pattern their investments along the pyramid of financial independence. In the beginning they are concerned with acquiring foundational products (such as checking accounts and personal loans) as well as risk management (insurance, pensions) and creating emergency cash reserves. As their household income grows, investor's objectives shift to acquiring products that can facilitate their financial growth to offset inflation (e.g. stocks, mutual funds, cash management accounts), and finally the products that deal with risk and tax protection (offshore accounts in tax shelters, municipal bonds, real estate) are positioned on the top of the pyramid. The financial maturity of the investor grows as they acquire products on higher levels. The latent maturity is positively related to the household income, household net worth and the occupation of the investor and negatively related to the rented household (an indicator of a lack of financial resources for investment).

It has been repeatedly argued that savings increase with the growth of income reaching its peak before retirement, that highest saving rates occur among consumers with higher levels of income, wealth and education as well as among the homeowners and married couples without children (Lunt & Livingstone 1991; Browning & Lusardi 1996) and that loss of income can result in debt problems (Patel et al. 2012).

In recent years some researchers have challenged the universal applicability of the life cycle model. Rather than viewing financial maturity as a linear function of lifetime's income fluctuations, consumer researchers highlighted the importance of sociocultural context in explaining financial decisions. While the life-cycle model can be viewed as an ideal type approximation (Weber 1949) of consumer behaviour, it assumes even levels of consumption across lifetime and does not account for a number of sociocultural influences that may result in other varieties of saving and consumption levels. For instance, the religious orientation of consumers may affect their financial decisions – a study of professional South Asian families in Canada by Jain and Joy (1997) showed that Indian families prioritize saving and investment goals over consumption goals. As parents' primary purpose was to save money to provide for their children's education, they were able to manage their consumption levels in order to achieve their investment goals. The authors attributed this pattern to the particularity of the Hindu worldview, which prioritizes wealth acquisition over consumption along individual's lifetime. Social class is another factor that needs to be taken into consideration – Henry (2005) argued that self-perceptions of consumers belonging to different social classes can result in distinctively different financial consumption patterns. According to Henry, young professionals' empowered self-perceptions encourage them to adopt elaborate budget planning strategies in pursuit of future opportunities, while working class consumers who feel disempowered and see future as a threat manage their budgets with the primary goal of maintaining stability and avoiding future risks.

Credit cards, mortgages and debt

In recent decades debt has become a continuous, lived experience of consumption boosted by the democratization of revolving consumer credit and the introduction of credit cards (Marron 2007, p. 120). The adoption of the practice of sub-prime lending by the financial institutions broadened possibilities of consumer involvement in the financial system (Langley 2008). Consumer credit has come to play an increasingly central role in the practices of consumer subjects, wiping away the need to earn and/or save money before a purchase can be made (Langley 2007).

Debt has long been a sensitive issue in financial consumption research. Predatory lending policies of financial institutions that boost consumer debt have been repeatedly mentioned among the primary reasons of major financial crises (Langley 2008; Schularick & Taylor 2012), and a potential solutions for encouraging responsible consumer behaviour and predicting potential risks of over-indebtedness have been discussed, for instance consumer education (Baumann & Hall 2012), increasing financial literacy (Gathergood 2012) or evaluating consumer meaning patterns (Peñaloza & Barnhart 2011).

It has been argued that socially excluded groups are particularly vulnerable to over-indebtedness (Patel et al. 2012) and some authors (e.g. Williams 2007) condemn the practice of blaming irresponsible consumers for financial crises, arguing that the praise of consumer education, financial literacy and empowerment shifts the focus from financial institutions and puts consumers at the centre of a problem. However, a number of studies showed that increasing levels of financial literacy indeed help in lowering levels of consumer debt (Huhmann & McQuitty 2009; Gathergood 2012; West 2012; Sevim et al. 2012; Disney & Gathergood 2013; Jappelli & Padula 2013).

Recently, sociocultural-oriented consumer research studies started ascribing more agency to consumers, transcending their perception as impotent reactors who can be manipulated into desirable or undesirable consumption patterns by financial institutions and governments. Cook, Smith and Searle (2009) argued against the dominant metaphor of "duped debtor" in the financial consumption literature and showed how consumers can be actively engaged in the financialization of domestic space through exploration of flexible options of their mortgages. Bernthal, Crocket and Rose (2005) demonstrated how credit card practices can be either used to facilitate overlapping lifestyle dimensions – achieving lifestyles, where consumers pursue their lifestyle objectives by means of their credit card consumption, or coping lifestyles (debtor's prison) where consumers accumulate increased levels of debt. In order to assert control over the levels of their debt consumers employ a variety of credit card practices, for example credit card shuffling, debt conversion or requesting additional credit. Moreover, while dealing with debt, consumers learn from their direct experience (Peñaloza & Barnhart 2011), being able to distinguish good debt (i.e. the debt that can potentially generate returns in future) from bad debt (transient expenses).

