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Published in:
Journal of Financial Services Marketing

DOI:
<https://doi.org/10.1057/fsm.2009.22>

Published: 01/01/2009

Document Version
Peer-reviewed accepted author manuscript, also known as Final accepted manuscript or Post-print

Please cite the original version:
Sunikka, A., & Bragge, J. (2009). Promotional messages in multichannel banking: Attractive or annoying? *Journal of Financial Services Marketing*, 14, 245-263. <https://doi.org/10.1057/fsm.2009.22>

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Anne Sunikka and Johanna Bragge (2009) Promotional Messages in the Multichannel Banking Context. Attractive or Annoying? Journal of Financial Services Marketing, 14(3): 245-263.

Editor: Tina Harrison

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Promotional Messages in Multichannel Banking. Attractive or Annoying?

Abstract

Financial service providers possess a great deal of information about their customers. Customer information is used to serve customers and deliver right messages to right customer groups. Owing to the nature of financial services – that is, the need for credibility, long-term commitment, and involvement of sensitive personal information - the planning and implementation of suitable marketing is extremely important. Financial services are offered through multiple channels; but the electronic channels have increased in importance both for customer acquisition and retention purposes. In addition, electronic channels offer personalization possibilities that did not exist before. In this study, we examine, with the help of electronic focus group interviews, the kind of channels customers prefer when promotional messages include different types of personalization. In addition, the acceptance of promotional messages in the online banking context is explored. The results indicate that the channel preferences of customers diverge depending on the type of personalization used in the message. Furthermore, based on the opinions of customers concerning several authentic online banners, a personalization matrix was developed. The findings show that preference-matching personalization with informative content is accepted by the majority of customers. The article offers financial managers new perspectives on bank marketing in general, and online bank marketing in particular.

Keywords: online banking; multichannel; personalization; marketing messages; electronic focus group

INTRODUCTION

The financial service sector is a prime example of an industry in which multichannel service delivery is the norm rather than an exception. Customers are accustomed to handling their financial affairs (payments, investments, insurances and so on) in branch offices, via call centers or through online bank applications. Lately, mobile banking has also attracted increased attention.¹ Furthermore; in the Nordic countries the high average adoption rate of online banking makes a well-integrated multichannel strategy a necessity. For instance, in our case country, Finland, 83 percent of the population uses the internet, and 72 percent of them conduct online banking, making it the third most popular application on the internet after e-mail usage and searching for information.² In addition, multichannel banking permits personalization without the need for actual face-to-face meeting with customers thus reducing the costs attached to interacting with customers.

Both multichannel and personalization research have emerged fairly recently, and both offer promising opportunities, especially for service delivery and marketing. Multichannel operations offer synergies, as they can result in an increased customer base, added revenue, and higher market share.³ The benefits of personalization are also assumed to be many for both marketers and customers. Customized products, services and communication are believed to attract customer attention and foster customer loyalty and lock-in⁴, and serve as protection against the commoditization of the offering.⁵

The aim of our research is to uncover consumers' perceptions about the acceptability of personalized promotional messages delivered through different channels, and especially in the online banking context. We carried out computer-mediated focus group interviews with 53 customers, and drew conclusions as to what kind of messages might attract positive attention at an online bank. Our study has two main contributions. We first present exploratory results of customers' channel preferences regarding personalized promotional messages. Two types of personalization, preference-matching content (PMC) and self-referent information (SRI), are used in the scenarios. Second, we shed light on several aspects of acceptance of personalized messages in the online banking context, and present a two-dimensional conceptualization of the acceptance of personalized messages. The use of personal information in the messages is, on the one hand, very tempting and increases the attention that consumers pay to promotional messages. On the other hand, when designed poorly, messages annoy and might actually be commercially harmful to the sender of the messages.

This article is organized as follows. We first review the previous literature on multichannel and personalization research focusing on financial services, and present the various theoretical frameworks that have guided our study. Thereafter, we describe the methodology of the study. In the fourth section, the results are presented. In the discussion and conclusions section, the theoretical and practical implications of the findings are discussed and the limitations of the study and the potential for future research are considered.

PREVIOUS RESEARCH AND THEORETICAL FRAMEWORK

Multichannel research

Multichannel research is a fairly recent research area. The research interest has intensified along the proliferation of electronic channels. Sousa and Voss⁶ define *multichannel service* as a service composed of physical and/or virtual components that are delivered through two or more channels. Rangaswamy and Van Bruggen⁷ refer to customers who use more than one channel to interact with firms as multichannel customers, and marketing strategies to reach such customers as multichannel marketing. According to Neslin et al.⁸, the main determinants of customer channel choice can be divided into five groups: *marketing efforts*⁴, *channel attributes*⁹, *channel integration*^{10,11}, *social influence and situational factors*^{10,12} and *individual differences*.^{12,13} In addition, the *task characteristics* of goal-directed or experiential tasks^{14,15} and the *type of products purchased*¹⁶ may influence the channel choice.

