

Consumer Decision Making in a Complex Environment:

Examining the Decision Making Process of Socially Responsible Mutual Fund Investors

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Abstract

During the last few decades, "regular people" have become increasingly involved with investing in the stock market. One way of doing this, which has become more and more popular, is to invest in mutual funds. The mutual fund industry has, due to its explosive growth, been described as a success story of the 20th century. These days, sources report that over 70% of the Swedish population actively invests in mutual funds.

This thesis is an investigation into consumer decision making regarding one specific type of mutual fund: Socially Responsible Investment (SRI). SRI profiled mutual funds are different from "regular" mutual funds in that they incorporate social, ethical, and environmental (SEE) criteria. In this manner, SRI profiled mutual funds could be said to have two separate dimensions. The regular financial dimension has the purpose of generating a high level of financial return while managing risk. The socially responsible dimension, on the other hand, focuses on incorporating SEE issues into the investment process.

However, consumers that desire to choose mutual funds that will both perform well financially and have a good socially responsible dimension face a more difficult decision than consumers who choose to invest in "regular" mutual funds. As each of the dimensions come with its own set of challenges which the consumer must overcome, choosing an appropriate combination of these is a difficult task. In this manner, consumers of SRI profiled mutual funds have to navigate through a complex decision making environment to arrive at a good choice.

Based in this notion of decision making in complex environments, this thesis investigates how consumers combine their "traditional" financial objectives with their "additional" SEE consideration and examines the impact of personal factors related to these two areas on consumer investment in SRI profiled mutual funds. Four separate essays on these topics, each investigating a specific stage in the Engel-Kollat-Blackwell (1968) consumer decision making process, are presented. Moreover, in order to understand how complexity impacts consumer decision making in the area, the results of each study are analyzed against a conceptual framework focusing on the complexity of the market.

The results show that consumers of SRI profiled mutual funds care about both financial and SEE issues. However, how consumers combine these in their decision making differs. Factors, such as the stage of the purchase decision making process, personal abilities, preferences, and perceptions are found to impact consumer decision making. Against this background, this thesis generates an increased understanding of consumer decision making in complex decision making environments in general and of SRI profiled mutual funds in particular.

Key words: Consumer decision making, complex decision making environments, socially responsible investment, ethical investment, mutual funds, private investment

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Writing this thesis has certainly been a journey - in many ways. Not only have I learnt what research is and how it is done. I have also had the privilege to write this thesis at two different universities, meeting (and learning from) many people along the way. This thesis would not be a reality without the help of many people, in both Gothenburg and Umeå.

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To my wife Karen - who crossed an ocean and moved to a new country so that I would be able to write this thesis. No words can express how much the support and love that you give *every day* means to me. This thesis is just as much yours as it is mine. °°°

Finally, I would like to dedicate this thesis to the memory of my grandfather Bertil Haslum who passed away just months before this thesis was finalized. Although you never tried to influence me directly, I cannot help thinking that much of my interest in the topic of this thesis came from you. Therefore, as this thesis is printed, many of my thoughts go to the time we had together.

A hundred takeoffs and landings later

Jonas Nilsson

Preface

This thesis contains this summary and the following four studies referred in the text by their roman numerals:

- I. Nilsson, J., Nordvall, A-C. & Isberg, S. (2010) The Information Search Process of Socially Responsible Investors. *Journal of Financial Services Marketing*, Vol 15 No 1, pp. 5-18
- II. Nilsson J. (2009) Segmenting Socially Responsible Investors: The Influence of Financial Return and Social Responsibility *International Journal of Bank Marketing*, Vol 27 No 1, pp. 5-31
- III. Nilsson, J. (2008) Investment with a Conscience: Examining the Impact of Pro-Social Attitudes and Perceived Financial Performance on Socially Responsible Investment Behavior, *Journal of Business Ethics* Vol 83 No 2, pp. 307-325
- IV. Nilsson, J., Jansson, J., Isberg, S. & Nordvall, A-C. (2010) Determinants of Customer Satisfaction with Socially Responsible Investments: The Influence of Ethical Quality Perceptions and Perceived Financial Return, *Unpublished manuscript*

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1. Introduction

The last couple of decades have brought about a major change in the way regular people relate to investing in the stock market. From being something that only a small well-to-do segment of society would do, investing in the stock market has become something that involves a large broad segment of society (e.g. Bogle 2005; Krumsiek 1997). In this sense, many people have, during the last couple of decades, gone through a transition from being *savers* that saves money in a traditional bank account to becoming *investors* in mutual funds and stocks (e.g. Nilsson 2003).

In Sweden this trend among the general population to invest your savings in the stock market has been particularly strong and the mutual fund industry has, as a result of this development, been described as one of the "success stories" of the 20th century (e.g. Martenson 2005). Recent polls show that as much as 74% of the Swedish population actively invest in mutual funds (Pettersson et al. 2009). Moreover, in the late 1990s the Swedish government introduced the premium pension program (PPM) where citizens themselves would be responsible for investing part of their pension. Under the PPM format, citizens choose up to five different mutual funds and manage this portfolio of investments until retirement (Nyqvist 2008). It is estimated that as many as 98% of Swedish citizens are "exposed" to making mutual fund investment decisions through the PPM investment scheme (Pettersson et al. 2009). Taken together, these factors highlight a trend where mutual fund investments have become a commonplace phenomenon among "regular people" in Sweden. After all, virtually all Swedes make mutual fund investment decisions in one way or another.

Because of this development, the mutual fund industry has grown into a large and very profitable industry, with many similarities to "regular" consumer industries (Wilcox 2003). For example, large scale marketing campaigns has become commonplace (Jones and Smythe 2003; Jordan and Kaas 2002). Companies increasingly compete to develop new investment products that are targeted towards different segments of investors and often practice "hard" selling of their services (Ennew and Waite 2007; Ennew and McKechnie 1998). In many ways, the industry has become increasingly driven by marketing based concepts (e.g. Kihn 1996; Wilcox 2003). That is, to the industry, mutual fund investors are *consumers*. In this manner, profitability is, just like in other consumer driven industry, the result of developing market oriented services to meet the needs and wants of consumers.

However, for consumers of mutual funds, deciding what mutual funds to invest in is often a challenging task. For example, mutual fund investment is often surrounded by a great deal of information and terminology that is

difficult for consumers to comprehend. Because of this "expert-type" terminology, consumers may not be able to properly understand the service in which they are investing in (Martenson 2005). The risk of different mutual funds varies greatly and so do potential returns. However, despite these clear differences, it is difficult to make straightforward comparisons between different mutual funds due to the impact of external factors, such as the general economic environment, on the outcome of the service (Ennew and Waite 2007). Moreover, it is almost impossible to estimate this outcome at the time of investment as it is intangible and in the form of a process that is yet to happen (e.g. Estelami 2007; Lichtenstein et al. 1999).

When taking all these internal and external challenges in consideration it is clear that making mutual fund investment decisions is a difficult task for consumers. In many ways, the challenges, and the difficulty for consumers to make appropriate decisions that follow, are quite unique to financial services such as mutual funds. Only a handful other decisions that consumers face could be argued to involve an environment as difficult to navigate in as this one.

However, on top of the difficulty of making appropriate decisions, consumers also have to deal with the fact that the consequences of making poor decisions could be great to their individual welfare (Kozup et al. 2008; Lichtenstein et al. 1999). As opposed to many other decisions that consumers are exposed to, the consequences of the mutual fund investment decision have a direct impact on the consumer's standard of living. For example, a poor decision when saving for retirement could result in a difference of thousands and thousands of dollars when the investment is sold and the consumer retires (Goldstein et al. 2008). As the returns compound over a very long investment period, a consumer who has made poor choices could thus end up significantly worse off than a consumer that made good choices.

In this manner, consumers that make mutual fund investment decisions do so in an environment where appropriate decisions are difficult to make, and where poor decisions could come with large consequences. However, despite this, the fact is that almost all Swedish citizens, in one way or another, actually make these mutual fund investment decisions. Moreover, in Sweden, as well as in other western countries, the introduction of the PPM system, or similar individualized pension reforms, means that government policy *actively support* the notion that consumers should make these decisions by themselves.

Against this background, there is an increasing need to understand *how* consumers make decisions in an environment as difficult to navigate as mutual fund investment. In order to meet this need and to shed light on this phenomenon, the present thesis is an investigation into consumer decision

making in this decision making environment. However, this thesis takes this one step further and focuses on consumer decision making with regard to a type of mutual fund that present the consumer with an even *more* challenging environment: the *socially responsible investment (SRI) profiled mutual fund*.

1.1 SRI profiled mutual funds

As a result of the previously described success of the mutual fund industry, the market for mutual funds has seen an increasing product diversification in later years. These days, consumers have a wide variety of different mutual funds to choose from, where different funds specialize in different regions, countries, industries, and investment styles (e.g. Bogle 2005; ICI 2009). One type of mutual fund that has received a lot of attention and experienced a fairly rapid growth is that of socially responsible investment (SRI) profiled mutual funds. SRI profiled mutual funds are, in essence, mutual funds that on top of the regular financial dimension of investment also incorporate issues related to social responsibility into the investment process (e.g. SIF 2007; Sparkes and Cowton 2004; Sullivan and Mackenzie 2006a). In this manner, SRI is essentially an investment service with a dual nature (Knoll 2002; Sparkes 2002). First, it is an investment scheme, meaning that investors desire future financial return for the risk that they take on through the investment. However, in the investment process, SRI also incorporates a socially responsible dimension by including social, ethical, and environmental (SEE) issues as a second selection criterion for choosing investment objects.

As displayed in Table 1, SRI profiled mutual funds could, in this manner, be considered to be made up of two separate dimensions. The "traditional" financial dimension has the objective of generating a financial return for investors. This is done by performing several financially oriented processes such as traditional financial analysis of the investment object and, based on these analyses, trade various assets in the mutual fund. The "additional" socially responsible dimension, on the other hand, focuses incorporating SEE issues in the investment process.

Table 1: The two dimensions of socially responsible investment (SRI) profiled mutual funds

	Components of the <i>financial</i> dimension of SRI profiled mutual funds	Components of the <i>socially responsible</i> dimension of SRI profiled mutual funds
<i>Goal(s)</i>	- Generate financial return for investors while managing level of risk	- Influence investment objects (i.e. companies) toward increased corporate social responsibility - Provide socially concerned consumers with access to an investment portfolio that correspond to their SEE concerns
<i>Examples of processes/activities to achieve goal</i>	- Conduct financial analysis of potential and current investment objects - Trade shares and other financial assets	- Conduct SEE analysis of potential and current investment objects - Negative screen (exclude) companies not in line with SEE policies - Positive screen (include) companies best-in-class with regard to their SEE conduct - Dialogue and engagement with investment objects (companies) with regard to their SEE conduct

Source: Compilation from multiple sources, e.g. Michelson et al., (2004), Beal, et al., (2005), the Social Investment Forum (2005; 2007), and Sparkes (2002)

As can be seen in Table 1, the inclusion of a social responsibility dimension in the investment process is mainly performed by focusing on one or more of three different strategies; negative screening, positive screening, and engagement (Sparkes 2002). When focusing on negative screening, SRI profiled mutual funds choose to avoid investing in companies that are considered to not be in line with the SEE criteria put forth by the mutual fund. Positive screening, on the other hand, is to actively seek out the companies that are best-in-class with regard to the SEE criteria put forth by the mutual fund. This type of screening thus focuses on finding companies that are better than their competitors with regard to SEE performance and actively including them into the investment portfolio. Finally, SRI profiled mutual funds increasingly work with engagement, where an active dialogue between the company and the mutual fund takes place. The goal of this

dialogue, from the perspective of the SRI profiled mutual fund, is to influence the company to perform better with regard to the specific SEE issues put forth by the mutual fund (Sullivan and Mackenzie 2006b; Waygood 2006).

By using one or more of these strategies, the socially responsible dimension is incorporated into the SRI profiled mutual fund. In this way, SRI profiled mutual funds provide socially concerned consumers with an opportunity to incorporate their SEE concern when making their investment decisions (e.g. Beal et al. 2005; Krumsiek 1997).

1.2 Consumer decision making and SRI profiled mutual funds in a complex environment

When explicitly including a socially responsible dimension into the investment process, SRI profiled mutual funds become an investment service of a dual nature. It deals both with the notion of receiving a good financial return from the investment *and* taking social responsibility while doing so (Michelson et al. 2004). In actively incorporating these non-financial criteria in the investment process, SRI profiled mutual funds are quite unique in an industry otherwise so focused on financial considerations. In general, this focus on financial objectives comes from the notion of the "economic man" in neo-classical economic theory. Along the assumptions of the economic man, investors are only supposed to care about two aspects of their investment: risk and return (e.g. Beal et al. 2005; Hickman et al. 1999; Statman 2005). In this classical view of the motivation of the investor, there is simply no room to include any "non-utilitarian" factors, such as social responsibility (Statman 2004).

However, although this inclusion of a non-utilitarian socially responsible dimension into mutual funds may be a new phenomenon in the market for investment services, for consumers it is nothing new to consider SEE factors when making purchasing decisions. In the consumer behavior literature, these non-utilitarian factors are often considered to be a part of the consumer decision making process (Bhattacharya and Sen 2004; Follows and Jobber 2000; Shaw and Shiu 2003), and research on how consumers incorporate these in their decision making dates back to the 1970s (e.g. Anderson and Cunningham 1972; Kinnear et al. 1974). Both academic research as well as regular news media frequently report that there are segments of consumers that actively incorporate SEE factors when shopping (e.g. Jansson et al. 2009; Roberts 1995) and that the increasing social concern among consumers has contributed to an increasing number of different socially responsible products and services being introduced in consumer markets (Crane 2001; Mayo 2005; Strong 1996). Examples of products and services that incorporate SEE factors are numerous. *Fair*

trade, *organic*, and *eco* have all grown to become common terms for many consumers.

Against this background, the inclusion of a socially responsible dimension into the mutual fund investment arena is quite natural (Krusmiek 1997; McCann et al. 2003). As the social conscience of consumers has led to the introduction of products and services that incorporate some form of social responsibility in other industries, the introduction and success of SRI profiled mutual funds in the retail market is only a natural continuation of this development (Krusmiek 1997). In many ways, SRI could be seen as one piece of the overall societal process towards providing consumers with more alternatives that incorporate some form of social responsibility.

In this manner, SRI profiled mutual funds give socially concerned consumers the opportunity to go beyond normal consumer goods and incorporate SEE consideration in the mutual fund *investment* decision as well. Consumers can, in this way, incorporate consideration for social, ethical, and environmental issues in how they choose to invest their savings.

However, in incorporating a socially responsible dimension into mutual fund investments, the *nature* of the investment decision facing consumers changes. Since SRI, as opposed to "regular" investment, is dual in nature, consumers are exposed to a situation where they have to attempt to make both an appropriate *financial* investment decision as well as an appropriate *socially responsible* investment decision. As mentioned above, making appropriate financial decisions is often very difficult due to such factors as the challenges associated with the vast amount of expert-type information and the influence of external factors (such as general economic environment) on the results. However, in many ways, making a good decision with regard to the socially responsible dimension is *as* difficult as making a good financial decision. As will be explained later on in this thesis, there are a multitude of SRI profiled mutual funds that choose to screen different industries and work with engaging companies in different ways. The terminology facing consumers is often as difficult to accurately comprehend, and it is not easy for consumers to see how the mutual funds practice screening and engagement in practice.

Thus, assuming that a consumer who chooses to invest in SRI profiled mutual funds desires to make a good decision with regard to both the financial dimension (that generates a good financial return) and the socially responsible dimension (that has the potential to influence companies and is in line with the consumers fundamental SEE concerns), the consumer face a decision of a significantly higher level of difficulty than in a "regular" mutual fund investment decision. Here, the already difficult investment decision becomes even more difficult as challenges come from two sources instead of one.

When focusing on this notion of viewing SRI profiled mutual funds as consisting of two different dimensions, where each dimension by itself is difficult for consumers to deal with, an overall picture of a complex decision making environment emerges. This notion is important as previous research shows that complex environments impacts the manner in which the decision is made (e.g. Devlin 2007; Martenson 2005). When faced with a less complex task, it is easy for consumers to understand and evaluate the characteristics of the product or service. It is, in this way, fairly easy for consumers to make an enlightened decision. However, as complexity of the offering increases, it becomes more difficult to understand and evaluate the product or service in question (Devlin 2007). In this manner, making appropriate decisions becomes much more difficult, even for a knowledgeable consumer.

Against this background of dual dimensions and a high level of complexity in the decision making environment, *how* consumers actually incorporate SEE factors and the *impact* of these factors on actual investment behavior is largely unknown. Only a handful of studies exist in the literature explicitly focuses on the consumers of SRI profiled mutual funds (e.g. Beal et al. 2005; Getzner and Grabner-Kräuter 2004; Lewis and Mackenzie 2000a; Lewis and Webley 1994; Mackenzie and Lewis 1999). These studies, however, are relatively scattered in nature and do not add up to anything that could be argued to be a comprehensive picture of how consumers account for SEE factors when making their investment decision. On this matter, Russell Sparkes, one of the most frequent commentators on SRI, states that there is a "general silence" and a "scarcity of information" of how consumers of SRI deal with SEE issues in their decision making (Sparkes 2002 p. 69).

This thesis is an attempt to address this gap in the literature by investigating how the manner in which consumers relate to the financial and SEE dimensions impact consumer decision making for SRI profiled mutual funds. In order to bring clarity to this issue, and to the issue of how the complex decision making environment impact consumer behavior in the industry, three research questions are put forth in this thesis.

The first two research questions focus on how consumers deal with the combination of a financial and socially responsible dimension and how the manner in which they deal with these dimensions impact consumer decision making for SRI profiled mutual funds. These two research questions are:

RQ1: *How do consumers of SRI profiled mutual funds **combine** their consideration for social, ethical, and environmental (SEE) issues with the "traditional" financial objectives of investment?*

RQ2: *What is the **impact** of personal factors related to consideration for SEE issues and "traditional" financial objectives on consumer decision making when investing in SRI profiled mutual funds?*

While these two research questions focus on *how* consumers deal with the two dimensions in their decision making, the third research question focuses on *understanding* how the complex environment, in which consumers deal with the two dimensions, impact consumer decision making for SRI profiled mutual funds. Thus, the third research question of the study becomes:

RQ3: *How can the manner in which consumers of SRI profiled mutual funds deal with "traditional" financial objectives and consideration for SEE issues be **understood** in the light of the complexity of the decision making environment?*

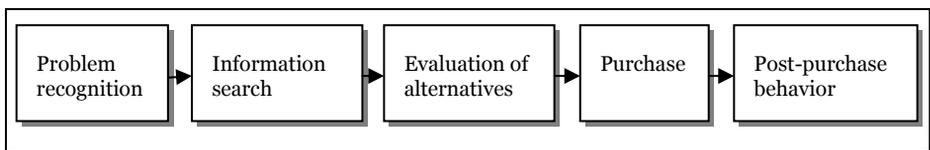
1.3 The two purposes of the thesis

Along the lines of the research questions above there are two separate purposes of the study. The first purpose corresponds to research question one and two and involves clarifying how consumers deal with SEE consideration and financial objectives when investing in SRI. However, when addressing this it is important to remember that it is not only the specific moment when the consumer makes the decision that is of relevance for understanding how consumers deal with these two issues. Instead, consumer decision making can be seen as an ongoing process that does not begin or end with the purchase itself (e.g. Harrison 2003; Harrison et al. 2006). Along these lines, there are *several* relevant aspects of the actual purchase that takes place prior to- and after the actual decision has been made. For example, in order to decide what mutual fund to choose, consumers have to have some form of information or knowledge about mutual fund investment prior to the purchase. Moreover, in mutual fund investment, consumers are often part of the process for a long time *after* the decision is made. This post-purchase investment time period will be relevant as consumers evaluate whether their purchase was good. In turn, this evaluation subsequently guides the consumer in terms of new purchases.