Relationships between consumers and financial institutions

In the extremely competitive financial services industry consumption revolves around regular transactions between customers and service providers over extended period of time (McKechnie 1992). Therefore, long-term profitable relationships with customers become a key driver of success. The majority of research on this matter assumes linear trajectory of consumer-bank relationship development that begins with customer first opening a student savings account, then taking a next step opening a credit account and finally arriving to procure home loans and complex financial instruments once they have stable income and improve their financial situation (Bell et al. 2005). It is argued that as the time passes, the longer customers hold their accounts with the same bank and the higher are their personal assets, they become less price-sensitive and prioritize long-term relationships over service fees in evaluation of their service experiences (Levesque & McDougall 1996; Lee & Marlowe 2003).

In the financial services industry building strong relationships can be quite a challenge, as often customers tend not to perceive significant differences between financial services providers (Howcroft et al. 2007) and there is a blurred distinction between the brand and the company (Aggarwal 2004; Farquhar 2011). While de Chernatony (1999) claimed that brand culture might be important for financial services, empirical studies repeatedly indicated that consumers primarily rely on convenience- and price-related factors over brand image or affective components while establishing (Foxall & Pallister 1998; Lee & Marlowe 2003; Petruzzellis et al. 2010), maintaining (Bell et al. 2005; Çalık & Balta 2006; Roig 2013), or deciding to terminate the relationship (Panther & Farquhar 2004; Lam et al. 2009) with their financial service provider.

While the word "relationships" is widely used in the literature, in fact, the body of knowledge on consumer-bank relationships is currently dominated by survey studies that explore antecedents of customer loyalty. That is, the main focus of consumer-bank relationships research is not on relationships as an ongoing interactive process, but rather on relationship outcomes.

Antecedents of customer loyalty in financial services

Customer loyalty is believed to be key element of maintaining successful relationships in the financial services industry. While there exists a multitude of loyalty definitions and researchers keep on coming up with new ones regularly, it been often defined in terms of customer's intent to stay with the same financial services organization (Eisingerich & Bell 2006), or a commitment to make repeat purchases with the same service provider (Oliver 1999). Beerli, Martin and Quintana (2004) suggested a distinction between 1) loyalty based on inertia, where customers stay with the same service provider out of habit and would not hesitate to switch to another one provided there is a convenient reason for it, and 2) true brand loyalty, which can be described as a conscious repeat purchasing behaviour accompanied with positive attitude and high degree of commitment to the brand. Other distinctions distinguish behavioural loyalty from attitudinal loyalty, as well as cognitive and affective loyalty aspects (for detailed review see Lewis & Soureli 2006).

Research has shown that in financial services industry customers tend to lack in emotional attachment to their banks, primarily associating loyalty with the value they get from their bank and being willing to switch to other service providers in case they find better rates and conditions (Lewis & Soureli 2006). Another common occurrence in the financial services industry is polygamous customer loyalty, when customers simultaneously maintain relationships with different financial service providers, as empirical evidence suggests that many prefer to use the services of different banks at the same time (Çalık & Balta 2006; Lam et al. 2009; Cooil et al. 2007; Keisidou 2013; O'Loughlin & Szmigin 2006; Elsharnouby & Parsons 2010).

It has been argued that customer satisfaction is one of the most important antecedents of customer loyalty in the financial services (Nguyen & LeBlanc 1998; Beerli et al. 2004). A number of studies has tried to identify the determinants of customer satisfaction, citing competitive interest rates, core performance, service quality, convenience, fair service, trust, employee behaviour and consumer demographics among key satisfaction antecedents (Levesque & McDougall 1996; Cooil et al. 2007; Chen et al. 2012; Kaura 2013; Keisidou 2013; Seiler et al. 2013). Switching costs and convenience-related factors are the second most mentioned determinant of customer loyalty, as indicated in the literature. In fact, sometimes convenience trumps satisfaction as the loyalty determinant, when dissatisfied customers prefer to stay with the bank in order to avoid the hassle of switching service providers (Panther & Farquhar 2004).