Multichannel research has expanded substantially at the beginning of the 21st century; the two most prolific disciplines have been marketing and information systems. Most of the multichannel research deals with the adoption decision relating to a new channel (usually the internet).¹⁷⁻¹⁹ In addition, research into the continued use of electronic channels has increased recently.^{20,21} Research on the use of multiple channels is often empirically oriented, lacking a theoretical frame. However, the social-psychological theories; the Theory of Reasoned Action (TRA)²², the Theory of Planned Behaviour (TPB)²³ and a variation thereof, the Technology Acceptance Model (TAM)²⁴ are commonly employed theoretical frameworks for multichannel research.^{18,21,25} A keen area of research is the impact of multichannel usage on the structure and profitability of companies²⁶⁻²⁹, and on the satisfaction and loyalty of consumers.³⁰⁻³² In general, multichannel customers are assumed to be more profitable and loyal than customers who only use one channel.^{28,29} According to some studies, channel

choice has no effect on the satisfaction or loyalty of customers³³ because, in the multichannel environment, a high quality online service is regarded as self-evident.³⁴

However, relatively little research has been conducted that compares the effectiveness and acceptability of promotional messages delivered through different channels, apart from research where communication has not been the main focus.^{26,28,32} Greenyer³⁵ compared the attention span of consumers in major European economies towards different communication forms and found that consumers gave greater attention to print than to online communications. Shannon³⁶ investigated direct marketing of financial services companies and concluded that the main difficulties for the efficient use of direct marketing are stringent regulations within the industry and the legacy of outdated corporate cultures. Korkeamäki et al.³⁷ examined the effect of advertising on mutual fund cash flows in the Finnish fund market and reported that advertising in newspapers and online (the so called non-perishable sources) significantly affects cash flows. On the other hand, Brady et al.³⁸ found out that intrinsic brand cues (derived directly from the product, that is media reviews, objective product rankings and national reputation) are important for highly intangible services, like mutual funds. More tangible services are characterized by the importance of extrinsic cues (aspects that surround the product, that is personal referrals, price and advertising). In summary, the research into communication in multiple channels presents a rather anecdotal and contradictory picture.

Implied social contract framework

Despite increased research interest, it is difficult to develop a unified theory of multichannel use because multichannel behaviour is context-specific. These specific contexts tend to present unique requirements for the acceptance of certain channels, or tasks conducted in certain channels. For example, compared with the promotional communication of consumer goods, the communication of services that are based on credence attributes³⁹, such as financial services, probably require different types of message. Consumers might expect fairly conservative persuasion; assuming that they conceptualize marketing messages from an online bank as an implied social contract between the service provider and the customer, that is, accepting persuasive messages for certain benefits. Milne and Gordon⁴⁰ used an implied social contract framework to investigate the trade-offs between the acceptance of direct mail and privacy, and Gordon and Lima-Turner⁴¹ examined consumer attitudes towards internet

advertising with a similar framework. According to Milne and Gordon⁴⁰, when exchanges involve the promise of future benefits, they can be viewed as contracts that take place on a continuum from *discrete* (single transaction between unrelated parties) to *relational* (relationship between the actors). The social contract perspective emphasizes the role of norms in governing behaviour. According to Ivens and Blois⁴², the existence of norms simply allows those involved in exchanges to do so without having to think out exactly the terms of an exchange at each point in time and in each instance. In this article we are interested in uncovering whether promotional messages in the online banking context are acceptable and conform to the expectations of a typical bank customer.

Personalization

Personalization research has gained in popularity during the past ten years – the four-fold increase in the number of articles written on the subject is a clear evidence of this.⁴³ One of the most comprehensive conceptualizations of personalization is introduced by Fan and Poole,⁴⁴ according to which personalization can be conducted either by the *system* (implicit), or by the *user* (explicit). The object of personalization can be the *content*, *user interface*, *functionality* or *channel*. Furthermore, the framework makes a distinction between whether personalization is directed to individuals (individuated) or to groups of individuals (categorized). This is important because personalization targeted to an individual requires much more computing power. The authors prefer the terms *one-to-one personalization* (rather than individuated) and *mass-personalization* (rather than categorized). Studies on personalization of financial services and products is scarce, however there are a few exceptions⁴⁵⁻⁴⁷, but none of these concentrate on the online promotion of financial offerings. Our study is, as far as we know, the first to focus on personalized messages in the online banking context.

The focus of this paper is on two types of personalization; self-referent personalization and preference-matching personalization. According to Kircher et al.⁴⁸, the processing of *self-relevant information* is distinct from processing objective information, and users pay more attention to self-referent web content than they do to non-self-referent content.⁴⁹ It is common practice in personalization to include cues that draw the attention of the recipient in the promotional message (for example the name of the recipient, other personal information or past experience of the user). *Preference-matching personalization* refers to the relevant

content that matches the tastes and preferences of the user. Advanced information technologies such as collaborative filtering, data mining and click-stream analysis allows companies to provide the right content in the right format to the right person at the right time.⁴⁹ When preference personalization is used, customers may only notice that the message is personalized to them by the fact that the message content suits their situation in life, or that it promotes close variants of products (for example books) that the consumer has recently purchased.

Consumers' mindset

The extent of elaboration that customers typically award to promotional messages at an online bank is challenging to determine. According to Petty and Cacioppo's Elaboration Likelihood Model (ELM),⁵⁰ which explains how persuasive messages influence attitude change, personalization is expected to lead to a thorough processing of messages. However, the online banking context is believed to be characterized by customers' goal-directed mindset.^{51, 52} Mindsets represent cognitive orientations associated with certain thinking patterns and specific modes of information processing.⁵¹ The *deliberative mindset* leads to an accurate and impartial analysis of information and is associated with open-mindedness, whereas the *implemental mind-set* promotes an optimistic and partial analysis of information and is characterised by closed-mindedness. The major factor that determines mind-set formation on the internet is the goal that a consumer has in mind when visiting a site⁵³. For example, Pagendam and Schaumburg⁵⁴ found that consumers with different mindsets have different levels of recall for banner advertisements. In addition, Wolfinbarger and Gilly⁵⁵ have shown that consumers with goal-oriented (implemental) and exploratory (deliberative) mindsets have different buying intentions. Sääksjärvi and Gratiana⁵⁶ reported that consumers in implemental mindsets do not wish to receive promotional messages, and personalization of messages for such customers would thus be a waste of time and resources. As consumers are assumed to be in a goal-directed mindset when accessing the online bank, we wished to examine how receptive consumers are to personalized messages.