Thus, in order to fully understand how consumers make their decisions, research must account for pre-purchase, purchase, and post purchase factors (e.g. Harrison et al. 2006). Because of this, in order to reach a more holistic understanding of the two first research questions, there is a need to address how consumers deal with their financial objectives and their SEE consideration prior to-, during, and after the actual investment decision. This notion brings us to the overarching framework that is used in the thesis; the Engel-Kollat-Blackwell (1968) consumer decision making process.

The Engel-Kollat-Blackwell consumer decision making model is one of the more established models of consumer decision making. The model is frequently used as a framework for understanding consumer decision making within financial services marketing (e.g. Ennew and Waite 2007; Ennew and McKechnie 1998; Harrison 2003). Although this model, just like other comprehensive models of decision making, has received critique, its strength is that it outlines the consumer's activities before, during, and after a purchase decision. In this manner, the purchase is not modeled as a one-time event but rather as a sequence of events, where all phases are important.

Figure 1: The Engel-Kollat-Blackwell consumer decision making model



Source: Engel et al., (1968)

As can be seen in Figure 1, the model assumes that the purchase process starts with the recognition of a problem. After having encountered this problem, consumers go on to search for ways in which it could be solved. After this, the model outlines that consumers evaluate different alternatives and make a purchase. Finally, consumers will evaluate the purchase in a post purchase setting. If the product or service meets the needs of the consumer, (s)he will be satisfied with the purchase. This will, in turn, have consequences for the next purchase occasion.

Because of its inclusion of pre-purchase, purchase, and post-purchase factors, the Engel-Kollat-Blackwell consumer decision making model is an appropriate framework to generate understanding of how consumers deal with their financial objectives and their SEE consideration when investing in SRI profiled mutual funds. In doing this, the focus of the thesis is not merely to investigate the impact of their consideration for SEE issues and their financial objectives on the actual purchase of SRI profiled mutual funds, but to generate a more *holistic* view of the consumer that invest in SRI profiled mutual funds. This brings us to the first purpose of the study.

*The first purpose of this thesis is to arrive at an increased understanding of (a) how consumers combine their consideration for SEE issues with their financial objectives, and (b) the impact of personal factors related to these two dimensions at **different stages of the decision making process** for SRI profiled mutual funds*

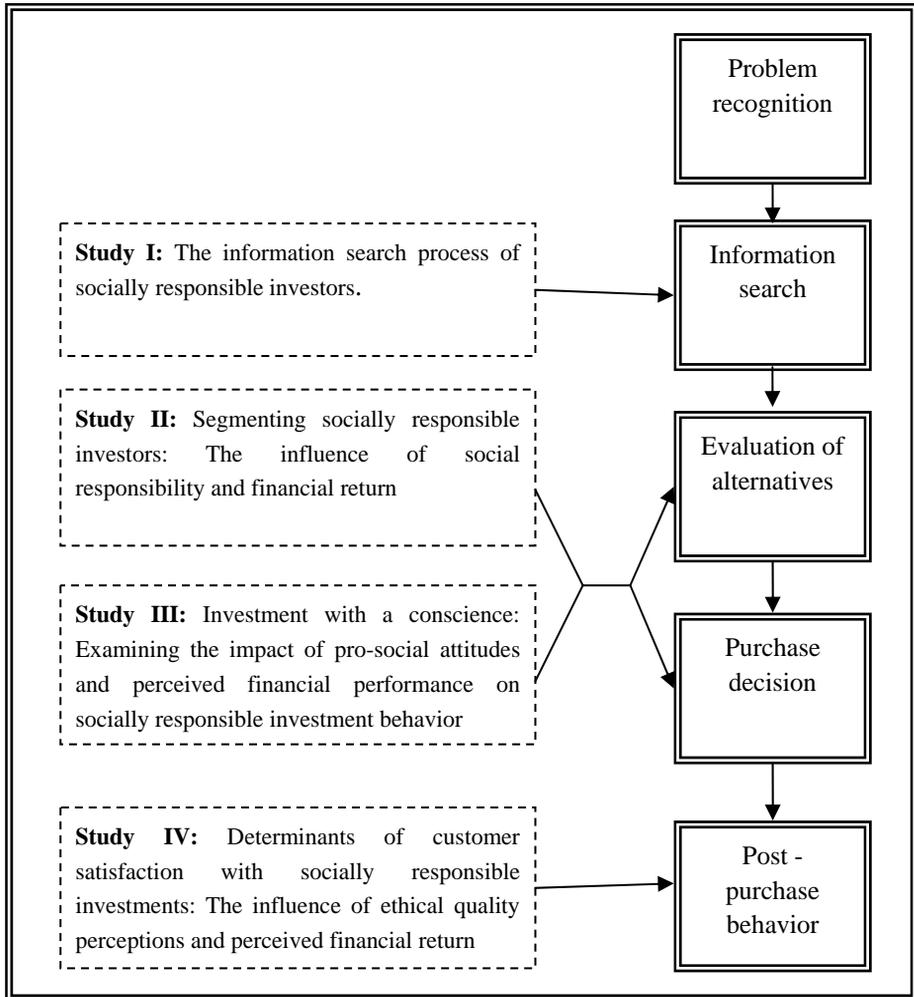
The second purpose of the thesis revolves around the notion that the decision to invest in SRI is, due to both internal and external challenges of SRI investment, done in a complex decision making environment. As discussed above, complexity is likely to impact *how* consumers make decisions (e.g. Devlin 2007; Martenson 2005). Because of this, understanding the complexity of the market for SRI profiled mutual funds is vital. This leads us to the second purpose of the study.

The second purpose of this thesis is to develop a conceptual framework of the complexity of the SRI profiled mutual fund decision making environment

1.4 Outline of the thesis

In this study, the two separate purposes are accomplished in different sections of the thesis. The first purpose, which revolves around how consumers deal with their financial objectives and their SEE consideration at different stages of investing in SRI profiled mutual funds, is accomplished through the four papers appended to this thesis. As displayed in Figure 2, each of these studies focus on how consumers deal with their SEE consideration and their financial objectives at a specific stage in the decision making process for SRI profiled mutual funds. In study I, “*The information search process of socially responsible investors*”, the amount and type of information that investors search prior to investing in SRI is examined. Study II “*Segmenting socially responsible investors: The influence of social responsibility and financial return*” is a look into the differing motivations and evaluations that lie behind investment in SRI while study III “*Investment with a conscience: Examining the impact of pro-social attitudes and perceived financial performance on socially responsible investment behavior*”, examines the influence of different financial and SEE factors on the tendency to actually invest in SRI profiled mutual funds. Finally, study IV “*Determinants of customer satisfaction with socially responsible investments: The influence of ethical quality perceptions and perceived financial return*” examines how consumer satisfaction with SRI profiled mutual funds is formed in the post purchase stage of the consumer decision making process.

Figure 2: The outline of the individual studies in relation to the Engel-Kollat-Blackwell consumer decision making model



Individually, each of these four studies thus focus on a specific stage of the consumer decision making process. Put together, the overarching aim of the studies is to generate a more holistic understanding of the impact of SEE consideration and financial objectives on investment in SRI profiled mutual funds.

However, leading up to these appended papers the second purpose of the thesis, a conceptual framework that illustrates the impact of complexity on consumer decision making is highlighted. This is mainly accomplished in chapter two and three of the thesis. In these chapters, five challenges that

relate to both the financial and the socially responsible dimension of SRI profiled mutual funds are singled out and explained. These factors, in combination, highlight the complexity of investment in SRI profiled mutual funds. From this, a conceptual framework is developed and the impact of this on consumer decision making is discussed.

The remainder of the thesis is structured as follows. In chapter two, the complex decision making context for SRI mutual fund investment is highlighted. Chapter three focuses on consumer decision making in this context. Following this, the method of the study is discussed. In chapter five, the results of the studies are presented and discussed. In the final chapter, the conclusions of the studies are presented.

2. Towards a complex decision making environment

As discussed in the previous section, consumers have increasingly become investors in the last few decades. However, making investment decisions is a difficult task, no matter whether consumers desire to invest in "regular" or SRI mutual funds. This chapter discusses the challenges consumers face when choosing to invest in SRI profiled mutual funds. As will be shown, the decision making environment presents numerous obstacles for making good investment decisions, both with regard to the financial dimension and the socially responsible dimension of SRI.

2.1 SRI profiled mutual funds – a different type of investment decision

Investment is a challenging activity and a lot is required of anyone who wishes to be a successful investor. For example, a high level of knowledge usually aids the investor to make good financial decisions (Capon et al. 1996; Devlin 2003; Harrison 1994). Moreover, an underlying interest in financial markets and investment has also been shown to be associated with success when making decisions on how to invest your money (Beckett et al. 2000; Martenson 2005). However, even armed with a lot of knowledge and interest, there is no guarantee that the consumer will make successful investment decisions. One of the most important reasons for this is the challenging nature of the decision making environment that make investment decisions difficult for anyone, even professional investors and mutual fund managers who often fail to beat the index that they are compared against (Johnson and Tellis 2005; e.g. Lichtenstein et al. 1999).

However, in many ways it could be argued that being a successful *SRI investor* requires even more from the consumer. As mentioned in the introduction section, SRI is fundamentally different from "regular" mutual funds in that it incorporates a socially responsible dimension into the investment process (e.g. Michelson et al. 2004; Sandberg et al. 2009; SIF 2007; Sparkes 2002). From this perspective there is more to the notion of "successful investing" for SRI than with "regular" investment (e.g. Beal and Goyen 1998; Michelson et al. 2004). First, and along the same lines as in "regular" investing, the individual SR-investor can make a successful *financial investment* decision (e.g. Beal et al. 2005; Hummels and Timmer 2004; Michelson et al. 2004). Success in this "traditional" manner implies generating a good level of financial return on the investment. However, the SR-investor can also make a successful *SEE investment*, which implies something completely different. Here, a successful investment decision could be defined as one that has positive social, ethical, and environmental

consequences (e.g. Michelson et al. 2004; Schepers and Sethi 2003). Moreover, a consumer that has invested in SRI could consider the investment as a success if it only is allocated to companies that do not pollute the environment, treat workers well, or have ethical marketing standards etc. (e.g. Dillenburg et al. 2003; Hummels and Timmer 2004; Schwartz 2003).

In this way, consumers of SRI profiled mutual funds face a different type of decision than for "regular" investments. Success in the investment is *not only* the product of the financial aspect of the investment. Instead, investing in SRI profiled mutual funds could be regarded to be of a dual nature where both a financial dimension and a socially responsible dimension are combined and contribute to the notion of a successful investment decision (e.g. Krumsiek 1997; Michelson et al. 2004).

For consumers of SRI profiled mutual funds, however, each of these dual dimensions of SRI comes with its own unique challenges to making good decisions. Thus, a consumer that wants to make a good SR-investment decision face both the challenges associated with making "traditional" investment decisions *and* the challenges and complexities associated with making a successful SEE investment.

2.2 The challenges consumers face in the SRI mutual fund decision making environment

In the manner described above, the decision making environment of SRI profiled mutual funds is difficult for consumers to deal with. In short, the decision making environment contains a number of challenges that are based in the *financial* and the *socially responsible* dimension of SRI. These challenges present in each dimension are based both in the *internal* characteristics of the SRI profiled mutual fund as well as in the *external* surroundings of the SRI profiled mutual fund.

When viewing the SRI decision making environment in this manner, at least five separate categories of challenges emerge. As presented in Table 2, these challenges are based in both the financial and socially responsible dimension. Thus, while the consumer of "regular" funds may meet each of these challenges and face a difficult decision, the consumer of SRI profiled mutual funds meet each of these challenges twice.

Table 2: Highlighting the challenges consumers face in the SRI decision making environment

Challenges consumers face in the SRI decision making environment	<i>Examples from the financial dimension</i>	<i>Examples from the socially responsible dimension</i>
Vast amount of information from multiple sources	<i>Previous return, fee, risk, type of fund, active/passive management, rating, manager tenure, region, industry, specific stocks, etc.</i>	<i>Type of screening, industries screened, minimum thresholds, engagement practice, specific stocks, etc.</i>
"Expert type" terminology	<i>No easy comparisons of past performance, "Standard deviation", "Sharpe ratio" etc.</i>	<i>Minimum thresholds, "positive" and "negative" types of screening, engagement, etc.</i>
Future oriented	<i>Results of financial investment at the end of investment period</i>	<i>Result of influence and screening on corporate behavior during and after the investment period</i>
Credence qualities	<i>Lack of transparency, high intangibility, influence of external factors on results of process, etc.</i>	<i>Lack of transparency, high intangibility, little standardization, influence of external factors on results of process, etc.</i>
Asset allocation	<i>Diversification, co-variation between funds, need to create "portfolios"</i>	

2.2.1 The challenge of an information rich decision making environment

One of the fundamental characteristics of mutual fund investment is the sheer amount of information available when deciding how to invest your money (Capon et al. 1996; Diacon and Ennew 2001; Kozup et al. 2008). In the past, getting access to relevant information was often considered to be a problem for consumers. However, these days, the problem for most consumers is the very opposite: there is too much information available (Devlin 2003; Diacon and Ennew 2001; Lee and Cho 2005).

One of the reasons behind this increasing load of information available to consumers is the growth of the internet (e.g. Lee and Cho 2005; Wood and Zaichkowsky 2004). Through this new source consumers have access to an almost infinite amount of information on mutual funds and stocks, where they once had to depend on advisors, printed materials, and the mutual fund providers themselves. These days, it is possible to search for information by going straight to the different mutual fund providers' websites where virtually all providers present information about their mutual funds. However, there is also an increasing number of websites, such as *Morningstar.com*, *mutual fund investment education alliance (MFEA.COM)* and on line brokers such as *E-trade.com*, that serve as information sources for consumers. These websites collect information about a vast number of different funds in order to aid consumers when choosing mutual funds. By using these sites on the World Wide Web, it has thus become possible for consumers, themselves, to compare the characteristics of a large amount of different mutual funds.

However, when comparing the almost endless amount of mutual funds, consumers will find that there is an abundance of information available (Kozup et al. 2008; Lee and Cho 2005). Often, such issues as the funds previous return, risk level, and fee charged are brought up as some of the more essential criteria for comparing mutual funds (e.g. Capon et al. 1996; Capon et al. 1994; Hauff 2006; Johnson and Tellis 2005). However, the information presented to consumers often go way beyond these factors. For example, in order to assist mutual fund consumers *Morningstar.com*, have a "fund screener tool" available on their website. Using this tool, it is possible for potential investors to find and compare different mutual funds based on multiple characteristics. Consumers can specify preferences regarding type of fund (domestic, international, bond etc.), fund category (industry, large or small cap), fund manager tenure, fund fee structure, Morningstar rating, risk level, past return, total assets (\$), the size of companies invested in, etc, whereby the screen tool generates a number of different mutual funds that match the pre-set criteria. Although this may seem like a lot of information, these categories are actually only a small part of the total amount of information on mutual funds that is available on the website.

In many ways, the *Morningstar.com* fund screener tool highlight the nature of the information intensive decision making environment in the mutual fund industry. Considering that this is a tool that is supposed to *aid* investors to sort through information on mutual funds, it is quite remarkable how much information is required to even start using the tool in a proper manner.

However, while the discussion above revolves around making successful investment decisions, an investor who wants to make a successful SR-

investment faces an even *more* information intense decision making environment (e.g. Hockerts and Moir 2004; Hummels and Timmer 2004). As SRI include a socially responsible dimension, information on how different SRI profiled mutual funds include the social responsibility dimension is added on top of the already information intense environment associated with the financial dimension of SRI.

Table 3 displays one of the first aspects of information that consumers encounter when investing in SRI profiled mutual funds. This is in the form of three different strategies for how the different SRI profiled mutual funds choose to incorporate the socially responsible dimension into the investment process (Michelson et al. 2004; Sparkes 2002). First, consumers have to consider whether they want the SRI profiled mutual fund to practice *negative screening* where certain companies are excluded based on their SEE record. However, on top of this basic strategy, consumers need to be aware that an SRI profiled mutual fund can use so called *positive screening* where the fund searches for companies that are "best-in-class" regarding certain SEE criteria. Finally, consumers have to consider whether they want to invest in a SRI profiled mutual fund that uses engagement and dialogue as a way to employ its influence as an owner to attempt to change certain SEE standards in the company towards the better (SIF 2007; Sparkes 2002).

Table 3: How SRI profiled mutual funds include the socially responsible dimension into the investment process

Method	Description
Negative screening	<i>Actively exclude companies from portfolio based on certain pre-determined SEE criteria</i>
Positive screening	<i>Actively include companies "best in class" that perform well with regards to certain pre-set SEE criteria</i>
Shareholder engagement	<i>Dialogue and engagement with investment objects (companies) with regard to their SEE conduct</i>

Source: Compiled from several sources, e.g. Michelson et al., (2004), Sparkes (2002), Social Investment Forum (2007)

Information about how the fund includes aspects related to the social responsibility dimension of SRI is often presented to consumers by the individual providers in fund fact sheets and fund prospectuses together with the information on the financial dimension relevant to the mutual fund. However, just like *Morningstar.com* is an information source for investors

searching for information related to the financial dimension, there are a number of sources where consumers can access information about how many of the different SRI profiled mutual funds incorporate the social responsibility dimension into the investment process. Examples of this are the websites *Socialinvest.org* and *Socialfunds.com*, that actively collect and present information on how the different SRI funds work to include the social responsibility dimension to potential SR-investors. The purpose of these websites is to make it easier for consumers to compare different SRI profiled mutual funds. By using them, consumers can access a wide range of information on how SRI profiled mutual funds work with SEE issues. For example, *Socialinvest.org* present information on the issues and industries that different SRI profiled mutual funds choose to include in their screening efforts. In their review of the market, as many as fourteen separate issues related to the social responsibility dimension are included. The type of screening (positive or negative) is indicated and there are links to information on how exactly this screening is performed.

As screening is only one aspect of potentially relevant information on how the fund works with SEE issues, this example highlights the information intense environment related to the socially responsible dimension of SRI profiled mutual funds. Other types of information, including how the mutual funds vote on different SEE issues, are also found elsewhere on the website.

In all, it is almost an understatement to argue that the consumer of SRI profiled mutual funds face an information-rich decision making environment. This notion, that the SR-investment decision involves a vast amount of information is highlighted by the *Morningstar.com* and *Socialinvest.org* examples. Both of these websites are designed to aid the consumer to compare different mutual funds. However, even taken separately, it is clear that both of these tools that are supposed to aid consumers contain an almost infinite amount of information.

2.2.2 The challenge of "expert-type" information

As discussed above, there are a number of different sources and tools that potential investors can use in order to compare different mutual funds prior to purchase. However, generating this information is only a small step on the way towards making successful investment decisions. In fact, for consumers the key task begins *after* this information has been generated. It is in this phase that they have to decide what information is relevant and subsequently evaluate it.

For many consumers, however, this is not an easy task as the available information regarding investments is not only present in a large amount, but is also often difficult for a lay person to comprehend (e.g. Devlin 2001; Devlin 2003; Ennew and McKechnie 1998; Kozup et al. 2008; Martenson

2008a). The reason for this is the very *nature* of much of the available information. While information in many other industries is of a fairly simple nature, the mutual fund investment decision is characterized by having a large amount of information that is difficult to understand without expertise in the area. This "expert-type" information often requires previous knowledge (of either the financial dimension or the socially responsible dimension) in order to properly comprehend and compare the different characteristics of mutual funds (e.g. Lichtenstein et al. 1999).

