
Editorial

Jarunee Wonglimpiyarat

National Innovation Agency, Ministry of Science and Technology,
73/1 Rama VI Road, Bangkok 10400, Thailand
Email: jarunee@nia.or.th

Steve Worthington

Department of Marketing, Monash University, Melbourne,
Australia and the Faculty of Business and Economics,
PO Box 197, Monash University, Caulfield East,
Victoria 3145, Australia
Email: steve.worthington@buseco.monash.edu.au

Biographical notes: Jarunee Wonglimpiyarat, PhD, CPA, CIA, CFSA is a Project Manager in venture capital financing at the National Innovation Agency, Ministry of Science and Technology, Thailand. She holds a PhD in technology management from Manchester Business School, UK, and postdoctoral fellowships at Boston University and Harvard University, USA. She has working experience at PricewaterhouseCoopers, Standard Chartered Bank, Citibank N.A., Sussex Innovation Centre, Boston Technology Commercialisation Institute and the United States Securities and Exchange Commission. Her research in financial innovations got the Best Competitive Case Award from the International Business and Economy Conference in the USA and has been published in *Exploring Corporate Strategy* (Europe's best-selling strategy textbook). She currently serves as Editor/Guest Editor for the *International Journal of Financial Services Management*, *International Journal of Entrepreneurship and Innovation Management* and *International Journal of Foresight and Innovation Policy*. She also works as a committee member for the Global Technology Audit Guideline Programme.

Steve Worthington is Professor of Marketing at Monash University in the Faculty of Business and Economics. He specialises in the issues surrounding the distribution of financial services particularly via plastic cards and in the organisation and control of the payment systems through which these cards are used. He has previously lectured at Staffordshire University, Manchester Business School, the University of Stirling and Trent University, Nottingham. He has published widely, both in academic journals and in more practitioner-focused publications. He has written a number of case studies concerning both bank and retailer provision of financial services. A frequent presenter/chairman at industry conferences, he has also been used by the media as independent commentator on the delivery of financial services by plastic cards. He has authored three major reports, *Branding and Relationships in Plastic Cards*, (published by the *Financial Times*), *The China Cards Market 2006* (published by VRL Publishing Ltd), and *Banking at the Checkout 2007/2008* (published by European Card Review).

The banking industry is currently witnessing a significant change in its strategic directions. Previously one traditional strategy of banks has been to compete on the basis of size. Those that followed this strategy and developed extensive branch networks tended to capture more customers than those with fewer branches. However, banks are currently facing competitive pressures which have already seen them move from a single delivery channel towards integrated delivery channels, in order to meet changing customer demands.

In addition, competitors today in the financial service industry are no longer just rival banks. Non-banks have entered the financial services market and now compete in launching banking innovations. Thus having an extensive number of brick-and-mortar branches and controlling a network for clearing and settlements, no longer guarantees that banks will have a competitive advantage over non-banks.

This special issue of the *International Journal of Financial Services Management* examines 'Trends in Innovation and Competition in the Financial Services Industry: Can Banks Gain Competitive Advantage over Non-Bank Competitors?' The seven refereed papers included have many interesting dimensions on the financial service innovations based in a variety of countries and continents.

The first paper is 'Meta analysis of banking services in India: a customer centric approach', by Sanjeev Verma and Ranjan Chaudhuri. This work discusses the transformation and challenges of the Indian banking industry. The paper addresses the opportunities of enhanced competition under the banking deregulation and liberalisation. The paper investigates the role of bank managers in managing financial innovations under a rapidly changing environment. The results suggest that banks should launch innovative services and build long-term relationships with customers as the basis for increasing profitability.

The second paper is 'Innovation behaviour in financial services: an empirical analysis', by Soumodip Sarkar, Cesaltina Pires and Luísa Carvalho. This work analyses the propensity of innovation in financial services in Portugal. The authors use logistic regression to test three models: introduction of an innovation new to the market, introduction of an innovation new to the firm, and the process of innovation. The results explain the behaviour of financial services firms in terms of innovation. The research shows interesting results in that Portuguese financial service firms are good pioneer innovators, as well as good innovation imitators.

The third paper in this special issue is 'Retailers entry into the provision of financial services; the case for and against', by Steve Worthington. This work discusses the case of retailers diversifying into financial services in the UK. The results showed that the retailers have been highly selective in the financial services offered, for example Marks & Spencer's, Tesco Personal Finance, and Sainsbury's Bank all focus on credit cards, unsecured loans, savings and insurance. There are difficulties in entering into the UK market due to the UK tradition of 'free' banking on current accounts. The author argues that diversification into financial services may leave retailers in a strategically ambiguous position, and is only likely to be successful for a limited range of financial services.

The fourth paper is 'The structural model of competition in the Thai banking industry', by Jarunee Wonglimpiyarat. This work discusses the banks' pursuit of strategies in competition. In particular, the paper focuses on the case studies of Bangkok Bank and Standard Chartered Nakornthon Bank, which are the market leaders in the Thai banking

industry. Bangkok Bank and Standard Chartered Nakornthon Bank are good representatives of a Thai bank and a foreign bank, respectively, which have undergone structural changes to respond to the increasing competition. The author uses Porter's Five Forces Model as a basis for discussion of the Thai banking industry. This paper finally offers forward-looking strategies to develop an efficient financial service industry which can be applied to the banking industry in any country.

The fifth paper is 'Efficiency and productivity growth in the Taiwanese banking', by Tsai-lien Yeh. This work examines bank efficiency before and after implementing the Merger Act in Taiwan by conducting Banker's DEA-based test and Welch's test and Mann-Whitney test. The study examines a balanced panel of 44 banks from 1999 to 2004. The results show that banks had higher efficiency during the ex-post periods (1999–2000) of the Merger Act than they did in the ex-ante periods (2003–2004) of the Merger Act.

The sixth paper is 'Customer satisfaction with usage of banks distribution channels: an empirical investigation', by Vimi Jham and Kaleem Mohd Khan. The paper examines bank customers' satisfaction with regard to financial distribution channels. It discusses customer relationship management for e-banking with the use of a mix of financial distribution channels (points of sale, credit cards, debit cards, tellers, internet banking, telephone banking). The selected banks in the research are good representative samples of the Indian banking. The study found that customer satisfaction with bank distribution channels is quite different and recommends the use of distribution mixes for financial services offering.

The last paper in this special issue is 'Consultants as the players, bankers as the house: gaining competitive advantage in merger and acquisition advisory services', by Richard Connell, Tatiana Zalan and Jack Cadeaux. The paper discusses the areas where banks have, or can gain, competitive advantage over consultants through the pricing mechanism, based either on contingency, fixed fees or a combination of both. The paper is based on research conducted by an in-depth inquiry into M&A decisions made by 27 medium and large-sized companies in Europe, the USA and Asia-Pacific. The study reveals that consultants may win from accepting M&A work in the short term, but the long-term odds favour the banks.

This special issue covers a wide range of research studies that focus on banks' pursuit of strategies in increasingly competitive arenas and new trends in bank marketing. We are grateful to Dr M.A. Dorgham, Jim Corlett, Richard Sharp and to Inderscience Publishers for giving us the opportunity to organise this special issue. We thank the authors and referees for their contributions to this special issue.