RESEARCH METHODOLOGY AND DATA ANALYSIS

Method

We chose to employ computer-mediated focus group interviews^{57,58} in the same-time same-place mode⁵⁹ as the data gathering method. This interview mode allows the general instructions to be given verbally, but as each focus group participant responds by computer, they can answer electronically to the questions presented by the researchers, and also easily comment on each others' thoughts without waiting for their turn to speak. We utilized a Group Support System (GSS) known as GroupSystems® MeetingRoom, which has been designed to support teamwork and group decision making⁵⁹, but which can equally well be used for carrying out focus group interviews or discussions.^{58,60,61} A typical GSS setting consists of 10 - 25 networked computers in the same room, however, the developments of the internet have also enabled GSS meetings to be held virtually at different places and even at different times. The utilization of different computer-mediated systems in qualitative marketing and consumer research has been steadily increasing, see e.g. the studies by Montoya-Weiss et al., and O'Connor and Madge.^{62,63}

GSS was originally designed by Management Information Systems researchers to alleviate the common process problems caused by group work⁵⁹. These process problems result from, for example, the need to wait for one's own turn to speak, or the dominance of one or a few participants in the group. The strengths of computer-mediated GSS-sessions are built on (1) the simultaneous and anonymous contribution via computer, (2) a structured and prebuilt agenda, (3) the potential for real-time voting and multi-criteria analysis, (4) group memory in the form of written communication during and after the sessions, and (5) a complete set of records of the electronic discussions. Because of the anonymity of the contributions, shy or reserved participants can also take part in the discussions more actively than usual, making participation more equal. Moreover, the comments are judged on their own merit and not on the basis of who has presented them.

The computer-mediated focus group interview mode that we utilised can to some extent be seen as an intermediate form between traditional face-to-face and virtual focus groups.^{58,61} Some of the strengths of the method compared to traditional oral interviews are, for example, their efficiency (enabling larger group sizes, simultaneous communication, and automated reporting), digital group memory in the form of written discussion that helps to recall what the others have said both during and after the sessions, as well as the potential for anonymous

contribution. The advantages compared to a completely virtual implementation are the possibilities to ask for questions, to interact verbally, as well as to present confidential or physical support material during the sessions. The weaknesses of the method compared to traditional groups is that there is the lack of body language and facial expressions because the participants are mainly interacting with their computers, there is a need for special premises and technical expertise, and possible technical problems can undermine the considerable efforts to arrange the GSS session. Compared to fully virtual discussions, the computer-mediated same-place settings place restrictions on the participants' geographical recruiting and can be more expensive with respect to travelling expenses and venue costs.^{58,60,61}

Design

The research data was collected in September 2006 in collaboration with a Finnish financial conglomerate. The study comprised four electronic focus group sessions, each lasting 2.5 hours, with 11 - 14 participants in each group. Each session was administered by the same three researchers, one of them acting as the main facilitator responsible for the technology and overall conduct of the meeting. The interviewees were individually posed a small set of related questions at a time, and they were allowed to answer them in the order they wished, before the facilitator let them proceed to the next bundle of questions. Similar to an internet discussion board, the interviewees were able to view each others' answers as soon as they were submitted to the system, and the participants were also allowed to comment on others' answers or to further deliberate on their own responses.

We opted to carry out the sessions anonymously, it was thus neither possible to group the comments of a single participant, nor to associate individual comments with their background demographics. After each session ended, all the answers and comments were immediately available in writing through the benefit of the automated reporting function of the GSS tool.

Subjects

Altogether 53 persons participated in our focus group interviews. The bank that collaborated in the study provided a sample of customer details to a professional marketing company and commissioned it to recruit customers to take part in the focus group interviews. The participants were randomly selected from the three main customer segments of the bank: mortgage borrowers, investors and "active-rationals", that is, those customers who actively

use online banking, and particularly various rational tools, e.g. calculators available at the bank's website. In addition, a pilot group was employed to test the questions and the procedure, and it consisted of 14 students of the largest business university in Finland. However, 10 of the 14 students were also customers of the bank in question. We named the pilot group as the student group. In total, 49 of the 53 participants were genuine customers of the bank.

As the customers were familiar with transactional online environments, we knew in advance that they had the prerequisites for using computers as the interview media, and they could draw on their own experiences when inquired about online services. Thirty (57 %) of the participants were female and 23 (43 %) were male; all were between the ages of 21 and 49; most of the interviewees (55 %) were 20 to 34 year old. The average age of the bank's customers at that time was 43, and females represented 49 % of the whole customer population. The sample was thus slightly biased to females and younger customers. Occupationally, the main group was office employees. The majority of the interviewees used the internet daily (87 %). The respondents estimated that they can use the internet fairly well (an average of 8.34 with a Finnish school grade scale from 4 as the lowest, to 10 as the highest grade). See Appendix A for further customer details.