An example of the challenge that is often encountered by consumers in the financial dimension of SRI is how to compare the previous return of different mutual funds (Capon et al. 1996; Kozup et al. 2008; Lichtenstein et al. 1999; Schwartz 2003). Although not considered to be a fully "rational" decision making criteria in finance theory, previous return is often considered an important aspect of evaluating mutual funds as it signals how well the mutual fund will perform financially. However, when evaluating the past return of a mutual fund, consumers have to be aware that the past performance of different funds are tied to such aspects as the risk level of the fund as well as the specific market conditions that were present over the years that the comparison was made. That is, while some mutual funds that take on more risk perform well in a "bull" market, mutual funds that take less risk often perform better in a "bear" market, where stock prices fall. Thus, in order to make an accurate comparison between different mutual funds, consumers have to be able to evaluate the return in relation to the mutual funds risk level as well as the overall market conditions.

As these examples show, comparisons between different mutual funds, which may often seem straight forward on the surface, are actually a lot more challenging for consumers to perform than they seem. As the available information is of an expert-type, previous knowledge is often required to make use of the information. For the knowledgeable investor, there are a number of concepts that can help to make good decisions. For example, by looking at a funds "*Sharpe ratio*" it is possible to get a measure of past financial performance that is adjusted to risk. Being able to interpret the "*standard deviation*" helps evaluating the risk that the mutual fund takes. Moreover, a funds "*alpha*" helps to assess return in relation to its benchmark index. (Investopedia.com 2010) However, if used by laymen investors at all, these terms are sure to be challenging for most consumers to properly comprehend and apply when evaluating information.

As highlighted by this discussion, the decision making environment for investing in mutual funds is characterized by having information that has a high level of difficulty for consumers to evaluate and comprehend. Although an enlightened mutual fund investment decision should perhaps involve decision making criteria such as the "Sharpe ratio", "tracking error" or the

"standard deviation", laymen investors face a challenging task to even understand what these concepts mean.

However, while the discussion above is true for "regular" investment, the dual nature of SR-investment means that SR-investors have additional information to take in (Hummels and Timmer 2004). Several aspects associated with the socially responsible dimension of SRI could be addressed; from the SRI profiled mutual funds screening policy to how (and if) the mutual fund works with engagement with the companies that they have invested in (Michelson et al. 2004; Schueth 2003). Just as in the case of the information related to the financial dimension of SRI discussed above, the nature of the information when comparing mutual funds along these aspects related to the socially responsible dimension holds several challenges for individual SR-investors.

This difficulty to evaluate the available information related to the socially responsible dimension of SRI profiled mutual funds becomes clear when considering the example of a consumer that would want to avoid investing in activities that she perceives as ethically questionable. Here, almost all SRI profiled mutual funds available to consumers claim to screen ethically questionable activities. However, just like evaluating a fund's past financial return, making sure that the SRI profiled mutual fund does not invest in such companies is not as easy as it seems on the surface. One reason for this is that individual funds use different "minimum thresholds" for when a company is considered to be a part of certain ethically questionable industries (Michelson et al. 2004; Schwartz 2003; Taylor 2000). By applying these minimum thresholds, SRI profiled mutual funds that claim to screen industries such as tobacco and alcohol can still include companies that produce these goods in their portfolio as long as only a certain percentage of the company's turnover is generated from the particular industry (Schepers and Sethi 2003; Schwartz 2003). This information, however, is not always easy to find and the consequences of different minimum thresholds may be difficult for laymen consumers to estimate.

In this way, there is often a discrepancy between the "shallow" information on screening often presented in marketing initiatives, fund fact sheets and the actual screening policy of the SRI profiled mutual fund. On this note Table 4 provides the industry screens and cut-off points used by a selection of Swedish SRI profiled mutual funds.

Table 4: Different screens and their "minimum thresholds" in Swedish SRI profiled mutual funds

Mutual fund	Industry screens (Percentage of investment objects turnover derived from screened industry)
Folksam aktiefond Sverige	Tobacco (1% or yearly turnover of 10 million SEK)
KPA etiska aktiefond	Weaponry (0%), Tobacco, alcohol, gambling (1% or yearly turnover of 10 million SEK)
Swedbank ethica miljö Sverige	Tobacco, alcohol, gambling, pornography (5%), Weaponry (0%)
Carlson sverigefond	Tobacco, alcohol, war material (5%), landmines, cluster weapons, weapons of mass destruction (0%)
Aktieansvar Sverige	Tobacco, alcohol, defense, pornography (5%)

Source: Based on Riddselius (2010)

Thus, consumers that want to make sure that they avoid certain industries cannot fully depend on the overarching information presented in advertising and fund fact sheets. Screening is, in this way, not as definite as it is often presented. Consumers, therefore, often have to go to the detailed fund prospectus in order to get exact information on the nature of the screening activity (Michelson et al. 2004).

This example for the socially responsible dimension of SRI illustrates the same phenomenon as the example with the financial dimension of SRI presented above: a simple comparison of the available information is not enough to ensure a successful SR-investment decision. The information that lies as the foundation for making SR-investment decisions is far too multifaceted for simple comparisons. Moreover, information categories are interdependent, so that consumers cannot evaluate each category by itself. Instead, several aspects such as risk, previous return, fees, and market conditions etc has to be evaluated together.

In all, these examples highlight the notion that consumers do not only have to deal with a large *amount* of information when making their SR-investment decision. Instead, they have to deal with a large amount of information that is of an "expert-type" nature.

2.2.3 The challenge of the temporal orientation of SRI: towards the (distant) future

One of the fundamental characteristics of mutual fund investment is its process oriented nature. In essence, investors in mutual funds pay a mutual fund provider to analyze the market and, based on this process of analysis, buy and sell different financial instruments (e.g. Estelami 2007; Lichtenstein et al. 1999). In the case of SRI profiled mutual funds, investors also pay for

the mutual fund provider to incorporate a socially responsible dimension in this investment process and thus perform an additional process in the form of an analysis and selection of different investment objects based on SEE characteristics (Cowton 1999; Schepers and Sethi 2003). Thus, consumers of SRI profiled mutual funds do not pay for a static service. Instead, when investing in SRI profiled mutual funds, consumers purchase the *active process* of wealth management based on both a financial dimension and a socially responsible dimension (e.g. Michelson et al. 2004; O'Rourke 2003; Taylor 2000; Taylor 2001).

By definition, the fact that consumers purchase a process means that it is future oriented. It is in the future that the outcomes of the decisions that are made in the present become clear. For consumers, this process and future oriented nature of the SR-investment service carries one important consequence: it is virtually impossible to know what the outcome of the investment will be when making the investment decision. This is true for both the financial dimension and the socially responsible dimension of SRI profiled mutual funds. With regard to the financial dimension, an example of this difficulty to evaluate the process prior to investment is the fact that it is virtually impossible to predict what the original investment will be worth at the end of the (often long) investment period. The process oriented nature of mutual funds means that the mutual fund, and its manager, will trade shares, bonds and other financial instruments during different market conditions. This active process, over the span of an investment time period, will add up to become the final outcome of the wealth management service for which consumers have paid. Success with regard to the financial dimension of SR-investment is thus largely dependent on this process. However, as the process is yet to happen when consumers make their choices, consumers face a challenge in estimating the potential outcome of their choices (e.g. Gibbs 1998; Goldstein et al. 2008).

In a similar manner, success with the socially responsible dimension of SR-investment is also dependant on a process that is yet to happen. For example, if the SRI profiled mutual fund works with engaging investment objects, it is only after (and possibly during) the investment time period that the results of this process become clear. That is, as the outcome of the screening and engaging process, that consumers pay the mutual fund provider to perform, is yet to happen, consumers face a challenge assessing possible outcomes properly prior to investment.

In this way, success with both the socially responsible and financial dimension of SR-investment will depend on a future process that takes place in the mutual fund. Thus, the process oriented nature of SRI profiled mutual funds means consumers face a difficult challenge in estimating possible outcomes of the SR-investment prior to investment.

2.2.4 The challenge of a heterogeneous and intangible process: a credence intense environment

Due to the process oriented nature of SRI mutual fund investment, consumers face a difficult challenge evaluating the service prior to investment. However, on top of this, the SR-investment service is of such nature that it is even a challenge to evaluate the process even when you *have been* or *actively are* investing in the mutual fund (e.g. Ennew and Waite 2007; Ennew and McKechnie 1998). Thus, even when the investment service have been performed, it may not be clear for consumers if it was a good or bad process that they were paying for (e.g. Ennew and Waite 2007; Ennew and McKechnie 1998). This is true for both the processes associated with the financial and socially responsible dimensions of SRI profiled mutual funds.

At the core of this challenge are several characteristics of the investment process. For example, mutual funds (and other financial services) often suffer from a *lack of transparency* (e.g. Ennew and Waite 2007) and a *high level of intangibility* (e.g. Ennew and McKechnie 1998; Estelami 2007). Moreover, the nature of mutual fund investment is such that it is difficult to separate the results of the internal process (i.e. the wealth management process) from the *influence of external factors* (such as general economic conditions) (e.g. Diacon and Ennew 2001; Ennew and Waite 2007).

With regard to the transparency issue, the processes that go on in managing a mutual fund are often a closed area for consumers. The fund does not as a rule communicate what investment related activities (if any) that have taken place during the day. Because of this, consumers are given little chance to actually *see* the process that they are paying the provider to perform. As a result, consumers are not given a chance to evaluate whether the trading and the transactions made in the mutual fund are appropriate.

Moreover, should laymen consumers for some reason be able to see the transactions that take place in the fund, the intangible nature of this process means that few consumers (if any) would be able to properly evaluate it. The financial transactions performed within a mutual fund are very much a task that is designed to be performed by experts. After all, this expertise is one of the fundamental aspects that consumers of mutual funds pay for.

Finally, the nature of mutual fund investment is such a blend of different internal and external factors that it is almost impossible to pinpoint the precise cause of the result. Because of this, it is often difficult to completely separate the mutual funds internal performance from the general economic conditions present at the time of investment (Diacon and Ennew 2001; Ennew and Waite 2007). For consumers, this means that it is difficult to know how much of the outcome is due to the internal wealth management process and how much is attributed to general economic conditions. For example, during a recession, a mutual fund may very well show negative returns for a long period. However, this fact, in itself, does not mean that the

mutual fund has performed a poor wealth management process. Instead, the mutual fund may very well have performed better than the market as a whole. However, as it is difficult for consumers to separate the internal process and external market factors, it is likely that few individual consumers would be pleased with the process, despite it being better than average.

These three issues all highlight an important notion regarding the process of mutual fund investment: the process is largely *based on credence qualities* (e.g. Ennew and McKechnie 1998). A credence quality is, in essence, an aspect of an offering that is virtually impossible to evaluate even after the service is performed (Diacon and Ennew 2001; Ennew and Waite 2007; Zeithaml et al. 2009). Compared to search qualities that are attributes which can be evaluated prior to purchase and experience qualities that can be evaluated after the process has been performed, credence qualities are aspects of the service that are so intangible, inaccessible, or difficult to comprehend that they are virtually impossible for consumers to evaluate.

Due to the presence of credence qualities, an evaluation of the processes associated with the financial dimension of SRI is very difficult for non-expert consumers, even during and after the investment period. Because of this, cues that *signal* a good investment process become important (e.g. Devlin 2007).

One such cue, that is often regarded relevant for the choice of mutual fund, is the past financial return of the specific fund (e.g. Capon et al. 1996; Feuerborn 2001; Lichtenstein et al. 1999; Schwartz 2003). The argument is that past performance is a signal of a well run mutual fund investment process. Thus, by focusing on how the mutual fund has performed in the past, consumers can derive signals that hopefully indicate a good future return. Besides focusing on past return, another popular process evaluation strategy is to focus on the manager of the mutual fund. In many ways, the manager *"is"* the process as (s)he will decide what transaction will take place and when they will take place. Thus, in many ways, it is the manager, and not the mutual fund itself, that is successful. A manager with a good "track record" can signal a good process and therefore a higher possibility of a good future financial return.

These two examples, however, display the challenges with evaluating the processes associated with the financial dimension of SRI profiled mutual funds. Both examples highlight that, because of the presence of credence attributes associated with transparency and intangibility, investors cannot focus their efforts on the process as such, but instead on *past* events that *signal* whether the process is good or bad.

The evaluation of the processes regarding the financial dimension of mutual funds is thus a challenge for laymen investors, even during and after the

investment period. However, due to the nature of SRI profiled mutual funds, similar problems are also present in the socially responsible dimension.

In many ways, the causes that underlie this are similar to the challenges in the financial dimension of mutual fund investment. For example, the process whereby mutual funds screen and engage investment objects usually lack *transparency* and is high in *intangibility* (e.g. Michelson et al. 2004; Schwartz 2003). However, the socially responsible dimension where mutual funds screen and engage investment objects also suffer from at least one additional characteristic: the process lacks *standardization* as to how the mutual fund should incorporate the socially responsible dimension into the investment process (e.g. Dunfee 2003; Sandberg et al. 2009). Just like in the financial dimension of SRI profiled mutual funds, as discussed above, these issues combine to form an environment where credence qualities make evaluations of the processes associated with the socially responsible dimension difficult for consumers.

With regard to the *transparency* issue, consumers often receive only a limited insight into the screening and engagement process within the SRI profiled mutual fund (Michelson et al. 2004; Schwartz 2003; Tippet 2001). The interactions between the SRI profiled mutual fund and its investment objects are often intangible, difficult to grasp, and multifaceted (e.g. Cowton 1999). For providers of SRI profiled mutual funds, this makes it difficult to describe to consumers how the mutual fund actually integrates the socially responsible dimension in the investment process in an understandable manner. There are some issues, such as negative screening, that because of their more static and tangible nature can be communicated in a relatively easy manner. However, with the more intangible and multifaceted interactions associated with engagement and dialogue between mutual fund and investment objects, the reality is different. In many ways, it is almost impossible for consumers of SRI profiled mutual funds to see and take part in this dialogue based process, which they actually pay the provider to perform. On top of this, the issues discussed between company and mutual fund are also often of a sensitive nature. Thus, neither the mutual fund nor the investment object may be keen on publishing the content of their interaction, even if it were possible to do so.

However, on top of these issues associated with transparency and intangibility, the SRI industry also suffer from another characteristic that further increases the difficulty for consumers to evaluate the processes of the socially responsible dimension: there is lack of process *standardization* as to how SRI profiled mutual funds should incorporate the socially responsible dimension into the investment process (Michelson et al. 2004; Sandberg et al. 2009; Schepers and Sethi 2003). Within the SRI industry, there is little of an objective standard of what is "socially responsible" and what is not (Dunfee 2003; Knoll 2002). Because of this, mutual funds vary considerably

in how they apply the socially responsible dimension in the investment process. Some mutual funds perform a very thorough SEE analysis and may focus their efforts on a multitude of industries and companies while other mutual funds are a lot more liberal in their screening and engagement criteria and may focus on a limited set of screening criteria (e.g. Cowton 1999; Mackenzie 1998; Schepers and Sethi 2003; Waring and Lewer 2004). On top of differing ambitions with the socially responsible dimension, the content of the dimension may vary considerably between different SRI profiled mutual funds. Some SRI profiled mutual funds focus exclusively on environmental issues, while others are more focused towards social and ethical issues. Against this background, the "SRI" term, as such, has little meaning. Instead, the socially responsible dimension is practiced in a multitude of different ways.

Compared to many other consumer products that are positioned as "socially responsible", this lack of process standardization is quite unique. The normal practice is instead for an independent organization to evaluate and decide whether a specific product lives up to certain pre-defined SEE standards. In this manner, the industry can, through the use of different labeling schemes (i.e. fair trade, organic etc. See for example Micheletti 2003 p. 111), communicate the socially responsible nature of the product to the consumer. With these labeling schemes, the consumer does not have to evaluate different pro-social claims by themselves. Instead, it is possible to choose the eco-, fair trade, or organic product by merely looking at a label.

However, in the market for SRI profiled mutual funds, no independent organization evaluates the screening and engagement process of the fund providers. Thus, little help exists for consumers who wish to evaluate how the mutual fund works with the processes that are part of the socially responsible dimension of SRI profiled mutual funds.

In all, the lack of standardization and absence of independent evaluations of the process where mutual funds work with screening and engagement means that consumers have to perform an analysis of the process themselves. However, as the process, due to transparency and complexity issues is largely based on credence qualities, such an evaluation is a tough challenge for consumers. Only a few more tangible parts of the process, such as negative industry screening, is fairly easily evaluated. The parts of the process with a higher level of intangibility, such as how the mutual fund work with positive screening as well as engagement, is on the other hand often largely closed to consumers.

Just like with the processes associated with the financial dimension, the credence factors present in the industry means that cues which *signal* a good screening and engagement process become important. As in the financial

dimension, these cues are often in the form of past events that signal something about the overall process.

One such cue that signals a good engagement process is to present stories of past successes in the engagement process to consumers. SRI profiled mutual funds can, in this way, show consumers how the process was and what change in the company it led to. Another cue that is used by SRI profiled mutual funds in order to signal good processes in the socially responsible dimension is to show how the SRI profiled mutual funds choose to vote at the annual general meetings of the companies that they have invested in. For example, on their website, the *Domini* family of SRI profiled mutual funds presents how they have voted at annual meeting in the companies that they hold stock in. This information gives consumers the chance to, in a fairly tangible manner, see at least a small part of the engagement process. As such, it also gives out signals as to how the processes, with regard to the socially responsible dimension of SRI profiled mutual funds, functions on an overall level.

Based on this discussion, it is easy to see that it is a challenge for consumers to evaluate the processes associated with either of the dual dimensions of SRI profiled mutual funds. Due to the presence of certain credence qualities (triggered by the lack of transparency and high level of intangibility), that are present in both the financial dimension and the socially responsible dimension, the evaluation of SRI profiled mutual funds become difficult both before and after the investment time period.

2.2.5 The challenge of asset allocation

A final aspect of the SRI profiled mutual fund decision making environment is that making decisions in the investment arena is not merely about choosing *a* mutual fund. As mutual funds invest in shares on the stock market, is a process oriented toward the future, and dependent on external factors such as general economic climate, there is a significant degree of risk involved (Byrne 2005; Diacon and Ennew 2001). This risk, from an objective standpoint means that the investment could both increase and decrease in value. That is, a good decision is likely to improve one's financial situation just like a poor decision may result in the loss of parts of the consumer's hard earned savings.

To guide investors in their decision making with regard to risk, finance theory has long studied what makes a good investment decision. One of the key concepts in making sound investment choices is *diversification* (e.g. Markovitz 1952). For investors, diversification is basically a strategy for spreading the assets of a portfolio in a way where you do not "put all your eggs in the same basket". In this way, investors reduce the risk of their

portfolio as the performance of one asset has less impact on the overall performance of the portfolio.

The central tenet of a good diversification strategy is to choose assets that have a limited co-variation (e.g. Hedesström et al. 2006; Hedesström 2006). The basic idea is that if one asset decreases in value, the limited manner in which this asset co-varies with other assets in the portfolio will mean that the overall portfolio will not be very affected by this. For example, a common diversification strategy is to invest in both equity and interest bearing mutual funds as this will protect the portfolio in case of a drop in the stock market. Moreover, another strategy could be to invest in different regions and industries that have limited co-variation. Thus, in case one region or industry underperforms, the portfolio should still be able to perform well.

In this manner, investment in mutual funds is not only about finding funds that perform well (Statman 2001). Investment is also about managing risk by building a portfolio that is well diversified. This means that consumers not only have to evaluate the different mutual funds as such, but also how these mutual funds *relate to each other*.

However, diversification of a portfolio is not always a simple task and to be done successfully requires that consumers have the necessary understanding of what assets co-vary with each other. That is, to merely invest in different types of stocks does not, in itself, diversify a portfolio. Instead, it is how these stocks co-vary with each other that are the underlying principle of diversification. On this note, previous research shows that individual investors find it difficult to understand how to diversify a portfolio. For example, one of the common mistakes that investors make revolves around the home-bias heuristic which states that investors are likely to invest too little in foreign assets. In studying how Swedish investors chose mutual funds within the public pension scheme (PPM), Hedesström et al (2006) found evidence of this bias as a large number of investors opted for mutual funds that invest only in Sweden. Moreover, the investors also used the 1/n heuristic in that they allocated equal amounts to all mutual funds they chose. In all, Hedesström et al., (2006) suggest that investors use a "naive" form of diversification as they attempt to spread their risks. A likely explanation for this is a limited understanding of how a portfolio is properly diversified among private investors.