Functional benefits of service such as service quality, time required to process applications, money savings, simplicity and convenience, as well as emotional benefits (feelings and emotions generated by the products, social bonds with service providers and social approval) (Lam et al. 2009; Roig 2013) can also influence the degree of customer loyalty. It is generally believed that, while functional benefits dominate as loyalty determinants in the financial services, emotional benefits should be also taken into account while explaining customer's decision to make a repeat purchase versus switching the service provider.

The length of relationship with the service provider is another suggested loyalty antecedent. It has been claimed, that the customers who stayed with the same bank for the longer periods of time are less likely to switch (Panther & Farquhar 2004; Çalık & Balta 2006), which has been attributed to the fact that their share of wallet in the given bank is higher, and it would be too inconvenient to change the service provider at this point (Lam et al. 2009). According to Eisingerich and Bell (2006, p.90), customer education, defined as "financial adviser's willingness to explain financial concepts and the pros and cons of recommended investment opportunities to their clients", can also have a positive influence on increasing consumer loyalty by encouraging customer participation, defined as "client's willingness to make constructive suggestions to the firm on how to improve its service offerings". Other possible antecedents of customer loyalty, quoted in the literature, include corporate social responsibility and price fairness (Matute-Vallejo et al. 2011) and customer demographic factors (Çalık & Balta 2006; Seiler et al. 2013). It has been argued, that customer loyalty can be measured by the share of wallet (Cooil et al. 2007; Lam et al. 2009), defined by a share of purchases in the category (Jones & Sasser 1995).

A small number of studies attempted to take a broader view of relationships, examining different forms of interactions between customers and their banks, using in-depth research methods (O'Loughlin & Szmigin 2006; Elsharnouby & Parsons 2010). Their findings mostly support the conclusion that loyalty to financial service providers is fundamentally convenience-based and that customers show a notable lack of involvement in the financial services as a whole, while at times they might show positive attitudes to particular staff members. It is important to note though, that findings can differ tremendously between studies conducted in different cultural contexts. The study of retail banking customers in Ireland showed that customer experience with the bank was mostly transactional and functionally-oriented, as customers treated their financial consumption as everyday necessity or means to the end, perceiving little differences between different suppliers and not willing to build any relationships with their service providers beyond merely opportunistic ones (O'Loughlin & Szmigin 2006). In the context of Egyptian financial services, however, researchers have found that some customers can show affective commitment to bank personnel to a certain degree (Elsharnouby & Parsons 2010).

Sociocultural aspects of financial consumption

It has been argued that our lives have become closely connected with the financial world (Cobb 2003; Langley 2007). The wish to control future uncertainties by taking responsibility for building personal wealth engaged a large number of individuals in a number of investment activities and attempts to improve the financial literacy of themselves and their families. This trend towards integrating the world of finance in the everyday lives of consumers came to be known as the financialization of daily life (Martin 2002).

Financial institutions have played an important facilitating role in the growth of consumer society. The financial globalization, the rise of the offshore trade and the internationalization of the stock trade has spread the influence of financialization worldwide (Aitken 2003; Cobb 2003). The participation of individuals and households in stock markets has been rapidly growing in many countries (Aspara 2009). The redefinition of family home as an object of speculation and credit, has further involved the domestic life of the households in the financial activities (Martin 2002; Cook et al. 2009). Some consumers are even taking a step forward from individual consumption, taking up the role of co-producers of local community banks (Cutcher 2010).

In modern world consumption cannot be studied outside of its relationship with culture (McCracken 1986), and different, sometimes contradicting results of financial service consumption studies coming from different cultural contexts seem to illustrate this idea very well. Researchers have long argued that macro-structural accounts of financial and economic research need to be analysed at the level of everyday practices of the daily life and culture (Aitken 2003; Bernthal et al. 2005). However, the field of financial consumption studies has yet to transcend its almost exclusive focus on individual factors that determine financial consumption and open up to acknowledging broader sociocultural dimensions. As studies of cognitive and affective aspects of financial consumption currently dominate the field, its cultural aspects have been significantly under researched, with notable exceptions of several works (Jain & Joy 1997; Bernthal et al. 2005; Henry 2005; Cook et al. 2009; Peñaloza & Barnhart 2011).