Interview scheme and data analysis

The questions and promotional messages were chosen in collaboration with the research team of the bank. The main themes of the focus group interviews were privacy and personalization in general and personalization in bank marketing in particular. We aimed to explore whether personal information (that is SRI) in promotional messages would receive greater attention than messages with no SRI. The type of self-referent information in the messages varied from neutral to sensitive, and we were interested in hearing the reactions of customers to different types of SRI. The messages were personalized using either the first or both of the following personalization approaches: i) *preference-matching*; messages were targeted to the correct segment (mortgage borrowers, investors, or active users of the online bank), and ii) *self-referent personalization*; there was personal information about the recipient in the messages (balance of the bank account, information on credit card usage and so on). In addition to case scenario questions, 11 different promotional messages were shown to the focus group participants. Appendix B presents sample questions and promotional messages shown during

the focus groups. The study was conducted in Finnish, and has subsequently been freely translated into English.

We first asked the focus group participants to imagine the following scenario: The bank with which the customers have a relationship sends them a message promoting a high-yielding mutual trust; this message is delivered through different channels. Furthermore, we asked the participants to imagine that they had 10.000 euros in their account and that they had searched for a high-yielding investment instrument for that amount for some time. We explored how the bank customers perceived messages that were personalized in different ways: the first message contained *PMC*; it offered a product that suited the situation of the customer. The second message included additional *SRI*; it included a remark relating to the amount of funds that the customer had in their bank account. Below is the exact wording of the messages.

Message 1) Preference-matching content (PMC): Invest in our high-yielding x-fund. The fees of the first two months are 0 € for all mutual fund investments. If you invest now, you will also be entered in a raffle of 1.000 €.

Message 2) Self-referent information (SRI): Invest the **10.000 € in your account** in our high-yielding x-fund. The fees of the first two months are 0 € for all mutual fund investments. If you invest now, you will also be entered in a raffle of 1.000 €.

The interviewees were asked to justify, in their own words, which channel they find the most suitable and the least suitable for the preference-matching and for the self-referent personalized messages. The channel options given were traditional direct mail, phone call from the bank's call centre, normal e-mail or e-mail functionality that is embedded in the online bank, and thus needs online bank authentication in order to be accessed. We did not examine a personal face-to-face interaction with a sales representative, even though we recognize the importance of personal interaction, especially in cross-selling. However, we were mainly interested in examining how computer-mediated communication compares with traditional mail and telephone marketing. Because we gave the participants the freedom to present justifications for their channel choices in their own words rather than using predetermined set of reasons, we believe that we gained versatile and genuine justifications for their channel choices.

Second, we presented the respondents with 11 different promotional messages in the form of banner advertisements. These banners were presented one-at-a-time using personal booklets composed of glossy color prints, representing several complete screenshots of the authentic

online bank web pages. The respondents were told that the banner messages are situated in the part of the online bank that requires user authentication. In addition, we asked the respondents to imagine that they were in a 'live' context and the personalized information in the messages was directed to them. The personalized content of the messages varied from neutral (for example a reference to not making use of an electronic bank statement) to fairly sensitive (for example reference to the number of years left for mortgage payments or the balance of the bank account).

As data was captured in free response format, the data was preliminary coded at a category level (e.g. all the negative reactions about the use of SRI) after which the categories were divided into sub-categories (negative comments about insensitive use of SRI in general, about SRI and bank marketing not being compatible, about SRI in banners etc.). We used the idea of Elaborated Likelihood model (ELM) by Petty and Cacioppo⁵⁰ in guiding our data analysis. ELM explains why some aspects of persuasive messages influence attitude change, and consequently behavior, in various ways. We thus followed the cues that caught the attention of customers, including their emotional reactions to the messages. However, for reporting purposes, we merged the data into a category-level. The privacy and personalization questions were coded jointly by two researchers whereas one researcher was principally responsible for coding the banner questions.

RESULTS

Perceptions of consumers regarding personalization in different channels

As depicted in the methodology section, we first represented the participants a scenario with two different personalized messages, and asked them to justify which channel (direct mail, phone call, normal e-mail, e-mail functionality at an online bank) they find the most suitable and the least suitable for the messages. Table 1 presents the summary results of the channel preferences and Table 2 lists selected responses that represent the range of justifications the respondents gave for their choices.

Table 1: The most suitable and the least suitable channels for a preference and self-referent personalized messages

| | <u>Preference-matching content (PMC)</u> | | | | <u>Self-referent information (SRI)</u> | | | |
|------------------------|---|---------|------------------------------|---------|---|---------|------------------------------|---------|
| | <i><u>Most suitable</u></i> | | <i><u>Least suitable</u></i> | | <i><u>Most suitable</u></i> | | <i><u>Least suitable</u></i> | |
| | # | % | # | % | # | % | # | % |
| Direct mail | 24 | 42,11 % | 7 | 12,07 % | 16 | 32,00 % | 9 | 21,43 % |
| Phone call | 10 | 17,54 % | 22 | 37,93 % | 10 | 20,00 % | 22 | 52,38 % |
| Normal e-mail | 15 | 26,32 % | 13 | 22,41 % | 2 | 4,00 % | 9 | 21,43 % |
| E-mails at online bank | 8 | 14,04 % | 16 | 27,59 % | 22 | 44,00 % | 2 | 4,76 % |
| Total | 57 | | 58 | | 50 | | 42 | |

The results show that respondents chose direct mail as their most suitable channel for PMC (42 per cent of the responses). For the SRI message, the e-mail functionality at the online bank was selected as the most suitable channel (44 per cent). However, only 14 % of responses regarded this channel as the most suitable for the PMC message. Preferences were thus clearly divergent depending on the degree of personalization. Phone calls were regarded as the least suitable channel for both PMC (38 per cent) and SRI (53 per cent of the responses). In Table 2, the comments relating to themes that occurred most often when consumers reported the channel as either the most suitable or the least suitable are presented.