For consumers of SRI, this notion of diversification could be argued to be even more challenging. As most SRI profiled mutual fund, in one way or another, practice screening, several different stocks are removed from the investment universe. Many researchers argue that this limit in investment options increases the risk of the mutual fund (e.g. Knoll 2002; Michelson et al. 2004). That is, as many companies are excluded from being potential investment candidates, the SRI profiled mutual funds portfolio becomes less

diversified than its "regular" counterparts (Boutin-Dufresne and Savaria 2004).

Therefore, the process of creating a diversified portfolio becomes challenging for consumers that want to invest in all their money in a socially responsible manner. Unlike consumers of "regular" mutual funds, that have an abundance of different funds to choose from, the offering that include a socially responsible dimension is still limited. Thus, consumers of SRI profiled mutual funds may have an even bigger challenge in diversifying the portfolio than consumers of "regular" mutual funds.

In all, this discussion shows that investing in mutual funds is about more than evaluating different mutual funds individually. Instead, in order to manage risk, consumers should diversify their portfolio so that the co-variation between different assets is limited. In order to do this, consumers have to be able to evaluate several different funds, and their investment processes, on a portfolio level. This is a task that requires significant commitment and knowledge to be done appropriately, especially among SR-investors that choose to limit their investment universe.

2.3 Adding up the challenges: a complex environment for consumer decision making

In the discussion above it has been argued that successful investments, when it comes to SRI, have two dimensions. A successful investment decision with regard to the financial dimension of SRI could be regarded as one where the investor receives a positive financial return (e.g. Beal et al. 2005; Hummels and Timmer 2004; Michelson et al. 2004). A successful investment decision with regard to the socially responsible dimension of SRI profiled mutual funds, on the other hand, could be defined as one that results in positive social consequences or are in line with the investors fundamental SEE values (e.g. Beal and Goyen 1998; Schwartz 2003). Because of these dual dimensions of investment in SRI, it was argued that investment in SRI profiled mutual funds is a different type of decision compared to "regular" investing.

However, when making decisions with regard to these dimensions, consumers face a number of challenges. In total, five different challenges that all are present in the environment in which consumers have to make their SRI mutual fund investment decisions have been identified above. The first of these is the information intensive nature of mutual fund investment (e.g. Diacon and Ennew 2001; Kozup et al. 2008; Lee and Cho 2005). Financial information on the stock market is everywhere these days. From the nightly news to the morning newspaper, information on investments is everywhere. Moreover, when going from a passive to an active search for information, consumers are, on top of this, faced with an abundance of information regarding everything from previous return, level of risk, and fee

structure to ratings and manager tenure. However, investors that want to make a successful decision with regard to the socially responsible dimension of SRI have even more information to consider as several additional aspects, such as the funds screening and engagement policy, become relevant in the investment decision. The combination of information from the financial and socially responsible dimension creates a situation that is unique to the decision making context of SRI profiled mutual funds. Consumers face the challenge to sort through the abundance of information and focus on the relevant aspects of the information.

However, this may not be as easy as the second challenge addressed in the discussion shows that much of the information is of an "expert type" and therefore not easily evaluated by laymen (e.g. Lichtenstein et al. 1999; Martenson 2008b; Martenson 2005). For the financial dimension, the terminology sometimes includes such highly expert oriented concepts like the "standard deviation" and "Sharpe ratio". However, even more basic concepts like risk is often not understood properly by consumers (Diacon 2004). Furthermore, the interrelated nature of different categories of information (i.e. risk, return, and market conditions) further increases the difficulty level of evaluating the information. For the socially responsible dimension of SRI profiled mutual funds, similar conditions apply. Concepts such as screening and engagement are not always easy for consumers to grasp. In order to fully comprehend this terminology that describes how the mutual fund incorporates the socially responsible dimension previous knowledge is often required. Thus, it is not just a question of the sheer amount of information. Instead, consumers are faced with a lot of information that is difficult to comprehend due to its expert oriented nature.

In this manner, consumers are going into the decision with an information load that is somewhat unique to SRI profiled mutual funds. However, in many ways the information can only get consumers to a certain point as the decision making environment is shaped by the fact that consumers are purchasing future-oriented processes (e.g. Lichtenstein et al. 1999; Michelson et al. 2004). Because consumers purchase a process that, at the time of investment, has yet to happen, there is no way to predict the outcome of the investment at the time of the investment decision. This is true for the financial dimension of SRI as it is impossible to say how much the investment will be worth at the end of the investment period. However, in order to make a successful decision with regard to the socially responsible dimension, SR-investors have an additional process based outcome to predict in the form of possible SEE consequences of the investment decision. Similar to the financial dimension, the processes associated with the socially responsible dimension are also future oriented. At the time of investment, it is therefore not possible to know the outcome of the SEE processes that are yet to take place.

This fact, in itself, may not be too troubling for consumers. Many services are future oriented with unpredictable results as a consequence. However, this, in combination with the fact that credence qualities dominate the service, means that consumers face a tough challenge. In essence, the presence of credence qualities means that it is also difficult to evaluate the processes associated with SRI profiled mutual funds even during and after the investment time period (e.g. Diacon and Ennew 2001; Ennew and McKechnie 1998). This is true for the processes associated with both the financial and the socially responsible dimension of SRI profiled mutual funds. The lack of transparency into what the mutual fund actually does, as well as the intangibility of these activities, and the influence of factors external to the process on the final results, make it very difficult to objectively evaluate the processes performed in an SRI profiled mutual fund. Instead, the consumer has to put their trust in cues that signal performance of the processes of the two dimensions of the SRI profiled mutual funds. However, these cues focus mainly on past events, and are not always appropriate for evaluating the processes as such.

Finally, the environment for investment is also a risky one (Diacon 2004; Diacon and Ennew 2001; Ennew and McKechnie 1998). Just like the upside of making a good investment decision is making money, the downside of a poor investment decision is losing money. In order to deal with risk, consumers have to work with portfolio diversification (e.g. Hedesström 2006). This implies that the consumer does not only have to evaluate mutual funds on an individual level, but also how they co-vary on an overall portfolio level. For a "regular" consumer, this can be challenging as it requires a lot of knowledge on how different assets co-vary with each other. However, as SRI profiled mutual funds have a more limited investment universe (Knoll 2002), it could be argued to be even more challenging for an investor that wants to make a successful SEE decision.

The discussion above has outlined five characteristics of the decision making environment relevant for the private investor of SRI profiled mutual funds. These challenges give an insight into the reality that consumers face when making their investment decisions. In this discussion, it is clear is that, although the difficulties vary with the dimension in which they are located, many of these challenges have the same roots. For example, surrounding both dimensions of the SR-investment decision there is a lot of information that is often expressed in the form of difficult terminology. Moreover, the performance of SRI profiled mutual funds is difficult to evaluate due to lack of transparency and high levels of intangibility in both the financial and socially responsible dimensions.

When considering all the challenges it is clear that making decisions in each of these dimensions is a difficult task for consumers. The fact is that

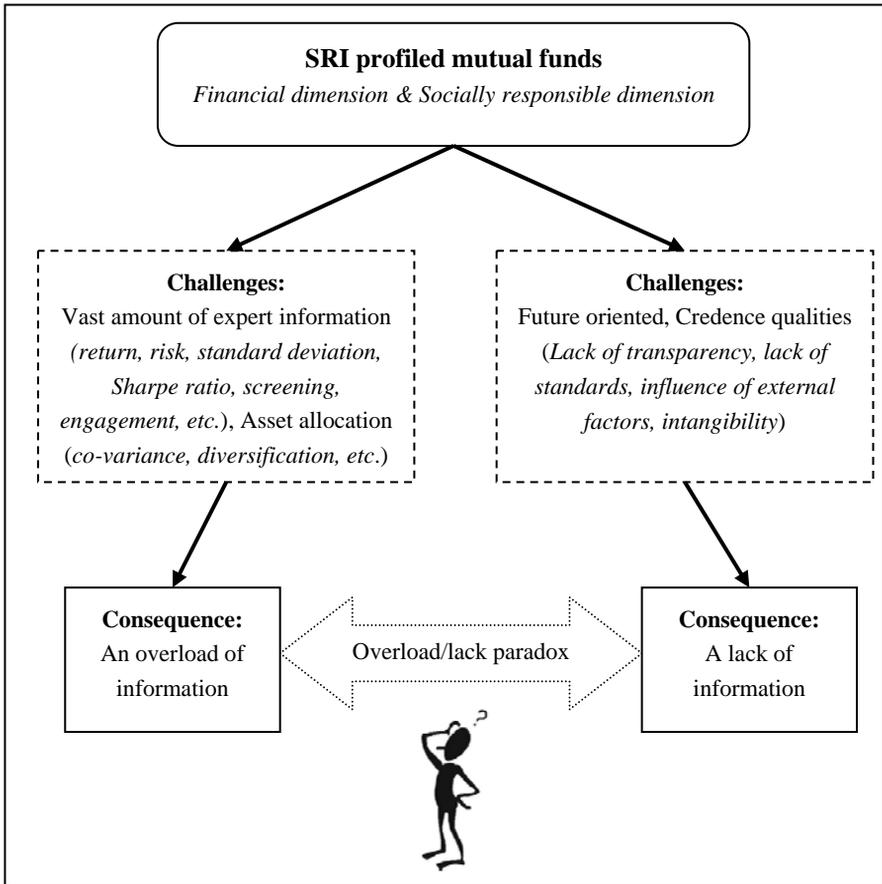
both dimensions include a number of challenges that have to be dealt with. In this way, making "regular" financial mutual fund investment decisions, in itself, is difficult as there are challenges in the amount and type of information, credence qualities, and asset allocation. However, making a decision with regard to the socially responsible dimension is also, by itself, a difficult task due to challenges with information, credence qualities, and the orientation towards the future.

When dealing with both of these difficult dimensions in one decision, as is done in SRI profiled mutual funds, *a picture of a complex environment for decision making emerges*. Consumers in this environment are dealing with challenges and uncertainty both when deciding the financial nature of their investment as well as when they are deciding the SEE nature of their investment. As a consequence of this, the decision making environment, which is already difficult to deal with in "regular" investment, becomes outright complex should you have the ambition to make successful financial *and* SEE investment decisions.

2.3.1 The information overload/lack paradox

This complexity could in many ways be described as a paradox that consumers face when making decisions. As described in Figure 3, consumers face both an overload of information at the same time as they, due to credence qualities, have access to very little information on the processes that they actually pay the mutual fund provider to perform.

Figure 3: The information overload/lack paradox of SRI profiled mutual funds



The first part of this paradox revolves around the notion that the marketplace is characterized by an abundance of information. This is true for mutual fund investment in general, but the dual nature of SRI profiled mutual funds increase the amount of information that consumers are exposed to. Consumers that desire information on SRI mutual fund investment prior to their investment decision can access vast amounts of information using such sources as *Morningstar.com* and *Socialinvest.org*. Consumers, along these lines, have the possibility to compare an almost endless number of mutual funds on an almost endless number of different characteristics. Adding the information regarding asset allocation where consumers have to account for information for many different mutual funds at the same time, the situation becomes exceptionally information intensive. Aspects such as the previous return, risk, manager, screening, engagement, standard deviation, Morningstar rating, manager tenure, and investment style of the mutual fund is just a fraction of the available information.

However, in another way, SRI profiled mutual funds are characterized by an *absence* of information on the *actual processes* that make up the SRI wealth management service that consumers pay for. As issues such as a future oriented service where results are known only after the investment time period are combined with limited transparency into the activities in the mutual fund, a high level of intangibility of the activities in the mutual fund, little standardization of processes that is used in the mutual fund, and the influence of external factors, such as the general economic environment, on the end result, consumers face a situation that is high in credence qualities. These credence qualities make it very difficult for consumers to find information on the actual processes associated with the financial and socially responsible dimension of SRI profiled mutual funds. What the mutual fund actually does, and what you as a consumer pay for, is in this way a closed area for consumers. Because of this, there is very little information available to consumers that actually reflect the processes that go in inside the mutual funds. Instead, as mentioned above, the information that exists is often in the form of cues that *signal* something about the processes performed by the mutual fund (such as previous return, manager, SEE voting record, etc.).

In many ways, the information overload/lack paradox is the outcome of the complexity that consumers meet when investing in SRI profiled mutual funds. A number of different individual challenges in combination generate a complex environment where there is a vast amount of information with a difficult terminology and a lack of information on the actual content of the service.

2.3.2 Conclusion: an environment high in complexity

In general the discussion above where five challenges of the decision making environment of the two dimensions of SRI profiled mutual funds highlight one very general fact: *the decision making environment that consumers face is of a very complex nature*. A consequence of this complexity is the information overload/lack paradox presented above. A situation with an immense amount of expert type information that consumers have to deal with, at the same time as there is actually a lack of concrete information about the service available.

It is in this environment that consumers have to combine their consideration for social, ethical, and environmental issues with their financial objectives. Consumer decision making, within this environment is addressed in the next chapter.

3. Studying consumer decision making and socially responsible investment choices

The previous chapter was a look into the challenges that consumers face should they want to invest in SRI profiled mutual funds. It was argued that, as a consequence of these challenges, investing in SRI profiled mutual funds is a decision surrounded by a great deal of complexity. This complexity was displayed using the information overload/lack paradox that illustrates the type of decision that consumers face.

However, despite this complexity, the fact is that consumers do make mutual fund investment decisions and public policy in Sweden (and many other western countries) encourage consumers to make these decisions (Devlin 2003; Nyqvist 2008). Moreover, the share of these mutual fund investment decisions that result in an investment in a SRI profiled mutual funds is steadily increasing (SIF 2007; Sparkes 2002).

Against this background, the present chapter is concerned with the theoretical background as to *how* consumers make these decisions. In this discussion, the major framework for the thesis; the Engel-Kollat-Blackwell (1968) consumer decision making model is introduced, critiqued and discussed in the context of SRI mutual fund investment. First, however, the fundamental research approach is discussed.

3.1 Theoretical views on consumer decision making

Research within the marketing discipline have long focused on trying to understand and predict consumer purchasing behavior (e.g. Jones and Shaw 2002; Sheth et al. 1988). For obvious reasons, knowing how consumers make their purchasing decisions is one of the most important pieces of information for companies to possess in order to develop attractive market offerings. The buyer behavior school of marketing thought, that focuses on understanding why consumers behave the way they do, started to develop in the 1950s in order to meet this need (Sheth et al. 1988).

However, within this framework in attempting to understand consumer buying behavior, Marsden and Littler (1998) distinguish at least five different perspectives for research on consumer behavior; cognitive, behavioral, trait, postmodern, and interpretative. These five perspectives all offer their own explanation for why consumers behave the way they do. The cognitive school focuses on the consumer as an information processor and a task solver, while the behavioral school looks at different learning and conditioning approaches to consumer behavior (e.g. Mowen 1988). The trait school focuses on human traits as an explanation of behavior while the more

recent additions of interpretative and postmodern consumer research focus more on interpreting the subjective perception of consumers (Marsden and Littler 1998).

In this manner, depending on the perspective the researcher takes, different explanations for consumer decision making are emphasized (Marsden and Littler 1998; Mowen 1988). Thus, just like in many branches of the social sciences, there is no "ideal" perspective for consumer researchers to take. Instead, all of these perspectives can be, and are, criticized for focusing on certain aspects (and thereby leaving other aspects out) in explaining consumer behavior (Marsden and Littler 1998; Mowen 1988).

3.2 The consumer decision making model and complex environments

The framework used for the current thesis, the Engel-Kollat-Blackwell (1968) consumer decision making model, largely belongs to the "cognitive" or "decision making" perspective mentioned above (Marsden and Littler 1998; Mowen 1988). The model, displayed in Figure 1 in the first chapter, is an outline of five different stages that consumers are supposed to go through when making a purchase.

Despite being developed over 40 years ago, this model is in many ways considered to be a foundation for understanding consumer behavior within the marketing discipline. Introductory textbooks in marketing and consumer behavior frequently cite the model to introduce readers to consumer decision making (e.g. Kotler et al. 2005; Solomon et al. 2006). The model, however, is not without its critics. It was developed in a time period when "grand-models" that explain a large part of consumer decision making, were popular (Harrison et al. 2006; Marsden and Littler 1998). This gave rise to a number of different fairly comprehensive models of consumer decision making such as the models presented by Howard and Sheth (1969) and Nicosia (1966). However, on a general level, these models have received criticism for being "too comprehensive". In other words, the models attempt to explain and incorporate too much of the consumers behavior so that they could be criticized for simplifying reality.

With regard to the specifics of the Engel-Kollat-Blackwell model, critique has mainly factored in on two aspects (e.g. Ennew and Waite 2007; Estelami 2007). First, it is claimed that the model assumes consumers to be rational. Second, the sequential nature of the model has been challenged as researchers question whether consumers actually go through all these steps in sequence.

The first of these criticisms, often brought up by the "interpretative" or "postmodern" research traditions revolve around the decision maker as "rational" (Marsden and Littler 1998). Rational, in the logic of these critics,

involves collecting a lot of information prior to the purchase, most likely from multiple sources. Thereafter, consumers are supposed to process this information and based on this processing stage, consumers make a choice that generates the highest level of utility. However, critics rightly point out that there is evidence of limited consumer pre-purchase search (Olshavsky and Granbois 1979). Consumers do not always engage in search from multiple sources, nor do they always evaluate different alternatives in a comprehensive manner, that is free from emotion and based on utility (Mowen 1988; Olshavsky and Granbois 1979).

Second, and often closely connected to the rationality argument, there is a question whether consumers actually go through all stages in a sequential manner. As mentioned in the previous chapter, there is evidence that consumers do not always engage in a search phase (Ennew and McKechnie 1998; Martenson 2008b; Olshavsky and Granbois 1979). Moreover, many purchases are of an "impulse" type, questioning the notion that consumers are driven by an internal "need" or "problem" as suggested in the model (Marsden and Littler 1998; Olshavsky and Granbois 1979). Based on this, arguments have been brought forth that question whether the process starts at the first stage and ends as the last stage of the model.

In combination, these two major criticisms challenge some of the fundamental aspects of the model. However, despite this, researchers have also brought up positive aspects of the model. One of these positive aspects is that the model highlights consumer behavior before, during, and after the purchase. Thus, the focus on the purchase itself is reduced and thought of as one component of a larger process. In this manner, there is both merit to the model as well as critique against the model. Depending on the fundamental research perspective within consumer behavior that is taken, researchers often either reject the model or accept it.

However, beside these two possibilities (reject or accept), there is also a third course of action. This third possibility that has been the dominant course in the financial services marketing literature (e.g. Ennew and McKechnie 1998; Harrison 2000; Harrison 2003; Harrison et al. 2006) is to argue that there is *some* relevance to the model. Researchers who take this position acknowledge that there is merit to the idea in thinking of consumer decision making in terms of phases prior to purchase, during purchase, and after purchase (Harrison et al. 2006). However, this body of research also acknowledges and problems associated with some of the assumptions of the model. For example researchers within financial services marketing frequently observe and acknowledge that consumers do not collect as much information as they should and that purchases could happen without the presence of an underlying need (Ennew and McKechnie 1998). However, instead of completely rejecting the model based on these observations, they see these issues *as a starting point for future enquiry into how consumers*

actually behave in the three different major stages of the model. In this way, it is possible to agree with some of the critique against the model, but still, in a critical manner, apply the model as a framework for enquiries into how consumers make decisions.