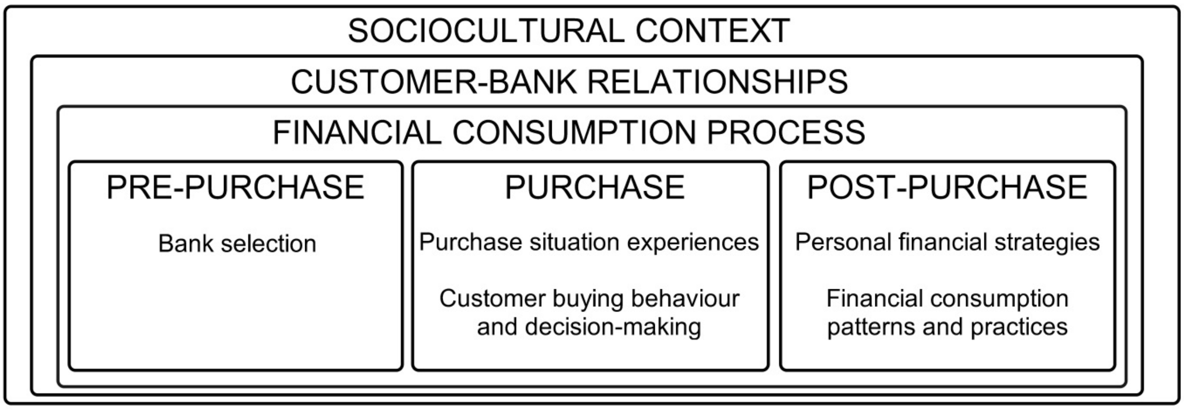
A number of contributions point us to the importance of embracing the sociocultural perspective and the need of further studies in this direction. For instance financial consumption decisions and choice of banks can be affected not only by income levels, but also by consumer ethnicity (Burton 1996), religious preferences (Jain & Joy 1997; Sayani & Miniaoui 2013) and social class (Henry 2005), and there are even differences in buying behaviours between customers of national and local banks in the US (Kaynak & Harcar 2005). The relationships between customers and banks can also vary greatly in different cultural contexts (O'Loughlin & Szmigin 2006; Elsharnouby & Parsons 2010). As the banks are slowly shifting towards providing tailored options to their customers (Shanmuganthaan et al. 2004), sociocultural context of financial consumption can no longer be ignored. In the next section the reviewed literature is summarized into a multidimensional conceptual framework of financial consumption that includes its cultural aspects as well as different stages of consumption process and consumer relationships with their banks.

Discussion and conclusion: conceptual framework and suggestions for future research

This work revisited the last two decades of literature on financial consumption, presenting the author's conceptualization of consumption of financial services as a multidimensional phenomenon that encompasses customer relationships with their service providers, the different stages of consumption process pre-, during- and post- purchase, and that is inherently connected with and occurs within the broader sociocultural context. The visual representation of the suggested conceptual framework is shown in Figure 1.

This framework is based on the review of literature covering a range of subjects related to different aspects of financial consumption in an attempt to capture the bigger picture of financial consumption process in its different manifestations. While some of the subjects, like customer loyalty or customer decision making, have been extensively covered in the literature, other subjects, particularly related to sociocultural aspects of financial services consumption, have been significantly under researched. Future research could address this imbalance by addressing a number of questions that post financial consumption within sociocultural context. Some suggestions for future research are provided below.

Figure 1. Conceptual framework of financial consumption



Embracing globalization and the emergence of new consumer groups

As distant localities become linked with each other, intensifying social relations (Giddens 1990), financial services industry is striving to keep up with challenges of globalization. Banks are trying to actively participate in the globalization processes by interacting with consumers with the help of internet-based technologies and complex financial instruments (Wilson et al. 2010; Beaverstock et al. 2011). However, existing research on financial services consumption does not adequately grasp the globalization tendency regarding consumer financial practices and relationships with their financial service providers, as most of the studies adopt a sedentarist perspective, assuming that consumers remain grounded in a local context along the course of their lifetime. In the globalizing world where the flow of people and information is changing consumer landscape (Sheller & Urry 2006), more and more consumers are travelling for personal or business purposes and have simultaneous relationships with different banks (Lam et al. 2009), it is important to take consumer relocation into account when developing a theory of financial consumption.

Moreover, new consumer groups emerge as the global flows of culture and labour result in increasing number of transnational migrants and professionals (Appadurai 1988; Bauman 2000; Sheller & Urry 2006; Bardhi et al. 2012). Do they exhibit the same financial consumption and service relationships patterns as local consumers, and will the marketing strategies tailored for particular national cultures work on them, or are they carriers of universal culture (Leung et al. 2005) that financial consumption researchers have yet to explore?