Table 2: Justifications for channel choices (PMC = preference-matching content, SRI = self-referent information, blank = the statement applies for both types of personalization)

| Channel | Justifications for being the most suitable channel | Justifications for being the least suitable channel |
|----------------|---|--|
| Direct mail | <ul style="list-style-type: none"> - Flexibility with my timetable, I can read it when the time is right and I have time to think - Least irritating (PMC) - Personal alternative (PMC) - Other means of contacting are bad (SRI) - Best because there is personal information involved (SRI) - Good in combination with other channels (SRI) | <ul style="list-style-type: none"> - Too general (PMC) - Goes straight to the garbage can (PMC) - Too personal, information is not suitable for marketing letters (SRI) - Goes straight to the garbage can with my account information because I don't read direct marketing mail (SRI) |
| Phone calls | <ul style="list-style-type: none"> - Possibility to discuss and ask questions - Sensitive information can only be discussed on the phone or in person (SRI) | <ul style="list-style-type: none"> - All selling via the phone is irritating - Phone calls always come at the wrong time - It is impossible to decide on the phone - No way to check where the phone call actually comes from - Phone marketing is not suitable for banks (PMC) |

| | | |
|------------------------|---|---|
| Normal e-mails | <ul style="list-style-type: none"> - Flexibility with my timetable, I can read it when time is right and I have time to think - Easy to delete (PMC) - Environmentally friendly (PMC) - Can easily contact the sender of the e-mail (PMC) - Good in combination with other channels (e.g. phone) (PMC) - it is easier to do nothing (SRI) | <ul style="list-style-type: none"> - The most insecure channel - Not a suitable channel for bank marketing (PMC) - I do not read my e-mail account regularly (PMC) - E-mails goes straight to a spam folder (SRI) - There should be no personal information on an e-mail (SRI) |
| E-mails at online bank | <ul style="list-style-type: none"> - Suitable context for marketing messages since I am already at online bank - I read the messages if there are not too many of them (SRI) - Safe channel for personal messages, I don't have to think about the origin of the message (SRI) - Easy to delete (SRI) | <ul style="list-style-type: none"> - I don't read messages at the online bank |

Even though the customers' channel choices are relatively similar for both PMC and SRI - for example, direct mail was regarded as a suitable channel for both promotional messages types (42 per cent and 32 per cent of the responses) - some of the justifications for channel choices diverged. Direct mail was considered the most flexible and the least irritating method of promotion. For SRI, direct mail was preferred by some respondents as the message contained sensitive information; other respondents rejected direct mail for the same reason. Phone calls were considered as the least suitable method for marketing bank products with both types of personalization (38 per cent and 52 per cent of the responses). In addition, security concerns were raised because consumers are unable to guarantee the authenticity of the caller. The opinions concerning normal e-mails were divided – on the one hand, they were considered a flexible way of contacting customers; on the other, normal e-mail was considered as the most insecure method of making contact with customers. The greatest difference in opinions was with the e-mail functionality embedded at the online bank. The customers commented that they are not in the habit of reading the messages as their content is usually trivial. For SRI, consumers emphasized the sensitive nature of the information and the suitability of the channel for promotional messages – the e-mail application at online bank was considered the most suitable by 44 per cent of the responses.

Furthermore, the respondents spontaneously mentioned the possibility of multichannel marketing - the combination of several channels for promotional marketing - particularly normal e-mail and phone calls in this case. One respondent noted that the e-mail functionality at an online bank is an excellent channel for consumers to make contact with the bank, but not

the other way round. The consumers thus provided evidence for an active consumer⁶⁴, a consumer who prefers taking the initiative in the customer - service provider relationship, rather than being a passive recipient of promotional messages. Some consumers referred to personal interaction with bank personnel, and stated that if they had received information about a new fund when visiting a bank branch, they would have considered it as a service. However, when the same content is delivered through any other channel, it is perceived as push marketing. It seems that interpersonal communication permits different content than messages delivered through other channels.

It should be noted that more responses were given to PMC than SRI. We asked the customers to indicate only one channel as the most and least suitable channel. If each customer had responded once, there would have been 53 answers in each column in Table 2; however, the number ranged from 42 to 58. We speculate that this was because the order of preference-matching and self-referent messages was not changed, and customers might have felt that they had already answered the question when they had answered the PMC questions. However, we do not believe that this distorted the final results.

Consumers' perceptions about promotional messages at online bank

Several promotional messages in the form of banner advertisements were shown to the respondents who commented about different elements of the messages. The content of the messages varied from neutral (for example reference to the lack of the electronic bank statement) to fairly sensitive (for example to the number of years of mortgage payments remaining, or the balance of the bank account). Appendix B presents examples of the messages that were shown to the consumers in a banner format.

The focus group participants quickly drew conclusions about whether the messages shown to them represented information or advertising content. Messages with typical advertisement pictures (attractive young people or stunning scenery) were perceived as aiming at selling rather than informing. Message texts received rather negative feedback; for example "*The customer should not be considered stupid by asking, 'have your thought...?'*" (investor group) and "*Overly aggressive messages and imperatives won't do in the messages*" (student group). However, some customers commented that the question-format was the cue that got their attention "*...when a question-format is used, it makes customers think*" (active-rational group).