In doing this, researchers address and modify at least two aspects of the model. First, the assumption that consumers necessarily approach the stages in a sequential nature is challenged. Instead, each of the stages has value in themselves. Thus, studying consumer information search does not necessarily mean that the researcher assumes that it has been preceded by problem recognition and succeeded by an evaluation. Instead, knowledge regarding the information search process is considered valuable in itself. Second, and related to the first point, causality between the stages is not necessarily considered to always be present in the model. That is, just because one type of behavior is displayed (i.e. an extensive information search process) does not mean that another type of behavior (i.e. an extensive post-purchase phase) will come as a consequence.

It is this, somewhat less stringent "third" approach, where each stage is considered valuable in itself and the assumptions of a sequential nature and causality between the stages is removed, that underlie the application of the Engel-Kollat-Blackwell consumer decision making model in the current thesis. The major reason for this use of the model is traced back to the complexity and the possibility of large negative (or positive) consequences of the decision as discussed in chapter two. Theoretically, this complexity highlight a situation where consumers, if acting in their best interest, *should* take a lot of time and effort to process information, both prior to-, during, and after the purchase. That is, having their own best interest in mind, the mutual fund investment decision is a situation where the complexity and the possibility of large (negative or positive) future consequences of the choice *should* mean that the consumer spends time analyzing different investment options, learning about diversification, and processing large amounts of financial information.

Against this background, the decision making context with complexity and the possibility for negative and positive consequences, should theoretically result in a behavior that is in line with the assumptions of the model. However, as mentioned above, research within complex financial services has shown that consumers do not process information in the manner that they should do in order to make good decisions (e.g. Dawes et al. 2009; Lee and Hogarth 2000; Martenson 2008b). Moreover, the information overload/lack paradox presented in chapter two questions whether it is actually possible to make appropriate information based decisions. If there is little or no information on the actual characteristics of the processes of the dual dimensions of SRI, as outlined by the paradox, the question is how consumers can make reasonable decisions.

In this manner, this complex environment is the ideal starting point for further enquiry into how consumers *actually* behave in the three major stages of the model. In doing this, the "third" approach to view the model is applied and the thesis thereby joins the theoretical domain of previous research within financial services marketing (e.g. Devlin 2007; Ennew and McKechnie 1998; Harrison 2003; Harrison et al. 2006). In this manner, the thesis breaks down the process into individual parts (as recommended by Harrison 2003) in order to generate new knowledge on consumer decision making with regard to socially responsible investment profiled mutual funds.

Next, the decision making process is discussed in the context of the specific subject of enquiry; consumer investment in SRI profiled mutual funds.

3.3 The consumer decision making process for SRI mutual funds

Within the financial services marketing research domain, the Engel-Kollat-Blackwell model has received significant attention (Ennew and McKechnie 1998; Harrison 2003; McKechnie 1992), and there are a multitude of studies that, explicitly or implicitly, focus on different stages of the decision making process (e.g. Bloemer and Dekker 2007; Dawes et al. 2009; Harrison et al. 2006; Hauff 2006; Lee and Cho 2005; Lee and Marlowe 2003). However, as discussed in chapter one, SRI is fundamentally different from the regular financial services context as it is a service of a dual nature (Beal et al. 2005; Michelson et al. 2004). In essence, SRI comes in the form of dual dimensions. Each of these dimensions has its own processes associated with it. In this manner, as is displayed in Table 1 (in chapter one), SRI consist of two sets of processes; one set of processes that is concerned with the financial aspect of investing (i.e. financial analysis of companies, trading, investment etc.), and one set that is concerned with the SEE aspect of SRI (i.e. social, ethical, and environmental analysis of companies, engagement & dialogue with companies, screening). It is this combination of two dimensions that makes SRI profiled mutual funds unique in the financial services industry. However, as discussed in chapter two, it is also this combination that increases complexity of the industry and thereby also the difficulty of the investment decision for consumers. Instead of dealing with one complex process, consumers of SRI have to deal with dual sources of challenges. This unique combination will also shape the nature of the different stages in the decision making process.

3.3.1 Stage 1: Problem recognition

As discussed in chapter two, one fundamental characteristic of the dual processes that makes up SRI profiled mutual funds is the notion that they are both oriented towards the future. This is clear for the financial dimension

as potential financial benefits of engaging in the process take place in the future (Gibbs 1998; Knights et al. 1994). For example, when using mutual funds to save for retirement, it is only when the consumer retires, and the investment is realized, that the potential financial benefits of the investment plan become clear. This future oriented nature also holds true for the socially responsible dimension of SR-investment (Michelson et al. 2004). Possible socially responsible oriented benefits are not evident at the time of investing in the SRI profiled mutual fund. Instead, it is only after actively taking part in the process of engagement and screening that any positive SEE consequences from the investment can come about.

However, for consumers to be able to enjoy any of the future benefits associated with the processes of SRI, an investment decision has to be made in the present. Thus, there is a gap between the purchase and the benefits of the purchase that is somewhat specific to the decision making environment of long term financial services (Ennew and Waite 2007; Estelami 2007).

In many ways, this gap has consequences for the need (or problem) recognition that consumers encounter (Devlin 2001; Ennew and McKechnie 1998; Knights et al. 1994). As displayed in the model (Figure 1), the Engel-Kollat-Blackwell (1968) decision making process argues that consumers who wish to purchase something first experience a "need" or "problem" in their lives which they go to consumer markets to solve. Thus, should ones car brake down or simply not be cool enough, consumers seek out a dealership and solve their problem by purchasing a new one. Should your hair be too long or your haircut out of style, consumers seek out a hairdresser to solve their problem by paying for a haircut.

However, much research within the financial service marketing field argues that the gap between purchase and consequence may inhibit the formation of an internal need or problem. Because of this, many researches claim that for the mutual fund investment decision there is no immediate "problem" or "need" that triggers the purchase (Ennew and McKechnie 1998; Knights et al. 1994). As the processes associated with investment in SRI profiled mutual funds is future oriented and the need for a good pension, for example, is one that occurs at a later stage, consumers do not experience the immediate trigger as they would in other contexts where there is a smaller gap between purchase and benefits of the purchase.

This lack of internal problem recognition for investment in SRI profiled mutual funds has several important consequences for the other stages of the decision making process which will be discussed under each heading. The fundamental reason for this impact on the other stages, however, revolves around the notion that if there is no problem to solve, consumers have little motivation in engaging in any of the later stages of the model. The stages in the decision making process require consumers to exert a certain amount of effort. If there is no fundamental need or problem, there is little internal

motivation for consumers to spend this effort. These consequences will be discussed more in detail under each of the headings below.

3.3.2 Stage 2: Information search

The second stage of the consumer decision making process is the information search phase. After having perceived a problem, the information search stage implies that consumers go on and search for ways in which this problem could be solved. Several different types of search behaviors are distinguished in the literature. Of these, one of the most important types of search behaviors is that of internal- and external search (Guo 2001). The internal search is the internally based process where consumers search in their memory for information on how to solve the problem. Should the internal search generate insufficient information, the consumer moves on to an external search phase, where the consumer collects information from external sources (e.g. Guo 2001; Schmidt and Spreng 1996).

However, the information overload/lack paradox in the SRI context becomes an important obstacle to performing such an information search process. As discussed in chapter two, consumers face a paradox where there is an endless amount of information available. However, as this information do not actually represent the processes that consumers are paying for, consumers could also be argued to, in this sense, face an absence of information of the key aspects of the mutual fund.

Each of the two components of the paradox generates its own challenges to the information search process. Starting with the abundance of available information, consumers could experience problems in researching all relevant aspects of the potential investment options. In many ways, it could be argued to be unreasonable or naïve to expect consumers to take in all the information on the different mutual fund options. After all, consumers have limited problem solving capacity (Bettman et al. 1998), and, as displayed in chapter two, there is a vast amount of information to take in.

This discrepancy between the amount of information regarding mutual funds and what the consumer realistically could be expected to search for means that there is a risk that the consumer invest in something that they did not intend or want. For example, a common misunderstanding about SRI profiled mutual funds is that they automatically exclude companies that engage in ethically questionable activities. However, many different SRI profiled mutual funds practice engagement and therefore actively invest in ethically questionable companies in order to try to influence them. Moreover, SRI profiled mutual funds often use minimum thresholds that allow them to include companies that have a limited part of their turnover from these ethically questionable activities.

Both of these facts could come as a surprise to consumers (and sometimes to members of the media, e.g. Bursell 2010). However, given the amount of

information available, and that some of these issues require a great deal of information search, it is not surprising that consumers sometimes feel deceived by the mutual funds. To actually find out all the information on the financial and socially responsible dimensions characteristics of the potential mutual funds would require a very extensive information search process.

However, although this information intensive aspect in SRI mutual fund investment creates problems for consumers, the other aspect of the paradox could be even more difficult to cope with. Here, consumers could, despite this information intensive environment, be considered to lack information on the central aspects of the service that they are paying for. That is, there is very little available information that can aid consumers to evaluate the dual set of processes that take place in the SRI profiled mutual fund.

One fundamental reason for this lack of information, which is discussed in chapter two, is the transparency of the SRI profiled mutual fund. The actual processes related to the management of money that goes on within the SRI profiled mutual fund is often done behind closed doors, with a very limited insight for consumers. Because this is done with limited insight, it is very difficult for consumers to collect information about these activities.

An example of this is the trading of shares and other assets that is performed within the mutual fund. This process, of performing a good financial analysis of potential investment objects, and based on this analysis choose to invest in different companies, is a key aspect of what the mutual fund does for the consumer. If this is done in a good manner, the consumer can enjoy above average returns on their mutual fund investment. On the other hand, if performed poorly, consumers can expect poor returns on their investment. However, from the perspective of the consumer who wants to make a successful financial investment decision, there is very little information on these key processes that could be gathered in an information search process. These processes are performed behind closed doors and are often too difficult for the consumer to follow and comprehend. Instead, the consumer has to rely on signals of good processes, such as previous financial return when they collect information about different investment options.

Another example where the transparency issue becomes relevant is the manner in which the SRI provider work with engagement and dialogue towards the companies in which it has invested. This process, where the provider engages in dialogue with companies, is one of the key processes towards being successful in the engagement strategy. However, just like in the example above, there is very little information available whereby consumers could evaluate this central process that they actually pay the provider to perform. Instead, the information search process has to rely on cues, such as previous voting record, that signal a good process.

For consumers, this paradox of available information, along with the previously discussed lack of problem recognition, seems to limit their search when making investment decisions. Much research show that, instead of going out and actively collecting information, many consumers are passive, collecting only a limited amount of information (Capon et al. 1996; Dawes et al. 2009). In general, some researchers have even argued that consumers show signs of "apathy" or "indifference" with regard to information search when faced with the nature of the paradox of the mutual fund investment decision (Devlin 2003; Diacon and Ennew 2001). Considering the possible consequences of a poor investment decisions, this apathy in the information search process may result in large negative consequences financially. Moreover, the consumer of SRI also risks investing in a mutual fund that may not be consistent with their fundamental SEE values and preferences.

3.3.3 Stage 3: Evaluation of alternatives

The information overload/lack paradox in the investment decision and the passive nature of information search that follows from this have a number of consequences for the final choice of mutual fund. In fact, it has been argued that these difficulties in gathering information become magnified when consumers subsequently attempt to evaluate possible alternatives (Ennew and McKechnie 1998). The evaluation can only be based on the previously collected information. Thus, a limited information search process by default ends up in a limited evaluation of alternatives.

As the evaluation of different alternatives builds on the information that is collected in the information search phase, the paradox with regard to the nature of the available information, also become an important issue in the evaluation of different alternatives. With regard to the first aspect of the paradox that concerns the information that is actually available, consumers have to attempt to evaluate a vast amount of information when comparing different alternatives. However, this is not the only issue facing consumers. Instead, difficulties in evaluating different alternatives arise as much of the information that has to be evaluated is of a complex nature. As discussed in chapter two, a large part of the available information could be argued to be of "expert type", that is very difficult for non-expert consumers to evaluate. For example, in order to evaluate risk, return, and SEE strategy, SRI profiled mutual fund information sheets often bring up concepts such as "*negative screening*", "*shareholder influence*", "*tracking-error*", and "*Sharpe-ratio*". However, for laymen, who may not even know what these concepts mean, evaluating how different alternatives perform along these lines may very well be difficult, if not impossible.

In this manner, the presence of a vast amount of information and the difficulty of this information is problematic when evaluating different alternatives. However, on top of these issues, another factor of the evaluation

stage that makes it even more difficult for consumers is that investment involves a certain level of risk. As discussed in chapter two, a key concept that allows investors to manage risk is diversification, where investors, if properly done, limit risk by investing in assets that have limited co-variation (Hedesström 2006; Markovitz 1952). Thus, investment in mutual funds is rarely about choosing *one* fund, but rather several funds that make up a well-diversified portfolio.

For the evaluation of different alternatives, this thought of an investment portfolio to limit risks means that consumers have to expand their evaluation from choosing one mutual fund to choosing several. Consumers can thus not only rely on evaluating information about the intended mutual fund (as would often be the case in other consumer industries). Instead, they have to focus on several mutual funds in a portfolio, and make sure that they evaluate these alternatives in a manner that enable them to limit co-variation from a portfolio perspective. Moreover, should the consumer already have mutual funds, stocks, bonds, property, or other investments (that many consumers have), they would have to include the characteristics of these already present investments when deciding on an appropriate mutual fund investment. The consequence of this is, in essence, an evaluation process that is not focused on one entity, but rather, many different entities. On top of this, the evaluation should, in order to manage risk, take into account how these entities correlate with each other.

As this discussion shows, there are several aspects regarding the first part of the paradox that make the evaluation stage difficult. However, on the other side of the paradox, consumers have to cope with the fact that there is very little concrete information on the actual processes that make up the mutual fund investment service consumers pay for. Faced with this lack of information on the central aspects of the service, the fundamental question facing consumers is how to evaluate alternatives without this important information.

As mentioned above, the answer to this question is that consumers have to largely base their evaluation on cues that signal something as opposed to actual characteristics of the processes that make up the service (e.g. Ennew and Waite 2007; Ennew and McKechnie 1998; Harrison 2003). Therefore, issues such as historical return, successful examples of SEE influence on companies, the SRI providers brand, and who the fund manager is, are likely to be in focus when evaluating different alternatives (e.g. Feuerborn 2001). This reliance of signals is in many ways quite concerning as these factors, at best, give an indication of the characteristics of the wealth management processes that consumers pay for.

In this manner, the information overload/lack paradox information in the SRI context highlights several problematic issues in the evaluation stage.

These issues make it difficult, if not impossible, to perform a “proper” evaluation of the characteristics of the different mutual funds.

However, on top of the paradox, there is also an issue that follows the previously discussed lack of problem recognition. The nature of SRI profiled mutual funds is such that there is no obvious truth as to what a good SRI investment is. For example, a consumer that wants to make a good decision with regard to the socially responsible dimension might get put in a situation where they may have to choose between a fund that uses five industry screens with a liberal threshold and a mutual fund with only one screened industry and a tougher threshold. In this situation the question for consumers is whether it is better to invest in a portfolio with many screens but because of a liberal threshold still invest in several ethically questionable activities or if it is better to get access to a portfolio that only screen one industry but do this in a very thorough manner?

Given this choice, there is no objectively given answer as to what the “best” option is. Instead, consumers have to let their preferences guide the investment decision that they are about to make. However, should the consumer lack a perceived problem or need, they may not have developed preferences as to what financial service that they actually need or want. Therefore, many consumers, who attempt to evaluate the characteristics of different SRI profiled mutual funds, may not know what aspects they are looking for. In this sense, the evaluation, that may already be based on a shaky foundation because of the lack of information, complexity of the information, and credence attributes, risk becoming pointless. Consumers can spend a lot of time evaluating, but if you do not know what the goal of the evaluation is (i.e. your preferences and desires), the evaluation in itself is at risk of becoming meaningless.

In all, there are serious questions regarding how consumers evaluate the characteristics of SRI profiled mutual funds prior to investment. The lack of consumer perceived need and information search provide an unstable foundation for the evaluation of different options to say the least. Moreover, the paradox where consumers are exposed to a large amount of information but little concrete information on the actual processes make the evaluation stage even more difficult. Thus, consumers risk relying on cues that, at best, serve as a signal of well performed processes, as opposed to the actual characteristics of the processes in the mutual fund they are paying for.

3.3.4 Stage 4: Purchase

The purchase stage follows naturally from an evaluation of the available alternatives. However, because of trouble with problem recognition,

information search, and evaluation stages, as argued above, consumers may not always make the best choices.

With regard to the first of these, it was argued above that “need” or “problem” recognition play an important part in formulating preference and desires against different options are evaluated. However, due to the gap between purchase and consequence of the purchase, consumers may not always have developed needs for long-term investment products (Ennew and McKechnie 1998). As needs are necessary in forming pre-purchase preferences, the lack of need could result in consumers coming into the transaction without knowing what type of investment product that they want or need. If consumers do not know what type of product that they want, there is little chance that they can distinguish between different options within the same category (such as SRI profiled mutual funds).

This lack of problem recognition is, in this way, one of the contributing factors behind the saying that “financial services need to be sold rather than waiting for them to be bought” (Devlin 2001 p. 642). As consumers perceive little need for the services, they are less likely to actively start searching for information and evaluate different alternatives. Instead, these services often have to be “sold” by staff at the bank or mutual fund provider. In fact, the lack of problem recognition often means that consumers are especially vulnerable to “hard selling”. As they do not know what they are looking for, or have the capability to understand the offerings, it is difficult to say no to a salesperson.

Another aspect that may contribute to the vulnerability of consumers to the “hard sell” is the often limited evaluation that takes place prior to investment. On this note, there is a growing body of research that highlight the limited evaluation processes of consumers (or private investors) (e.g. Barberis and Thaler 2005; Shefrin 2002). This research shows that, instead of making proper well evaluated decisions, investors are likely to use different heuristics in their choices, as consumers only have limited problem solving ability (e.g. Bettman et al. 1998). For example, well known heuristics used in investments include the tendency to put equal amounts in different investments, be averse to losses, or being too confident in one’s own ability as an investor (e.g. Barber and Odean 2001; Hedesström 2006; Shefrin 2002).

In this manner, consumers may purchase investments without the foundation of a thorough evaluation. Instead, they take shortcuts and make decisions without the base of information and knowledge that is often needed to be a successful investor. Another aspect that impacts these choice behaviors is the influence of emotions and decision frames in the investment decision. For example, Glac (2009) shows that consumers with “expressive” decision frames are more likely to choose SRI than consumers with “financial” decision frames. Thus, consumers that see investments as

something more than just utilitarian (e.g. Statman 2005; Statman 2004) may be emotionally influenced in their decision making. This notion that the values and attitudes of consumers influence decision making has also extensive support in the consumer behavior literature (e.g. Follows and Jobber 2000; Roberts 1996; Stern 2000; Straughan and Roberts 1999).

In all, the available research shows that consumers may make investment decisions in SRI profiled mutual funds without actually evaluating the options in an extensive manner. This is something that could lead to poor decisions, a dependency on expensive advisors, and vulnerability to "hard selling". Thus, this is often not the most appropriate strategy for consumers to use. However, considering the issues they face in the information search and evaluation stage (through the information overload/lack paradox), it is not surprising that consumers sometimes behave in this way.

3.3.5 Stage 5: Post-purchase behavior

The final stage of the Engel-Kollat-Blackwell (1968) consumer decision making process is the post-purchase phase. During this stage, consumers evaluate whether the service that they have bought met their expectations (Dawes Farquhar and Meidan 2010; Ennew and McKechnie 1998). This evaluation of the service is the foundation for the development of feelings of satisfaction or dissatisfaction.

As mentioned in chapter one, SRI consists of two dimensions. First, there is the financial dimension where consumers pay for the SRI profiled mutual funds to manage their financial assets by performing different types of financial analysis, investment, and financial transactions. Second, SRI profiled mutual funds is a wealth management service that also includes a socially responsible dimension, generating processes regarding social, ethical, and environmental analysis of companies, screening, and engagement. In essence, consumers pay the SRI provider for these services and any post-purchase evaluation made by consumers should thereby focus on how the mutual fund has performed these tasks.