Acculturation to financial services in different countries

Another interesting research opportunity is exploration of processes of consumer acculturation to the financial services contexts. The concept of consumer acculturation, reflecting the processes of movement and adaptation of individuals to a new consumer cultural environment has been first introduced by Peñaloza (1994) in her study of Mexican immigrants in the U.S. This process occurred in three stages: a movement to a new country was followed by processes of translation while adapting to the new country's language, currency and social relations, and finally adaptation to the new environment. The following consumer acculturation outcomes included assimilation, maintenance, resistance and segregation. The assimilation occurred when informants adopted new products and services, characteristic to the new culture, however at the same time they also managed to maintain their own cultural aspects. The pressure to change sometimes caused the informants to resist the pulls of competing cultures and, finally, some of the informants were segregated from the dominant culture by means of geographical location. Differences in acculturation outcomes can be used as explanations for different consumption patterns. One interesting research direction for acculturation informed financial consumption study is a study of consumption habits of different consumer groups, for instance, financial consumption of globally mobile consumers – professionals, free movers and ethnic immigrants in different countries and the issues of culture-specific consumption patterns, consumer adaptation to new service environments. Of particular interest are the ways in which these consumer groups acculturate to financial services in different countries and the trust issues that arise between the immigrants and the local service providers (Peñaloza 1994; Jain & Joy 1997; Peñaloza & Gilly 1999; Chai et al. 2012; Chai & Dibb 2014; Bardhi et al. 2012; Figueiredo & Uncles 2014).

Towards a broader view of relationships

In the relationships domain, a potential opportunity for future research can lay in going beyond the exploration of consumer attitudes towards acquiring a broader view of relationship as a whole. More in-depth qualitative inquiries guided by the focus on consumer practices can provide a viable alternative to the exclusive focus on loyalty aspects of relationships in order to understand how service relationships unfold, evolve and disintegrate. Taking consumer mobility into consideration can also provide us with interesting areas of exploration. How do consumers maintain relationships with their financial services providers in many different countries? And can we still assume the linear development of relationships between consumers and their banks, when a consumer acquires the first checking account in their student years and then stays with the same bank, acquiring more and more services as their income grows? And what happens when consumers build new service relationships in a new country or several new countries, as is the case with transnational professionals? How do they navigate cultural norms of financial consumption while dealing with banks in different countries simultaneously? In the era of instantaneous and short-term relationships (Bauman 2000; Urry 2000), can we still rely on old models of customer loyalty in financial institutions? Or are there new varieties of customer loyalty that emerge in the mobility context? Are mobile consumers responsive to the same satisfaction determinants as local consumers?

Service encounters

In the context of study of consumption of financial services we need to study new ways of services encounters. A stream of research has examined factors influencing the adoption of new technologies in financial services among local consumers, however, now it’s time to take a step further and see what is going on after the adoption process, particularly how these technologies are being used on the everyday level. How do consumers use internet and mobile banking in order to consume services, make financial transaction or navigate relationships with their financial services providers? Are new ways of virtual consumption emerging as an alternative to heaviness and solidity of brick-and-mortar service experiences?

From attitudes to practices

The attitudinal focus of the majority of current studies in the financial services literature sets limits to our knowledge of the cultural influences on processes of consumption. We know how consumers think or feel about their banks but our knowledge of what is going on after the purchase event is currently limited. Ìn order to gain broader understanding of contextual factors and social processes that may affect this variety of empirical contributions we need to abandon the exclusive focus on cognitive and affective aspects of consumption in order to understand what consumers actually do with their finances. More focus on financial consumption practices by individuals can provide us with understanding of what happens after the financial service have been acquired and how the globalized financial reality is lived by individuals on an everyday level (Aitken 2003). It has been argued that consumer expertise in dealing with financial services can affect their satisfaction levels (Jamal & Naser 2002; Bell et al. 2005). An interesting opportunity for future research is to explore how development of consumer financial expertise is related to the demands of the context. Will different consumption contexts require a certain set of consumption practices and related skills, created as an answer to the demands of the environment? And how are financial practices of different consumer groups consumers manifested in their consumption patterns?

The field of financial consumption studies needs a broader understanding of the consumption process that spans beyond the immediacy of purchase situation and issues of customer loyalty. Up until recently it has been mostly dominated by study of individual factors that affect financial consumption choices. The proposed conceptual framework views financial consumption as a complex multidimensional phenomenon that incorporates different stages of the consumption process, relationships between customers and their service providers as well as the broader sociocultural context, calling for attention to sociocultural aspects of financial consumption and providing suggestions for future research. It calls for attention to the bigger picture – not only what and how consumers buy and whether they make repeat purchases or not, but how they use the purchased financial products and services, how they build and maintain relationships with their financial service providers, and finally what are the broader sociocultural influences on the financial service consumption.

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