Furthermore, self-referent personalization attracted attention, but often quite negative attention. As the messages were deliberately planned to also include sensitive SRI in order to determine the boundaries of what is accepted by the customers, the customers' desire to be left alone (one aspect of privacy) was mentioned often. Customers commented: *"Once again a too pushy ad. Keep this away from me. I am just paying bills"* (student group) and *"Monetary affairs are private, and I don't want to be told what to do unless I have asked for the advice myself"* (investor group). However, there were some customers who stated that they liked this kind of advertising and were interested in receiving messages about *"anything that might be beneficial for me"* (investor group). In addition, they stated that *"the message is quite personal, but that was what caught my attention"* (investor group). Nevertheless, the majority of customers disliked the use of sensitive SRI and perceived it as improper for banks to employ this approach. The use of SRI seems to be a double-edged sword; on one hand, a majority of customers do not find it acceptable. However, on the other hand, if self-referent information is not used, customers might find the texts *"boring and full of typical marketing rhetoric"* (active-rational group). Despite negative comments, almost all participants stated that they would prefer targeted messages to general ones, but the self-referent information must not occupy too prominent a status in the messages, rather it should be in the background. This view lends support to Tam and Ho,⁴⁹ who found that if used excessively, SRI is not an efficient method of attracting attention.

In addition to commenting directly about the characteristics of the messages, customers also stated their opinion about the online bank as the platform for promotional messages. The main negative comments were due to the breaking of the expected⁴² and "typical" behaviour of banks. The key behavioural expectations in the form of representative quotations are listed below.

Table 3: Key expectations of customers regarding bank marketing

| Expectation | Exemplary quote |
|--|--|
| Advertisements should not be placed on the online bank | <i>"After I have authenticated myself, I don't want to see any ads. I am quite happy to find out about products and services on the normal website."</i> (student group) |
| Only reliable, objective and relevant messages are acceptable | <i>"I am much more conservative when it comes to banking than to other online retailers."</i> (active-rational group) |
| Discreet use of self-referent information is permitted in promotional messages | <i>"Personalized messages are acceptable as long as personal account information is not used in the ads."</i> (active-rational group) |

Most of the participants expected that the authenticated part of the bank's website contains tools that help customers conduct their monetary affairs as quickly and efficiently as possible. If there are promotional messages on the website, they are expected to be objective, relevant, reliable, and more conservative than on other websites.

Based on the perception of customers regarding banner messages, we developed a quadrant matrix relating to the acceptability of personalized marketing messages in the online banking context. The vertical dimension is composed of two types of personalization: PMC and SRI. SRI messages also include preference-matching content. The horizontal dimension of the matrix was determined through the analysis of customer comments that referred to advertising or informative content. Even though presented as a dichotomy, this dimension is a continuum, because messages often have both advertising and informative elements. Awad and Krishnan⁶⁴ also found that consumers made a distinction between personalized service and advertising.

We derived customers' perceptions regarding the messages after analyzing the responses to all messages. In addition, we explicitly asked at the end the sessions whether customers perceived the messages as advertisements or as informative customer service, and what kind of personalized messages would be appealing for them. Only the electronic bank statement message (Your bank account does not yet have an electronic bank statement) was clearly perceived as customer service and other messages were predominantly perceived as advertising. We first present representative examples of the customer comments that guided the construction of the matrix in Table 4, and thereafter Figure 1 depicts the personalization matrix relating to how customers perceived the messages.

Table 4: Customers' comments concerning the personalized messages

| | |
|---|---|
| 1. Advertising content with self-referent information | |
| The monthly payment on your mortgage is 900 €. Why don't you reduce the amount? | <i>"It is aggressive if my personal information is connected to direct marketing. The marketing message would be good without the reference to my mortgage."</i> (mortgage group) |
| You have 23 years of mortgage life in front of you. Why don't you take a repayment guarantee insurance? | <i>"The personal touch sounds tempting, but at the same time scary."</i> (student group) |
| 2. Advertising content with preference-matching information | |
| Earn interest on your savings – start investing in mutual funds! | <i>"If I had extra funds, I would definitely click this ad. The text is very promising!"</i> (student group) |
| We offer you less expensive credit. | <i>"...In general, seeing ads at the website is irritating. It is insignificant info that I do not want and I have not asked for. I am not at the website in order to read ads, I would thus under no circumstances open any ads."</i> (investor group) |
| 3. Informative content with self-referent information | |
| Your bank account does not yet have an electronic bank statement. | <i>"This is actually the only way to advertise without irritating. A calm and non-pushing banner..."</i> (student group) <i>"Information about a service that I have not used is a useful piece of information."</i> (active and rational group) |
| 4. Informative content with preference-matching information | |
| <i>"Messages can be perceived as personal, but customers do not have to know that the messages are personalized for them."</i> (mortgage borrower group) | |
| <i>"It would be a real customer service if a form with an option 'contact me with regard to credit, bank card, credit loan' etc. financial affairs would appear at the online bank, where I could define the channel and the time of contact that suit me."</i> (active-rational group) | |
| <i>"Of course it is more useful to personalize messages. I think that customers do not even notice that messages are personalized to their situation in life. They are, however, more interested in the messages since the content touches them."</i> (student group) | |