However, there are two factors that, put together, make the post-purchase evaluation of SRI profiled mutual funds special. Theoretically, consumers are supposed to evaluate the results of the service against the expectations that they had coming in to the transaction (e.g. Ekinici et al. 2008; Oliver 1997; Spreng et al. 1996; Szymanski and Henard 2001). Should the results of the service exceed the expectations, the consumer is expected to be satisfied with the service. Should the results of the service not meet the expectations the consumer had coming into the transaction, however, the consumer is expected to become dissatisfied with the service.

However, within the SRI profiled mutual funds industry, two aspects make this evaluation difficult. First, due to the credence qualities based in the information overload/lack paradox of investment, consumers may have

problems comprehending the actual results of the processes for which they pay. Second, as consumers often lack a need, and therefore do not form expectations and preferences for investment products, consumers have little to evaluate the results of the process against. Along these lines, consumers of SRI profiled mutual funds could be argued to face a post-purchase evaluation process without either of the necessary components for performing a post-purchase evaluation.

With regard to the first of these two components of post-purchase evaluation, the comprehension of the actual results of SRI profiled mutual funds, the discussion above has highlighted that there is a lack of information on the actual processes for which the consumer pay the mutual fund to perform. One example of this fact is the consumer that attempts to evaluate whether they made a successful financial choice when investing in a specific mutual fund. Here, the generated return during the invested time period mutual fund is the result, but also acts as a signal of whether the underlying processes have been performed well. However, just because the consumer has received a positive financial return does not mean that the service has actually been performed well. Instead, the positive return could be the consequence of a generally positive economic climate on the stock market. Moreover, sometimes, the mutual fund manager could simply be “lucky” or take on too much risk and, as a consequence, perform well without well run underlying financially oriented processes. In a similar manner, a negative financial return is not necessarily the sign of a poor process. If this return is achieved during a stock market slump, the processes that underlie the return could very well be performed in a good manner. In this case, the influence of external factors on the result means that the result is poor despite good processes in the financial dimension of the SRI profiled mutual fund.

In this way, the lack of information on the actual processes that go on in the mutual fund make the post-purchase evaluation difficult. Cues, that have to be used instead of evaluations of the actual processes, are at best signals that give hints on the processes of the mutual fund. Against this background, it is difficult for the consumer to tell whether the investment processes have been performed in a good or bad manner.

The second component of the post-purchase evaluation is the expectations consumers have coming in to the transaction. In order to be able to evaluate a product or service, consumers weigh the outcome against the expectations coming into the transaction (e.g. Ekinci et al. 2008; Oliver 1997; Spreng et al. 1996; Szymanski and Henard 2001). It is when comparing the actual outcome with these expectations of the service that consumers become satisfied or dissatisfied with their purchase.

However, as discussed above, consumers often have problems in framing their needs and desires for financial products. In some instances, such as in

the newly formed Swedish Public Pension Scheme, consumers may even feel "forced" into making an investment choice. The lack of expectations means that consumers have little to evaluate the service against.

In this way, the post purchase evaluation for SRI profiled mutual funds could be argued to have neither of the two components that are required (in the theory) to perform a post-purchase evaluation of the service. The fundamental question that faces consumers in this context is how to evaluate the service after it has taken place.

3.4 The consumer decision making model and the complex decision making environment of SRI profiled mutual funds

The discussion above illustrates the *consequences* of the challenges of the decision making environment in each stage of the decision making process. At the core of these challenges is the complexity of the decision making environment caused by the combination of the challenges in the financial and socially responsible dimension of SRI profiled mutual funds. Issues, such as the information overload/lack paradox and the orientation towards the future (that result in a limited recognition of a problem or need), question the nature of the decision making process of consumers of SRI profiled mutual funds.

Against this background, one fundamental question is derived. Given that consumers face all these challenges caused by complexity, and that this questions the decision making ability of consumers, how do consumers actually behave in the major stages of the model? That is, how do consumers cope with these challenges when combining their financial objectives and consideration for SEE issues when investing in SRI profiled mutual funds?

It is based in this discussion that this thesis goes on to study the individual stages in the decision making process. Each of the studies included in the thesis will focus in on one of the stages in the consumer decision making process with the aim of better understanding how consumers combine their SEE consideration with their financial objectives.

4. Method

Within the theoretical domain of consumer research a wide array of different methodologies are used in order to derive knowledge on consumers. This section gives an insight into the methods used in this thesis. Motivations as to why these methods are used and a discussion of the appropriateness of the chosen methods in relation to the research question are also given.

4.1 The methods used for generating knowledge

As mentioned in the first chapter, the first research question that this thesis attempts to answer is how consumers of SRI profiled mutual funds combine their "traditional" financial objective with the "additional" consideration for SEE issues when choosing to invest in SRI profiled mutual funds while the second research question involved examining the impact of factors related to these on consumer decision making. The third research question, on the other hand, focused on how complexity impacts the manner in which consumers deal with these issues. In order to answer these questions, a quantitative approach was used where two separate surveys were conducted. Both times the data collection instrument used was self reported mail-based questionnaires. In this manner, a questionnaire was sent to the consumer by mail along with a stamped and addressed envelope to be used for returning the questionnaire. In correspondence to the research questions, the questionnaires contained questions about a wide range of attitudes, perceptions, knowledge, involvement and behaviors (that relate to the decision making process, i.e. information search behaviors, purchases, post-purchase evaluations) with regard the specific financial objectives and SEE considerations considered to be important when choosing to invest in SRI profiled mutual funds.

4.1.1 The research approach

The choice of using a quantitative questionnaire methodology was made after having considered the advantages and disadvantages of several different alternative methods for generating insight into consumer decision making in SRI profiled mutual funds. The literature on consumer research testifies of a vast number of different procedures for generating knowledge on consumer buying behavior, where everything from qualitative interpretative interviews and observation techniques to quantitative panels, questionnaires, and experiments can be used.

After considering these options in relation to the overall objective of the thesis, there were at least three reasons for opting to use a quantitatively based approach for generating insight into the decision making process of SRI profiled mutual fund investors. The first two were based on the fact that a quantitative method is an appropriate method for answering the research

questions of the study. As previously discussed, the first research question deals with how consumers combine their financial objectives with their SEE considerations when investing in SRI profiled mutual funds. In order to answer this research question in a good manner, there is a need to address several latent concepts relevant for understanding consumer decision making. For example, different types of attitudes, perceptions, states of involvement, and knowledge are important in order to generate an understanding of how consumers combine their financial objectives with their consideration for SEE issues. Some of these, such as specific attitudes and perceptions, are also at the very center of the impact on decision making and are therefore vital for the research question.

Against this background, a quantitative approach was deemed to be an appropriate method as there are many quantitative techniques that are suitable to measure latent concepts of this kind. For example, by constructing deductively generated indices with several questions it is possible to generate insight into latent aspects of decision making that is not directly observable (Field 2005; Hair et al. 2003; e.g. Hair et al. 2006). Along these lines, a quantitative approach has the potential to actually measure these essential concepts.

On top of this, the second research question focused on the actual impact of factors related to SEE consideration and financial objectives on consumer decision making. In order to answer this question of impact, quantitative techniques are suitable. There are several quantitative techniques that are designed to measure how two or more variables correlate. Moreover, the concept of statistical significance that is used in most quantitative consumer research techniques is useful for addressing this issue.

On top of these two reasons for choosing a quantitative method, the third reason for choosing quantitative techniques revolve around the deductive research perspective that is the fundamental approach used in this study. This study, from the outset, had the ambition to test already existing theoretical constructs (and not to create new ones) in the different stages of the decision making process for SRI profiled mutual funds. Because of this focus on already existing theory, a deductive research approach was natural.

In many ways, this deductive nature of the study made a quantitative technique the evident choice. In general, quantitative techniques are well equipped to build on already developed theories and constructs and test them on a larger population. In this manner, the deductive perspective, that goes along with studying the consumer decision making process, highlight quantitative techniques as appropriate for the purpose of the study.

Thus, there were at least three overarching reasons for using a quantitative method for studying consumer decision making and SRI profiled mutual funds. After having decided upon a quantitative approach based on these

reasons, the focus turned to what data collection procedures within the vast number of different quantitative methods that would be used.

In the end, the choice fell on using mail-based questionnaires. There were several motives underlying this choice. For example, using questionnaires it was possible to study a cross section of the relevant population. In this manner, the theoretical constructs can be tested on a larger population and the issue of statistical significance can be addressed. Moreover, on top of these population issues, questionnaires are a proven tool for measuring observable as well as latent attitudes and perceptions (e.g. Oppenheim 1992), which, as explained above, is essential in order to answer the research questions. Moreover, another important aspect of questionnaires is that it is possible to modify them in order to frame the questions along different stages in the purchase decision making process. The temporal form of the questions can easily be manipulated and framed so that they fit with either stage in the decision making process. Against this background, questionnaires were considered the best way to study the stages in the decision making process.

4.2 The research process

Having established a quantitative mail-based questionnaire as a suitable method for generating knowledge on decision making regarding SRI profiled mutual funds, the discussion now shifts to focus on the research process where this method was applied.

4.2.1 The two different stages of the research process

On an overall level, one of the key aspects of the research process of this thesis is that it could be said to have consisted of two separate stages. This distinction between the *early* and *late* stages in the research process is an important aspect for understanding the research outcomes as each of these two stages had slightly different goals and objectives.

When starting the process of generating knowledge on how consumers make decisions with regard to SRI profiled mutual funds, the focus was specifically on understanding why consumers choose to invest in SRI profiled mutual funds. That is, from the outset, it was the actual behavior of investing in (or purchase of) SRI profiled mutual funds that were in focus. This direction of research was largely inspired by the current research tradition within SEE consumer behavior (i.e. Follows and Jobber 2000; Osterhus 1997; Schlegelmilch et al. 1996). This research stream, that focuses on SEE profiled goods and services, attempts to develop models and frameworks that has the overall goal of predicting and understanding consumer purchasing behavior. Often, attitudes, values, and different socio demographics are developed into a model and correlated with different types of environmentally, socially, and ethically friendly behavior (such as

recycling and of using public transport) or with the purchase or purchase intentions of other types SEE profiled goods and services (e.g. Alwitt and Pitts 1996; Guagnano et al. 1995; Laroche et al. 2001; Roberts and Bacon 1997; Schwepker and Cornwell 1991; Scott and Willits 1994; Straughan and Roberts 1999). In this manner, the first stage of the research process involved learning from- and joining this research stream focusing on how to predict and explain different SEE behaviors. Study II and III, that focus on the evaluation of- and the actual purchase of SRI profiled mutual funds represent the outcome of this *early* stage of the research process.

However, conducting research in this early stage also involved learning about the research field as such. Both strengths and limitations of the relevant research field were identified. The most important critical insight into the state of academic research gained during this stage was in the form of one specific observation. This revolved around the notion that the current state of the SEE consumer behavior literature was very limited in its focus on actual behavior (or purchase). Almost all published research on the topic was concerned with predicting some form of behavior with aspects such as actual purchase (e.g. Amyx et al. 1994; Follows and Jobber 2000; Schwepker and Cornwell 1991; Shrum et al. 1995), energy conservation (e.g. McKenzie-Mohr et al. 1995; Osterhus 1997), recycling (e.g. McCarty and Shrum 2001; Vining and Ebreo 1990), use of public transport (e.g. Bratt 1999), or other forms of SEE *behavior*. Although this research is important, and often very well conducted, its limited focus on research of the actual behavior means that the contribution to the field of marketing of many of these studies could be questioned. Many studies explicitly or implicitly claim to be in the marketing domain, but, in their focus on behavior, do not contribute very much to the theoretical development within the marketing field.

This observation triggered the insight that, in order to actually contribute to the theoretical domain of marketing, the research on SEE consumer behavior had to be broadened from focusing on behavior only, to focusing on theoretical concepts closer to- or within the marketing discipline. In moving closer to the terminology and theoretical bases of marketing, it would also be possible to further the theoretical development within the field. This also gave way to the notion that, in order to actually contribute to the field of marketing, a more holistic perspective than merely a focus on explaining actual behavior needed to be used.

Inspiration for this insight largely came from the financial services marketing field, where a more holistic approach had been applied for a long period of time (e.g. Ennew and McKechnie 1998; Harrison 2003; Harrison et al. 2006; McKechnie 1992). Here, researchers not only view the purchase as the relevant aspect. Instead, research topics are based in several aspects of the marketing based literature.

It is this notion of understanding the behavior in a more marketing oriented (as opposed to behavior oriented) and holistic (as opposed to limited) manner that was the foundation for the second stage of the research process. With this insight and ambition, study I and IV were conducted. The thought was that these studies would complement the studies focusing on behavior by addressing marketing based concepts such as information search and satisfaction. Here, a decision was made to not include a study on the problem recognition stage as it was considered to be sufficient to study one of the pre-purchase stages. Still, by including the information search and post-purchase stages, it would be possible to contribute to the SEE consumer behavior literature by expanding the current literature and moving it closer to the theoretical marketing concepts.

The final version of the thesis is the outcome of these two stages. As will be seen next, the presence of two stages meant that the mode of procedure for generating knowledge somewhat differed depending on the stage that the research initiative belonged to.

4.2.2 The two different surveys and their sampling procedure

Corresponding with the two stages of the research process, two separate mail-based questionnaire studies were performed within this thesis. The first of these surveys (performed in 2006) was part of the early research stage while the second survey (performed in 2009) was part of the later research stage. As can be seen in Table 5, each of the surveys provided the data for two of the studies of this thesis.

Table 5: The two different surveys

	How	Time	Sample	Response rate	Studies based on
Survey #1	Mail based questionnaire	August – September 2006	(1) 2000 SRI mutual fund investors (2) 200 “regular” mutual fund investors	35%	# II & III
Survey #2	Mail based questionnaire	April – May 2009	2000 SRI investors	20,2%	# I & IV

One important issue facing the two surveys, however, was how the sample of respondents was to be generated. In the case of SRI profiled mutual funds, the issue of generating an appropriate sample is in many ways challenging. The main reason for this is that although the market for SRI profiled mutual funds is growing, it still only represents a smaller share of the overall market for mutual funds (e.g. Eurosif 2008; SIF 2007). Because of this, the normal

procedure of drawing a random sample from the general population is likely to include only a small proportion of consumers that actually have experience with SRI profiled mutual funds. For example, in a study that employed this sampling procedure only one fifth of the respondents knew about ethical criteria in investments (Getzner and Grabner-Kräuter 2004). Against the background that this thesis aimed to do research on consumers that choose SRI profiled mutual funds, a randomly selected sample of the general population would not be a useful approach for generating the desired knowledge.

As access to a sample of relevant consumers was difficult to gain in this way, another approach was used to generate the samples for the surveys. This approach involved contacting mutual fund providers that offer SRI profiled mutual funds and asking them whether it would be possible to send out questionnaires to their customers. This method had been used in previous research on consumers and SRI profiled mutual funds (e.g. Beal and Goyen 1998; Lewis and Mackenzie 2000a; Lewis and Mackenzie 2000b; Rosen et al. 1991) and been proven successful for generating insight into consumer behavior within this area. Thus, by using this sampling procedure, it would be possible to generate samples that consisted of a large enough number of consumers that had experience with investing in SRI profiled mutual funds in order to address the research question guiding the study.

As the research took place in Sweden, the market for SRI profiled mutual funds in Sweden was reviewed in order to find the different SRI providers present in the market. The search, that was conducted in 2005-2006, generated a handful of providers (between five and ten) that offered SRI profiled mutual funds. When choosing which of these to contact, two criteria were considered important. First, it was desirable that the company had a "critical mass" of SRI profiled mutual funds for consumers to choose from. Second, as the forthcoming sample was to consist of both consumers that had chosen SRI as well as "regular" consumers, it was also necessary that the provider would offer their customers "regular" mutual funds.

After having reviewed the different providers with these two criteria in mind, an appropriate provider was approached and asked if they would be willing to aid the research by sending out questionnaires to a random sample of their customers. The company was willing to help and subsequently agreed to send out questionnaires to randomly selected samples of customers in their data base. This procedure was repeated in the second stage of the research process that took place in 2009. This time, a different provider was contacted and agreed to help. In all, this procedure ensured that meaningful and appropriate samples could be generated despite the issues in the marketplace.

However, although appropriate on an overall level, every method, including this one, has its disadvantages. There are primarily two disadvantages that can be distinguished from this procedure of generating samples based on the data base of a specific SRI provider. First, the representativeness of the sample is an issue. While a randomly selected sample could be generated, it could only be generated within the data base of the specific SRI provider. As only one provider was used for each survey, it is not certain that this sample is completely representative of all consumers that invest in SRI profiled mutual funds. Second, as a consequence of going through an SRI provider, and the restrictions that exist in giving out information about the data-base, non-response bias tests could not be performed. As the data-base was in the hands of the SRI provider, there was no possibility to perform any such analysis.

On the other hand, although these issues are relevant, the main advantage of this method to generate samples was that it guaranteed access to a sample of meaningful respondents. In order to answer the research questions, generating appropriate samples of consumers that had invested in SRI profiled mutual funds was an absolute necessity. As explained above, the characteristics of the marketplace make this a somewhat difficult task. In fact, some previous studies have even set out with the purpose of researching SRI consumers, but as they have not been able to get access to a meaningful sample, they have had to settle for research on managers of mutual funds (e.g. Schlegelmilch 1997).

In this manner, there are both advantages and disadvantages of generating the samples in this way. However, after carefully considering these, the advantages of the method were found to outweigh the disadvantages.

4.2.3 The content of the first questionnaire

Having set the sampling procedure for the surveys, the process started to focus on developing questionnaires that were appropriate for answering the research question of the study. As explained above, the research process could be said to consist of two stages that each focused on different aspects of consumer behavior and SRI profiled mutual funds. In this process, two separate questionnaires were developed to correspond to the research objectives in the early and late stages of the research process.

The first survey was developed in the early stage of the research process. As explained above, this stage focused exclusively on understanding the purchase/behavior of investing in SRI profiled mutual funds. In this manner, the focus was on generating new knowledge on the evaluation and purchase stages of the consumer decision making process.

Prior to constructing the first questionnaire, an extensive literature review of previous SEE consumer behavior research was conducted. This review of

the current literature served two purposes. First, the focus was on mapping what research had been conducted in order to generate theoretically relevant research questions that could build on the relevant stream of literature. Second, the literature review served as a way to generate theoretically valid constructs that could be included in the questionnaire.

As a result of this literature review, the final research questions for the two studies (II and III) were formed. These research questions served as two separate goals of the first survey. As a natural consequence of specifying the research questions for the studies, the necessary knowledge that was needed to fulfill these goals were specified. Against this specification of necessary knowledge, the relevant theoretical constructs that could provide this knowledge was derived from the literature and included in the questionnaire.

Based on this process, the content of the first questionnaire consisted of a number of theoretically deduced constructs. As one of the overarching purposes of the study revolves around how consumers combine their financial objectives with their consideration for SEE issues, both constructs focusing on the "traditional" financial objective and constructs focusing on the "additional" SEE aspect were included.

For the constructs dedicated to the financial influence on the decision to invest in SRI profiled mutual funds, perception of financial return and perception of risk of SRI profiled mutual funds were central (e.g. Lewis and Mackenzie 2000a). Other constructs that based on the literature review were considered necessary for the dual research objectives included the consumers sense of control, willingness to take risks, personalization of loss, confidence, and investment horizon (Wood and Zaichkowsky 2004).

With regard to the SEE aspect of investing in SRI profiled mutual funds, several types of attitudes and perceptions were measured in the questionnaire. These constructs had all, in one way or another, been shown to be important for understanding the purchase and evaluation of SEE profiled products and services. Here, the concepts included attitudes toward the issues that SRI profiled mutual funds work with (e.g. Alwitt and Pitts 1996), trust in SRI profiled mutual funds (e.g. Osterhus 1997), and perceived consumer effectiveness (e.g. Kim and Choi 2005; Roberts 1996; Straughan and Roberts 1999). Perceived consumer effectiveness (PCE) relates to the notion that consumers are more likely to purchase SEE products and services if they believe that their individual actions will make an impact toward solving the SEE issues in question (Berger and Corbin 1992).