The combination of advertising flair and SRI in a promotional message (quadrant 1) is generally disliked. This is particularly the case with sensitive information (for example balance of the bank account), where consumers feel that their privacy is invaded. However, SRI attracts the attention of some customers, even with messages perceived as advertising. The combination of preference-matching personalization and advertising content (quadrant 2) is more acceptable than SRI and advertising, especially when the offer suits the present situation of the customer. However, in the online banking context the idea of marketing, nevertheless, received several negative comments. When the content of the message is

informative and includes SRI (quadrant 3), customers perceive it as a service. However, the SRI and the wording of the message should be tactful and discreet. Since we focused on examining SRI, we do not have an example of a neutral message containing informative and preference-matching content. Customers’ comments regarding acceptable promotional messages guided the construction of quadrant 4.

| | | Type of message | |
|--|-------------------------------------|--|---|
| | | Advertisement | Informative customer service |
| Type of content personalization | Preference-matching personalization | 2. Ignorance or irritation if the message is not perceived as relevant | 4. Mostly accepted and appreciated |
| | Self-referent personalization | 1. Mostly not accepted, annoyance | 3. Noticed and accepted if SRI is not too sensitive |

Figure 1: Matrix of personalized messages

DISCUSSION AND CONCLUSIONS

Nordic banks have been successful in moving their customers online.² The next challenge is to transform the well-functioning transactional channel into a support channel for sales efforts. Previous research has found that the mind-set of a consumer has an impact on their consumer behaviour.⁵⁴⁻⁵⁶ As Sääksjärvi and Gratiana⁵⁶ point out, the online banking environment is, in general, regarded as a goal-oriented service that customers enter with an implemental mind-set, which usually includes close-mindedness, which presumably also applies to promotional efforts. In this article, we have explored how customers of a Finnish financial conglomerate perceived promotional messages in the online banking context. Furthermore, we took a broader perspective and inquired opinions of the customers regarding promotional messages delivered through various channels and containing preference-matching and SRI.

The online banking context presents a unique platform for personalized messages since it removes many costs normally associated with messages on other websites: the connection is secure, the need for additional information disclosure is reduced because banks are already in possession of the financial information of their customers, and there is no immediate

competition for the attention of the customers by other marketers. An online bank customer exposed to online marketing messages actually has two contracts⁴⁰ with the bank; the first is an explicit contract with the bank about the use of online bank services. The second contract is implicit regarding acceptance of promotional messages. In the social contract framework⁴² social norms play an important role. It seems that for the majority of customers, promotional messages at an online bank are a breach of the implicit contract in which customers receive benefits in return for accepting promotional messages. Furthermore, the SRI in promotional messages is considered an invasion of privacy⁴⁰. In the words of one of the consumers: *"I am already a customer of the bank, I should have the right to be left alone when I have not explicitly asked for information"* (student group). Moreover, customers assume that banks only use aggregated information about customer behavior rather than explicitly targeting customers on a one-to-one basis.

This study adopted two personalization strategies suggested by Tam and Ho⁴⁹: self-referent and preference-matching personalization. The main theoretical contribution of the study is the divergent impact of the different types of personalization. If SRI-personalization is employed, customers attend to the messages, and a heuristic rule of the suitability of the messages is evoked. However, the indiscreet use of SRI can destroy the favourable effect. When PMC is adopted, a central route of elaboration is evoked but the message is not necessarily noticed in a goal-directed online bank environment. In addition, the earlier research on personalization has focused on the internet environment^{43,44,49} rather than comparing the effectiveness and acceptance of personalization through different channels. This research thus contributes to the theoretical discussion by showing the need to investigate multiple channels simultaneously in order to understand the in-depth views of customer preferences when a multichannel approach is employed. Furthermore, the context-specificity of the acceptance of promotional messages is an under-researched area (with a few exceptions, such as Shannon³⁶ and Rojaz-Méndez et al.⁶⁶) to which our research has implications.

The research insights about channel preferences and acceptability of promotional messages are relevant and can be easily applied in practice. Customers are used to multichannel messages and services in the financial services context. When direct mail was compared with other channels through which customers receive personalized messages, the approach performed well. Some customers regarded contacts by phone or by e-mail as improper for bank marketing. In addition, banks seem to underestimate the channel that they have at their disposal at the online bank. In this regard, our case bank does not utilize the potential for

sending promotional and informative messages individually to customers through the e-mail functionality embedded at the online bank. However, customers reacted positively to this channel, especially when sensitive information was delivered. Most of the negative comments towards online bank's e-mail were because of customers not being accustomed to checking and reading the messages.

The quadrant matrix of the messages was constructed based on the analysis of the customers' comments about several promotional banner messages at the online bank. The main lesson for the management of the financial service companies is that customers prefer discreet use of personal information in the messages. For several customers, the account balance information or information relating to the remaining years of mortgage loan was regarded as too sensitive information to be used in banner messages. In addition, the wording of messages should be tactful, without imperatives and 'pushy' marketing content. Preference-matching personalization might be a more efficient strategy than the use of SRI to reach customers: PMC does not uncover the ability of banks to process customer information on one-to-one basis, or irritate customers by the indiscreet use of self-referent information. As a conclusion we can summarize that bank marketing is different to marketing in other contexts; it has to be more discreet, tactful and sensitive, for this is what the customer expects and to market in any other way would be considered a breach of the social contract.