After having decided what concepts should be included in the questionnaire, the focus turned to the measurement of these concepts. Here, as in the other stages of the research process, a deductive process was used where the literature was reviewed for valid and reliable ways to measure the constructs. Where appropriate, previously tested indices with at least four

questions were adapted from the literature to measure the constructs. These were often reframed to fit with the context of SRI. When this straight adoption of previously developed and tested indices was not possible, or the indices did not contain at least four items (Hair et al. 2003 argue that three is the absolute minimum) items were added to the indices, or new indices were created. In order to ensure a high level of reliability and validity of this procedure, the indices were pre-tested on smaller samples and experts within the field. Minor adjustments were made after this procedure. In all, this process ensured that the measurement of the concepts were as valid and reliable as possible.

In the manner described above, the process leading up to the construction of the first questionnaire was very deductive in nature. The results that can be seen in study II and III is the outcome of this deductive research process.

4.2.4 The content of the second questionnaire

The second survey was developed in the latter stage of the research process. As described above, several insights had been gained by now, both about the theoretical state of the SEE consumer behavior research as well as about consumer behavior and SRI profiled mutual funds. These insights impacted the direction of the research and a conscious move was made to broaden the scope of the research and to bring it closer to the field of marketing. Particularly, the development within financial services marketing served as an inspiration here (e.g. Harrison 2003; Harrison et al. 2006; McKechnie 1992). In this way, the limited focus on the actual purchase that has been (and still is) the dominating issue within SEE consumer behavior that were in focus in the early stage was replaced with a more holistic perspective on consumer decision making.

It is against this background that the second survey should be viewed. While the first questionnaire focused on the evaluation and purchase stages, the second questionnaire focused on the pre-purchase information search stage as well as the post-purchase stage of the consumer decision making process. As opposed to the actual purchase and evaluation stages, these stages have received little (if any) attention in the SEE consumer behavior literature. Thus, the focus is still on the general framework of consumer decision making that was started in the early stage of the research process. However, the picture in the early stage is completed with insight on consumer decision making with a more holistic nature.

However, although the focus is different, the actual process conducted as to how knowledge in these new studies would be generated is very similar to the process in the first survey. First, a large scale literature review was performed. This time, however, the focus of the literature review was on consumer pre-purchase information search and post-purchase behavior.

This review of the literature, along with the underlying research question of the thesis, led to the formation of the specific research questions with regard to these stages in the consumer decision making process (study I and IV). After having reached the research questions for each of the studies, the knowledge needed in order to answer these questions was specified. After this, theoretically valid concepts were derived to be included in the questionnaire.

Just like in the previous survey, both financially oriented and SEE oriented concepts would be included in the survey. This, along with the fact that the studies focused on information search and post-purchase stage meant that the concepts of involvement and knowledge, as well as quality and satisfaction were central to the survey.

Involvement is a concept that has a long tradition in the consumer behavior literature and relates to the personal relevance of an object or issue (Aldlaigan and Buttle 2001; Mittal 1995; Zaichkowsky 1985; Zaichkowsky 1994). If something is personally relevant to the consumer, the idea is that the consumer will, among other things, gather and process more information, and spend more time evaluating different options (Andrews et al. 1990).

Knowledge on the other hand, is regarded important in consumer research as experts generally deal with choice tasks in a different manner than novices (Alba and Hutchinson 1987). Along these lines one of the more fundamental distinctions in consumer research on knowledge is that of objective and subjective knowledge (Alba and Hutchinson 2000; Brucks 1985; Park et al. 1994), where objective knowledge represents what the consumer actually knows while subjective knowledge represents what the consumer believes she knows.

In general, these two concepts (involvement and knowledge) are frequently used in general consumer research (e.g. Alba and Hutchinson 2000; Bienstock and Stafford 2006; Celsi and Olson 1988), and in more specific research on financial services (Aldlaigan and Buttle 2001; Beckett et al. 2000; e.g. Foxall and Pallister 1998; Harrison 1994), and have been shown to be some of the most relevant theoretical constructs for understanding and predicting consumer decision making. However, in order to answer the overall research question, this study takes these concepts one step further and divide them into distinct financial and SEE parts. In this manner, the questionnaire contained questions that were designed to measure both financial involvement *and* SEE involvement. The same is true for the subjective knowledge component that contained questions on both financial *and* SEE subjective knowledge.

In a similar sense, quality and satisfaction have a distinct place in marketing theory (Cronin et al. 2000; Dabholkar et al. 2000; Spreng and Mackoy 1996). Perceived quality is often considered a key concept in

understanding why consumers become satisfied or dissatisfied with a service or good (Spreng et al. 1996; Szymanski and Henard 2001). Since keeping consumers satisfied is considered to be one of the most important tasks of the firm, which in the long run could lead to profitability and shareholder value (Anderson et al. 2004; Gruca and Rego 2005), the manner in which consumers perceive quality of the offering become important to the firm. However, just like with the involvement and knowledge constructs, the second questionnaire divides perceived quality into two different parts; financial quality and SEE quality.

As the discussion above shows, the deductive process generated a number of concepts that were included in the survey. As there was an explicit desire to move closer to the field of marketing, many of these concepts were derived from the marketing and financial services marketing fields (e.g. Beckett et al. 2000; Bell and Eisingerich 2007; Harrison 1995; Martenson 2005). When measuring these, a similar process took place as in the first survey. The literature was reviewed for theoretically valid and reliable indices that could be used to measure the different concepts. In the cases where this could not be done, indices were created and pre-tested on smaller samples to ensure validity and reliability.

The second survey was, in this way, different in terms of research objective and content. For example, by using marketing based concepts, the research objectives were closer to marketing theory. Inspiration was drawn more from the financial services marketing than the SEE consumer behavior literature. The results of study I and IV represent the outcome of this process.

4.3 The process of understanding: complexity and the holistic perspective

As described above, the research process was made up of two stages, each with its own specific focus. The two stages generate the foundation for four separate studies that reach over four stages in the decision making process. By analyzing these separately and in combination, new knowledge on consumer decision making and SRI profiled mutual funds can be generated.

It is also in the combination of these that the claim of a holistic nature of the study can be justified. Although the problem recognition stage was not studied (as it was considered sufficient to study one pre-purchase activity), the thesis is argued to be holistic when viewing the studies together, as is done in Table 6. Here, the behavior of consumers can be viewed from the pre-purchase information search stage, through evaluation and purchase and to the post purchase stage.

Table 6: A summary of the four different studies

Study #	Main aim/ research question	Phase in decision making process	Data analysis	Stage of the research process (Data generated)
I	1. Address what information SR-investors search for prior to investment. 2. Address the influence of financial and SEE involvement and knowledge on information search process.	Information search	Multiple T-tests	Later stage (2009)
II	Address different reasons for consumer investment in SRI with regards to both importance of financial return and social responsibility.	Evaluation/ purchase decision	Cluster analysis, discriminant analysis	Earlier stage (2006)
III	Address how different financial and SEE variables influence proportion invested in SRI funds.	Evaluation/ purchase decision	Ordinal regression analysis	Earlier stage (2006)
IV	Address the influence of perception of both financial and SEE performance on satisfaction with the SRI mutual fund	Post-purchase behavior	Multiple factorial ANOVA-tests	Later stage (2009)

4.3.1 Understanding the results in the light of complexity

It is also when addressing the studies combined that the objective of the third research question, to understand the results in the light of complexity,

can be addressed. Here, understanding how the results are impacted by the context in which they are made is the center of attention.

In order to do this, the results of each of the studies were analyzed against the conceptual framework of complexity developed in chapter two and three in this thesis. By analyzing the results of each individual study, as well as the results of all studies in combination, insights were generated into how a complex decision making environment impact consumer decision making. These insights are presented and discussed in chapter five.

4.4 A word on complexity, terminology, and theory in the research method

In the way described above, data was generated in order to answer the three research questions of the study. First, two stages of research focused on how consumers deal with the SEE consideration and financial objectives in the consumer decision making process. Then, a process of understanding against the backdrop of complexity ensued.

In this process to generate knowledge, a number of decisions were made. These are related to, among other aspects, the complexity of the environment in which data was generated, how to treat the SEE concept in the different stages of the research process, and the theoretical nature of this concept.

4.4.1 How complexity impacted the method

One important aspect of the current thesis, touched upon in the previous section, is the aspect that the complex decision making environment brings to consumer decision making. For consumers, there are numerous aspects of the financial and SEE characteristics that make it very difficult to make good decisions. For example, chapter two lists amount and type of information, credence qualities, and future orientation as some of these aspects.

This complex decision making environment is also reflected in the manner in which knowledge has been generated. In many ways, as consumers themselves could be assumed to encounter problems in dealing with the complexity, the manner in which knowledge was generated from consumers would have to account for this. Because of this, several considerations have been undertaken in order to adapt the research process to this environment.

The most important issue here has been the notion that consumers should not be required to have all the information or a large amount of knowledge to be able to answer the questions in the surveys. This fact put some restrictions on the nature of the questions asked to consumers. They could not be concerned with anything that could be deemed too difficult for normal consumers to know. For example, it is too much to expect the consumer to know exactly how their mutual fund investments have performed either financially or with regard to the SEE factors.

The manner that is used to address this is to focus on perceptions and attitudes as opposed to the "objective" reality when collecting the data. For example, all consumers can answer what their perception of return of an SRI profiled mutual fund is even though they do not know the actual return. Thus, by focusing on perceptions, questions could be asked that were not too difficult for consumers to answer.

4.4.2 Differences in terminology between the surveys

As described above, the two surveys were different in content depending on where in the research process they were created. However, a common aspect of the two questionnaires is that they contained questions on both the "traditional" financial dimension of investing as well as the "additional" SEE dimension of SRI. As one of the fundamental research questions of the thesis deals with how consumers combine these aspects with each other, these were necessary aspects to include in both surveys.

However, as can be seen in the discussion above, the manner in which these two dimensions of influence are included in the questionnaire is different. In the first questionnaire (that is concerned with the studies on the evaluation and purchase stages), many different constructs like PCE, trust, general attitudes, perception of return and risk were used to reflect the two separate aspects of investing in SRI profiled mutual funds. These concepts are largely derived from the SEE consumer behavior literature. In the second questionnaire, the two aspects are studied by focusing on different parts (financial and SEE) of involvement, knowledge, and perceived quality. These concepts are derived from more "traditional" marketing theory.

As mentioned above, different concepts are used in the different surveys as the thesis could be argued to be the result of two separate research stages. However, on top of this, one of the major reasons is that this thesis has an underlying deductive approach to research. Being of a deductive nature, the study aims to build on existing theory. Because of this, the manner in which these concepts are included in the survey need to be adapted to the existing theoretical development within each of the stages of the consumer decision making process. In many ways, each of these stages could be seen as a theoretical domain. For example, there is a large amount of research that is strictly focused on how consumers search for information (e.g. Jarvis 1998; Lee and Hogarth 2000; Lin and Lee 2004; Schmidt and Spreng 1996). This body of research is concerned with understanding and predicting consumer information search processes and is not concerned with the other stages in the consumer decision making process. In a similar fashion, research in the post-purchase phase has developed its theoretical foundation around the concepts of quality and satisfaction (e.g. Cronin et al. 2000; Ekinci et al. 2008; Iacobucci et al. 1994), and is in this manner not theoretically connected to the other stages in the decision making process. Finally, in the

purchase and evaluation stages, previous research has focused on attempting to explain consumer purchasing behavior of SEE goods and services by focusing on consumer attitudes, values, and beliefs as well as specific contextual factors (e.g. Carrington et al. 2010; Follows and Jobber 2000; Osterhus 1997; Stern 2000; Straughan and Roberts 1999). This body of research often focuses on the behavior as such, and is theoretically different from the other stages in the decision making process.

Because the different stages in the decision making process represent different theoretical research domains, and that this thesis is of a deductive nature, the difference in terminology between the questionnaires (and studies) is natural. Each study joins the relevant theoretical field as represented by the stage in the purchase decision making process. Therefore, the fact that the terminology is different is not a limitation or a weakness of the thesis. Instead, this difference in terminology is *necessary* in order to make theoretical contributions to the area in which the specific study is positioned.

4.4.3 The theoretical nature of the "SEE" concept

Another point that deserves mentioning is how the "SEE" concept is addressed throughout the thesis. In many ways, the SEE concept is used to describe both what the mutual fund does in terms of the socially responsible dimension that is incorporated into the investment process and a type of internal involvement, attitude, preference, and knowledge that consumers hold.

However, "SEE" is not a homogeneous concept that only describes one single thing. Instead, as explained before, it is an acronym for "social, ethical, and environmental", three concepts that could be argued to be widely different in meaning and content. Depending on the meaning that is ascribed to the different concepts, some researchers would oppose the fact that these are combined and dealt with in a similar manner.

Nevertheless, for this thesis, there are several reasons for dealing with the SEE concepts in a uniform way. One of these reasons is based in the literature on SRI. Here, two different concepts are used on an overall level to describe the socially responsible dimension in the investment process; SEE (e.g. McCann et al. 2003; Solomon et al. 2004; Sullivan and Mackenzie 2006a), and ESG (e.g. Sandberg et al. 2009) that is short for Environmental, Social, and Governance.

In general, both these acronyms highlight the need to describe something "other" apart from the financially oriented criteria usually associated with investment. In this way, the use of SEE or ESG is fairly consistent in the SRI literature. SEE is used to describe the "other" non-financial issues, which are part of SRI on top of the "regular" financial dimension. As this thesis has

similar ambitions to highlight the integration of the financial and non-financial it follows this established manner of dealing with the terminology.

On top of this motive there is another reason for not discriminating between the letters in the SEE acronym. This revolves around the notion that the research presented in this thesis is in the early stages of understanding consumers and SRI. Thus, the research question deals with the overall nature of "the financial" and "the other" (SEE) and not of different aspects of the SEE "other" and "the financial". It is possible that distinguishing between these is a task for future research that can start the research process based on the results of this thesis and other relevant research. However, such a focus in this thesis would take away from answering the actual research question of the study. This, more fundamental question needs to be addressed before discriminating between different types of SEE influence.

A final reason is based in the research object: the consumers that answer the questionnaires. As will be discussed next, there are several implications of the complexity of the environment in which the decision is made. One of these is the difficulty in distinguishing between all the different terms and concepts used to describe the service. In order to adapt to this reality, there has been an ambition to keep the questions at a difficulty level that respondents could understand. A separation of the SEE acronym would make this ambition difficult to achieve. Because of this, as well as the two other reasons presented above, a decision was made to follow previous research within SRI and use the SEE acronym consistently.

5. Results and discussion of the studies

When choosing to invest in SRI profiled mutual funds, consumers opt for an investment alternative that does not only focus on financial return (Michelson et al. 2004). This is a somewhat unique decision making situation in the financial services sector. In this thesis it has been argued that the presence of dual dimensions also contributes to the complexity of the decision making environment.

This thesis set out with the aim of investigating consumer decision making within this complex environment. With regard to this, three separate research questions were put forth. The first research question addressed how consumers combine the "traditional" financial objectives of investment with the "additional" SEE consideration when making decisions about SRI profiled mutual fund investment. The second research question focused on the impact of factors related to these two aspects on consumer decision making. The third and final research question focused on understanding the results of the two first research questions in the light of the complexity in which the decisions are made.

In order to answer these questions, a conceptual framework that illustrates complexity was developed and four different studies on consumer decision making and SRI profiled mutual funds were performed. This, the fifth chapter of the thesis, presents and discusses the results in the light of the complex environment in which they were generated. First, each study is summarized and discussed in the context of the two first research questions presented in chapter one. Thereafter, in order to address the third research question, the studies are discussed in the context of the complexity of the decision making environment. Finally, an overall view of the decision making process, including all studies as well as the notion of complexity, for SRI profiled mutual funds is presented.

5.1 How consumers combine their financial objectives with their SEE consideration at different levels of the purchase decision making process

The first two research questions of how consumers combine the financial and SEE aspects of investing in SRI and the impact of factors related to these on consumer decision making is at the very center of all the four studies performed within the realm of this thesis. Below, the results of each of the studies, with focus on these two research questions, are discussed more in detail.

5.1.1 Study I: Consumer information search

Nilsson, Jonas, Nordvall, Anna-Carin & Isberg, Sofia (2010b) "The Information Search Process of Socially Responsible Investors". *Journal of Financial Services Marketing*, Vol 15 No 1, 5-18

The first study of the thesis is entitled "The Information Search Process of Socially Responsible Investors" and highlights the pre-purchase information search process of consumers of SRI profiled mutual funds. In many ways, the pre-purchase information search activity is important for understanding how consumers combine financial and SEE issues as it is the "gateway" to the rest of the decision making process. That is, this first step towards investment will in many ways decide the nature of the rest of the decision making process. In this manner, a general understanding of how consumers deal with their SEE consideration and financial objectives can come about from studying this pre-purchase phase.

In order to study the information search process of socially responsible investors, a questionnaire was used which 369 consumers who had invested in SRI profiled mutual funds answered. In this questionnaire, the respondents' information search behavior was addressed. Moreover, the involvement and subjective knowledge of the consumers was measured. Involvement and knowledge has frequently been shown to influence decision making within the financial services sector (e.g. Hauff 2006; Martenson 2005). However, as opposed to previous studies, this study divided each of the involvement and knowledge constructs into two parts and measured both financial *and* SEE involvement as well as subjective financial *and* SEE knowledge. In doing this, it was possible to highlight how different types of involvement and knowledge (financial and SEE) impact how consumers search for information prior to investing in SRI profiled mutual funds.

The general results of the study showed that consumers of SRI profiled mutual funds searched for both financial and SEE information prior to investment. For example, many consumers wanted to know what industries were screened *and* the previous financial performance of the SRI profiled mutual fund. However, in general, consumers searched more for information of the mutual funds SEE characteristics than information for the funds financial characteristics. In essence, as consumers show a greater interest in the SEE strategies of the mutual fund, these results indicate that consumers of SRI profiled mutual funds care, and want to know, about how the mutual fund works with these issues.

However, when addressing information search behavior in relation to involvement and knowledge, a much more nuanced picture emerged of how consumers deal with the financial and SEE characteristics when investing in SRI profiled mutual funds. When taking these factors into account, it became

obvious that there were different groups that showed signs of completely different search behaviors. The consumers that were involved and knowledgeable with personal financial issues (such as investment in stocks and mutual funds), put a lot more emphasis on the financial aspects of investing in SRI profiled mutual funds than less financially involved and knowledgeable consumers. These consumers found aspects such as the funds risk level, previous return, and fee to be important aspects to consider prior to investing in the SRI profiled mutual fund. A similar impact on the information search stage was found when addressing consumers that were involved and knowledgeable with SEE issues. These consumers searched more for issues such as the overall SEE investment guidelines, criteria for exclusion of stocks, and strategies for influencing companies through engagement than less SEE involved and knowledgeable consumers of SRI profiled mutual funds.

Against this background, this study shows that the information search process is not the same for all investors of SRI profiled mutual funds. Along this observation, it becomes clear that there is not one single answer to the first two research questions of the thesis. Instead, differing importance is put on financial and SEE factors depending on the consumers' personal knowledge and involvement. In this manner, personal factors play a large role in how different consumers approach the integration of financial and SEE issues. This notion, that personal factors are at the center of how consumers deal with their financial objectives and SEE consideration, is a theme that comes up throughout the rest of the three studies. Especially in the studies on evaluation of alternatives and purchase decision phase, which are discussed next.