Research limitations

We believe that the chance for customers to express the channel that they preferred and disliked - combined with justifications in their own words - gave depth to the empirical results. In addition, real customers of the bank were invited to the focus group interviews making the results more credible. However, as with any empirical research, there are limitations in our study. The focus group participants were asked to consider themselves as an imaginary customer that has, for example, investment or loan management needs. Moreover, customers were asked to imagine that the SRI used in the messages was relevant to them, that is, if the message mentioned 10.000 euros in their account, the customers should have imagined that they had, indeed, this amount of funds at their disposal. In addition, the wording of the messages produced several negative comments, and the use of personalized information in the messages might have gone unnoticed as most of the comments concerned the excessively 'pushy' texts in the messages.

Furthermore, we enquired about the opinions of a fairly homogeneous group of customers of only one Finnish bank, and according to Rojas-Méndez et al.⁶⁶, the country of residence is significant when predicting behavioural avoidance of advertising. Thus we need to be cautious about the generalizability of our results to other countries or cultures, and present this study as an example of a country with one of the highest adoption rate of online banking² and high levels of trust in financial institutions, banks in particular.⁶⁷

Further research

The research method employed in this study, focus group interviews, can often bring out and identify critical opinions from consumers, however, predicting success based on focus group results is more difficult, and hence quantitative research are needed⁶⁸. Our research project continued with a follow up field experiment at the online bank's website⁶⁹, and the results of the focus group interviews guided the composition of the personalized messages employed. The wording of the advertisements in the field experiment was less 'pushy', and SRI was used more discreetly. Three different field experiment groups were created from the bank's customers. Each group was shown a different personalized message in the form of a banner advertisement as they logged in to the online bank. Personalized messages performed better than general messages measured by attention and actual sales, and two out of three cases did better than comparable direct mail marketing.⁶⁸ We can thus draw a conclusion that according to our experiments and contrary to previous research⁵⁶ personalized messages in goal-directed websites are not a waste of resources.

In general, after an experimental stage of personalization, banks should aim at designing and implementing a more systematic approach to engaging in personalized marketing at their online bank. This will require streamlined processes and an increased use of personalization technologies, thus posing multifaceted managerial challenges for the bank. The few personalization process frameworks presented in the literature^{70,71} should provide useful guidance in this endeavour. However, the integration of multichannel marketing messages and the more active role of customers in the relationship pose both practical and theoretical challenges.

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Appendix A: Demographic data of the focus group participants

| | Pilot group | Active and rational group | Mortgage borrower group | Investor group | Total |
|------------------------|-------------|---------------------------|-------------------------|----------------|-----------|
| Gender | | | | | |
| Female | 8 | 9 | 6 | 7 | 30 (57 %) |
| Male | 6 | 5 | 5 | 7 | 23 (43 %) |
| Total | 14 | 14 | 11 | 14 | 53 |
| Age | | | | | |
| 20-24 | 5 | | | | 5 (9 %) |
| 25-29 | 6 | 7 | 2 | | 15 (28 %) |
| 30-34 | | 4 | 5 | | 9 (17 %) |
| 35-39 | 1 | 3 | 4 | 5 | 13 (25 %) |
| 40-44 | 1 | | | 3 | 4 (8 %) |
| 45-49 | 1 | | | 6 | 7 (13 %) |
| Total | | | | | 53 |
| Occupation | | | | | |
| Student | 11 | 6 | 3 | | 20 (32 %) |
| Worker | | 4 | 4 | 1 | 9 (15 %) |
| Office Employee | 4 | 6 | 6 | 10 | 26 (42 %) |
| Other | 2 | 1 | 1 | 3 | 7 (11 %) |
| Total | | | | | 62 |
| Use of internet | | | | | |
| Daily | 13 | 12 | 10 | 11 | 46 (87 %) |
| 5-6 weekly | 1 | 1 | 1 | 3 | 6 (11 %) |
| 3-4 weekly | | 1 | | | 1(2 %) |
| Total | | | | | 53 |

Appendix B: Examples of focus group questions and banner advertisements

1. How do you react to information gathering from you while you are on the internet? In your opinion, what benefits or drawbacks does the information gathering have?
2. For which purposes would you be willing to disclose – or not willing to disclose information?
3. Do you know enough about the gathering and use of information on the internet?
4. Do you feel being in control of information gathering on the internet?
5. What do you understand by the term “privacy”?
6. What do you understand by the term “personalization”?
7. Do you appreciate personalized products and services on the internet? What do you appreciate about them, and what benefits do you feel you gain from them? What are their disadvantages?
8. Would you like to define your personal preference information yourself, or do you prefer a computer system to define it e.g. based on your behavioural information? In your opinion, which method produces better offers for you?
9. Do you have topics of interest about which you would be always or almost always interested in receiving information and offers?
10. Do you trust banks regarding storing your information? Do you believe that they use your information in an acceptable way?
11. Do you find it acceptable that banks use information about your economic status in their marketing communications? What kind of messages would you like - and dislike - receiving from banks?
12. What do you think of the following statements? The rating is as follows: totally disagree = (1); mostly disagree = (2); neutral = (3); mostly agree = (4); totally agree = (5).
 - I appreciate websites the content which I can configure myself.
 - I appreciate websites with which I can chose to customize the user interface.
 - I appreciate websites the content of which is configured by the computer system.
 - I appreciate websites where the user interface is configured by the computer system.

Have you considered that credit loans from banks are less expensive?



You have not used the credit card features of your bank card. Fulfill your dreams and take the benefits of the flexible payment timetable.



Your monthly payment on your mortgage is 900 €. Why don't you reduce the amount?



An investment fund is suitable for everybody



Your bank account does not yet have an electronic bank statement.