5.1.2 Study II: Evaluation and purchase (1)

Nilsson, Jonas (2009) "Segmenting Socially Responsible Investors: the Influence of Financial Return and Social Responsibility", *International Journal of Bank Marketing*, Vol 27 No 1, 5-31

The second study of the thesis is entitled "Segmenting Socially Responsible Mutual Fund Investors: the Influence of Financial Return and Social Responsibility" and deal with the fundamental motivations of choosing SRI profiled mutual funds. By focusing on reasons for choosing SRI profiled mutual funds, the paper highlights the evaluation and purchase stages of the consumer decision making process.

Along the lines of the two first research questions of the thesis, this paper bring up two sources of potential underlying individual motivations for investment in SRI profiled mutual funds; financial motivation and SEE motivation. Thus, a financially motivated consumer of SRI profiled mutual

funds could invest in hopes that the investment will generate a good level of financial return. At its extreme, this financial motivation could result in investing in a SRI profiled mutual fund without much concern for the SEE characteristics of the fund (Hummels and Timmer 2004; Michelson et al. 2004). Instead, SRI profiled mutual funds could be considered to be a good financial option as consumers may believe that investing in sustainable companies will generate a higher return than "regular" companies. Moreover, consumers could use an investment in SRI as a way to reduce overall risk of the portfolio. An SEE motivated consumer on the other hand, may not care as much about the financial nature of the SRI profiled mutual fund. Instead, the fundamental motivation for investing in SRI profiled mutual funds could revolve around the perception of contributing to the solution of perceived SEE problems (e.g. Beal and Goyen 1998; Hummels and Timmer 2004).

By focusing on these two factors as underlying reasons for investment, the first research question of how consumers combine their financial objectives with their SEE consideration when investing in SRI profiled mutual funds becomes the central focus of this paper.

In order to study this, a cluster analytic method was applied on a sample of 563 consumers of SRI profiled mutual funds, where each consumer was put into a different group based on their answers regarding fundamental motivations for investing in SRI profiled mutual funds. The results displayed in the study showed that there are three ways in which consumers deal with the integration of financial and SEE aspects when choosing to invest in SRI profiled mutual funds. One way of dealing with this integration was displayed by a group of consumers labeled "primarily concerned about profit" who found their primary motivation for investment in SRI in the financial aspect of investment. This group chose SRI profiled mutual funds for financial reasons, and the SEE nature of the fund was therefore not as important. Moreover, the members of this group showed low levels of altruism, as displayed by not giving much money to charity, and did not believe that SRI was a good way to solve SEE problems.

Another group, however, showed a completely different motivation for investment in SRI. This group, labeled "primarily concerned about social responsibility", finds their primary motivation in the socially responsible dimension of SRI profiled mutual funds. This group is thus less concerned about the financial aspects of the investment. Instead, they showed signs of altruistic behavior as they donated significant amounts to charity.

Finally, one group, labeled "socially responsible and return driven", focus on both of these aspects when choosing to invest in SRI profiled mutual funds. Both the financial dimension and the socially responsible dimension of SRI were important for this segment.

By addressing individual motivations for investing in SRI profiled mutual funds in this manner, the question of the combination of financial objectives and SEE consideration is further highlighted. Continuing for the results of study I, all investors do not approach this combination of different factors in a similar manner. When actually deciding how to invest, different groups of consumers value different aspects of the offering. Thus, this study builds on the conclusions of study one and shows that the integration between consideration for SEE issues and financial objectives is performed in different ways depending on personal factors.

5.1.3 Study III: Evaluation and purchase (2)

Nilsson, Jonas (2008) "Investment with a Conscience: Examining the Impact of Pro-Social Attitudes and Perceived Financial Performance on Socially Responsible Investment Behavior, *Journal of Business Ethics*, Vol 83 No 2, 307-325

While the previous paper examined how consumers evaluated SRI profiled mutual funds in different ways, the third paper "Investment with a Conscience: Examining the Impact of Pro-Social Attitudes and Perceived Financial Performance on Socially Responsible Investment Behavior" looks specifically at what factors within the financial and socially responsible domain impact the purchase of these mutual funds.

The study is based on 560 responses to a questionnaire sent to investors in SRI profiled mutual funds. The respondents answered questions that were designed to measure different types of SEE attitudes as well as different types of financial perceptions about SRI profiled mutual funds. An ordinal regression analysis was performed in order to investigate the relative impact of these financial perceptions and SEE attitudes on investment in SRI profiled mutual funds.

The results of the study highlighted that both financial perceptions and SEE attitudes influenced the likelihood for consumers to invest a significant part of their investment portfolio in SRI profiled mutual funds. One of the more important aspects displayed in this study was the effect of perceived consumer effectiveness (PCE) (e.g. Berger and Corbin 1992; Kim and Choi 2005). PCE is in essence an evaluation of the consumers own role in solving the perceived SEE problem. In the SRI context, this could be seen as the role the consumers perceive their own investment has in affecting corporate behavior towards the better. Consumers who believe that their investment can make a difference towards solving certain SEE problems also invested more in this type of mutual fund. However, consumers who perceived that their investment mattered little invested little (or nothing) in SRI profiled mutual funds.

Along these lines, a significant impact of SEE attitudes on the purchase of SRI profiled mutual funds was confirmed. However, the perception of financial return in SRI profiled mutual funds also had a large impact on how much the consumer chose to invest in this type of mutual fund. Consumers who believed that SRI funds, in general, perform as well or better than average chose to put a greater proportion of their portfolio in SRI profiled mutual funds. On the other hand, consumers who believed that SRI profiled mutual funds in general perform worse than “regular” funds, chose to invest little, if anything at all, in these types of funds.

This article highlights how consumers combine financial objectives and SEE consideration when investing in SRI profiled mutual funds. Moreover, the impact of factors related to these aspects is also highlighted. As the study shows that both types of determinants impact consumer decision making, it could be argued that many consumers “want it all” (like the third segment of study II). They want both the SEE consideration *and* a financially well performing mutual fund.

5.1.4. Study IV: Post purchase behavior

Nilsson, Jonas., Jansson, Johan., Isberg, Sofia & Nordvall, Anna-Carin (2010a) "Determinants of Customer Satisfaction with Socially Responsible Investments: The Influence of Ethical Quality Perceptions and Perceived Financial Return", *Unpublished manuscript*

The final article included in the thesis is entitled “Determinants of Customer Satisfaction with Socially Responsible Investments: The Influence of Ethical Quality Perceptions and Perceived Financial Return” and focuses on how consumers evaluate their SRI profiled mutual fund after the investment has been made. The underlying question that is addressed in the paper is how consumers evaluate the financial and socially responsible dimensions of the SRI profiled mutual fund that they have chosen to invest in and how this evaluation impact overall satisfaction with the SRI profiled mutual fund.

The study is based on a questionnaire answered by 369 consumers who have invested in a SRI profiled mutual fund. The respondents were asked questions regarding how well they perceived the fund had performed, both with regard to the financial aspect and the SEE aspect of investment in SRI profiled mutual funds. Moreover, questions were asked about the consumers’ involvement with social, ethical, and environmental issues.

The results of the study showed that the evaluation of how the SRI profiled mutual fund works with both financial and SEE issues impact how satisfied a consumer is with their SRI profiled mutual funds. If consumers perceive that the mutual fund perform well financially (by generating a good

level of return), *and* perform well with regard to the SEE aspects (by performing good social, ethical, and environmental analyses and based on this attempt to influence companies) consumers were often overall satisfied with the SRI profiled mutual fund. Thus, consumers do combine their financial objectives and consideration for SEE issues when evaluating the mutual fund after the purchase.

However, further analysis of the results showed one interesting fact that highlight a much more nuanced picture of this combination of SEE consideration and financial objectives. The results showed that the perception of good financial performance was more important (had a larger impact) for overall satisfaction than the perception of good SEE performance. This was also true for the group of consumers that were highly involved with social, ethical, and environmental issues.

Against this background it seems like the combination between SEE aspects and financial objectives is not on equal terms, at least in the post-purchase context. Instead, the financial performance takes priority over the SEE performance for most consumers. Thus, should the SRI profiled mutual fund perform poorly financially, it is questionable whether the consumer would be satisfied no matter how well the mutual fund is perceived to perform with regard to the SEE processes. Should the roles be reversed, and the fund performs well financially, chances are that the consumer will be satisfied, even if the consumers perceive that the SEE aspect does not perform as well as expected. As satisfaction is important for future purchasing behavior, a good financial return could thus trigger new investments in the mutual fund.

5.2 Contextualizing the results: how complexity impact the different stages of the decision making process

In combination, the four studies presented above presents several answers regarding research question one and two of the thesis. These studies each give an insight into how consumers *combine* their financial objectives and consideration for SEE issues when investing in SRI profiled mutual funds. Moreover, the studies also show the *impact* of factors related to these aspects (such as SEE/financial involvement, SEE/financial knowledge, perceived SEE/financial quality, PCE, attitudes, and financial perceptions) on consumer decision making. As such, the studies individually generate new knowledge on how consumers deal SEE consideration and financial objectives when investing in SRI as well as the impact of these factors on consumer decision making.

Having addressed these two research questions, the focus now turns to the third research question of the study. Here, how these results can be *understood* against the backdrop of complexity is the major concern. In order to answer this question, a conceptual framework for complexity and

consumer decision making was developed in chapter two and three. Against the background of this framework, the results of the studies can be analyzed further and they are therefore seen in a somewhat new light. Below, the results of each study are put into the context of the complex decision making environment.

5.2.1 How complexity impacts the information search process of consumers who invest in SRI profiled mutual funds (study I)

The first study that is included in the thesis deal with the information search process that consumers go through prior to investing in SRI profiled mutual funds. However, searching for appropriate information prior to investment is not always an easy task.

One of the primary reasons for this difficulty is the information overload/lack paradox outlined in chapter two. On an overall level, the result of study I highlights at least two separate ways to deal with this paradox in the decision making environment in the information search stage; to collect a lot of information to minimize uncertainty or to use advisors to and thereby limit the information search process. By using the first of these (collect a lot of information) consumers can create a foundation for decision making that potentially generates a perception of stability. Although the stability of the foundation could be questioned, as it will be based on cues as opposed to actual processes, this process of collecting a lot of information can still provide consumers with an opportunity to make better decisions. For example, by learning the rules of diversification and risk reduction, consumers can create portfolios that have a better chance to perform well in the future.

During the information collection process, the concepts of involvement and knowledge become important. In an environment that is characterized by a high level of complexity study I highlight these two concepts as a way to handle the insecure decision making context. Consumers high in involvement and knowledge deal with the information overload/lack paradox by conducting a more thorough search for information.

However, despite this clear connection between these concepts and information search, just possessing involvement and knowledge, by itself, may not always lead to appropriate decisions for SRI profiled mutual funds. Instead, the study shows that there are two forms of involvement and knowledge relevant for the decision making with regard to SRI profiled mutual funds; financial and SEE. Further, the results show that possessing one type of involvement and knowledge does not by definition lead to searching for information regarding both types of information. Instead, the results show that a financially involved and knowledgeable consumer does not search more for aspects relating to the socially responsible dimension of

the SRI profiled mutual fund. A similar phenomenon (if not as clear) was found with regard to SEE involvement and knowledge.

Thus, the increase in complexity that comes along with the dual dimensions of SRI profiled mutual funds means that one type of knowledge or involvement is not enough to ensure sufficient information search, which would maximize the likelihood of making appropriate decisions, in the SRI context. Instead, as opposed to "regular" investment, this requires involvement and knowledge for both the financial and socially responsible dimensions included in SRI. Considering that the two dimensions are fundamentally different in nature, this is a fairly natural conclusion.

However, although the strategy to collect a lot of information is one way to deal with the complexity arising from the information overload/lack paradox, study I also highlights a completely different strategy to deal with the information search process. This strategy involves relying on someone else in the information search. In study I, financial advisors were the most popular source to get information prior to the choice of an SRI profiled mutual fund. This signals that at least some consumers choose to conduct a limited search process. This indication receives support from previous research that has found that consumers do not collect as much information as they should in the financial services context (Dawes et al. 2009), and turn to financial advisors for advice (Lee and Cho 2005; Martenson 2008b).

In many ways, to go to someone else for advice instead of generating it yourself is an understandable strategy given the overload/lack paradox present in the information search process. This paradox highlights that it is very difficult to collect information and evaluate the actual processes conducted in the SRI profiled mutual fund. Thus, it is even questionable if the consumer that collects all the available information can use this information to make a good decision. To realize this, and therefore depend on someone else for advice, may in fact be a very "rational" response to the complexity present in the environment.

In this manner, the information overload/lack paradox could potentially lead to consumers "giving up" the decision making process already at the information search stage. When exposed to a large amount of complex information, that, at best, give signals about the quality of the offering, it is only natural to seek out the advice of someone else that has more knowledge.

In all, adding the conceptual framework of complexity on top of the results of study I show the results in a new light. Here, complexity can further explain the results of the study. In many ways, complexity shows *why* involvement and knowledge is important for the information search phase and *why* financial advisors are a popular source of information. In this manner, complexity is at the heart of the information search process for consumers of SRI.

5.2.2 How complexity impact evaluation and purchase of consumers who invest in SRI profiled mutual funds (study II & III)

The information overload/lack paradox is also an important contextual factor in order to understand how consumers evaluate and purchase SRI profiled mutual funds. As explained earlier, any evaluation effort is automatically founded in previously collected information. Thus, if consumers lack information and knowledge that comes from this information, there is only a limited foundation for evaluating different alternatives (e.g Ennew and McKechnie 1998).

As discussed in chapter two and three, the difficulties in evaluating the SRI offering are true for both the financial and socially responsible dimension of SRI profiled mutual funds. For example, consumers have limited possibilities to evaluate the processes concerned with engagement with companies. The dialogue between mutual fund and company takes place behind closed doors. On top of this, it may be difficult to objectively pinpoint any change in corporate behavior that is directly caused by this dialogue. Thus, consumers cannot know for certain the SEE influence their mutual fund has on the companies they invest in. The process of engagement is, in this manner, very difficult to evaluate. In a similar fashion, the processes associated with the financial dimension, such as the transactions made by the mutual fund, are also very difficult to see and evaluate for the consumer. The trades and transactions made by the mutual fund are often made behind closed doors, with very limited insight for consumers. In this manner, it is very difficult to evaluate whether the financial processes performed in the mutual fund is performed appropriately.

One consequence of this difficulty to evaluate the financial dimension of SRI is the wide range of perceptions regarding financial return that is present among consumers. In general, research on the financial performance of SRI profiled mutual funds show that there is little difference between "regular" and SRI profiled mutual funds (e.g. Bauer et al. 2007; Derwall et al. 2005; Schröder 2007; Statman 2000). However, consumer perceptions are often different from these objective results from research. For example, Lewis and Mackenzie (2000a) show the results from a survey which 41% of respondents perceive SRI to perform worse than "regular" investments.

Against this background, it could be argued that the difficulties that consumers encounter due to the paradox of information as well as other issues discussed in chapter two and three has the effect that it is perceptions that guide evaluations rather than "objective truth". Although this is true in most consumer purchases, the complexity of the decision making environment makes it more difficult for consumers to see any form of objective performance. Therefore, as shown by the example in perception of

return, the perceptions consumers have may be very different from any "objective" evaluation of performance.

It is in this light, caused by the complexity of the decision making environment, that the results regarding evaluation and purchase of SRI profiled mutual funds (study II and III) should be viewed. With regard to the socially responsible dimension of SRI, one example of this role of perceptions and attitudes is the important role of perceived consumer effectiveness (PCE). As described earlier, PCE is an evaluation of the role of the investment for solving certain SEE problems. A consumer high in PCE generally believes that their investment in SRI could make a difference, while consumers low in PCE do not perceive their investment to be important.

In an environment where the actual processes that works with engagement and active influence of companies are virtually impossible to evaluate, it is only natural that the attitudinal factor of PCE becomes very important. The perception or feeling that one's investment could make a difference (PCE), in this way somewhat replaces the proper evaluation of engagement performed by the SRI profiled mutual funds. Thus, the result that we see in the studies, where PCE is one of the more important aspects for choosing to invest in SRI profiled mutual funds, are not surprising.

A similar observation can be made about the role that perception of financial return play for investing in SRI profiled mutual funds. For consumers, it is difficult to find out the objective performance of SRI profiled mutual funds compared to "regular" mutual funds on a general level as there are often many different types of funds, managers, and investment styles involved. As this evaluation of financial return is very difficult to perform, the perception of performance becomes very relevant. Although this perception may not be accurate it is one of the few resources that the consumers have to guide them in their purchase of a mutual fund. In this light, it is easy to see why the study, that deals with purchase of SRI profiled mutual funds, shows a clear link between perception of return in SRI in general, and actual investment behavior. As the "objective" truth is difficult to deal with due to its complex nature, general perceptions of the truth become vital.

Thus when analyzing the results of the studies against the backdrop of complexity, it is possible to explain how the results of the studies came to be. At the core of this, complexity makes it more difficult to see any form of objective performance. In this way we can explain *why* PCE and perception of return are relevant factors. As consumers cannot know for sure, it is these perceptions that control the evaluation and purchase phase.

5.2.3 How complexity impacts the post-purchase phase of consumers who invest in SRI profiled mutual funds (study IV)

In the post-purchase phase, consumers should focus on how the mutual fund has performed the tasks that they have paid the SRI profiled mutual fund for. Post purchase evaluation is theoretically considered to consist of two aspects; the expectations of the consumer going into the transaction and evaluation of received quality (Oliver 1997; Szymanski and Henard 2001). However, as discussed in chapter three, the presence of complexity means that there are serious doubts whether consumers of SRI profiled mutual funds are able to estimate either of these. As for the evaluation of quality, much has already been said above about the difficulties in evaluating the performance of a mutual fund. The lack in transparency and the influence of external factors are some of the issues that increase complexity and make it difficult for consumers to properly evaluate the processes associated with SRI profiled mutual funds, both prior to-, as well as after the purchase. On top of this issue, however, there is also the notion that consumers of SRI profiled mutual funds may have difficulties in forming realistic expectations from the service. As consumers often lack a need for investment products (as discussed in chapter three), they may not form the necessary preferences that are required in order to have expectations of service performance. Moreover, as the service itself, with a lot of expert-type financial and SEE terminology, make it even more difficult to know what to expect, consumers may go into the transaction without clear expectations.

Against this background it is clear that the complexity of the SRI profiled mutual fund decision making environment have two important consequences in the post-purchase stage. First off, it makes the evaluation of the performance more difficult for consumers. However, on top of this, it also contributes to making it difficult to form any expectations about what a good SRI profiled mutual fund investment is.

It is in this manner that the results of the fourth study should be viewed. In essence, the results of the study highlights that satisfaction is largely the function of perceived financial performance of the SRI profiled mutual fund. Consumers that perceive the SRI profiled mutual fund to have performed well financially are also, on an overall level, satisfied with the mutual fund. On the other hand, consumers who perceive the mutual fund to have performed poorly financially are likely to be dissatisfied with the SRI profiled mutual fund as a whole. Other aspects, such as perceived SEE performance and functional quality criteria such as staff, accessibility, and physical environment were found to be less important for overall satisfaction with the SRI profiled mutual fund.

In many ways, these results could be considered somewhat surprising. After all, consumers of SRI profiled mutual funds have made an active choice to invest in an investment service that do not only account for financial

issues - yet, the post-purchase evaluation revolve around financial performance.

However, against the background of the complexity of the decision making environment in which this evaluation is made, these results are not surprising. As a result of the complexity that makes the decision difficult, consumers have little in terms of expectations going into the transaction. Moreover, consumers also encounter difficulties when evaluating whether the performance of the mutual fund has been good or bad. In this complex decision making environment with few expectations and unclear evaluations, one of the only aspects that are tangible is the *actual value* of the investment. Consumers know how much they invested, and can also see if this investment has gone up and down in value. Here, consumers have access to an absolute comparison. Of course, this comparison is seriously flawed as a means for evaluating the mutual fund. Just because something has gone up in value does not mean that the purchased mutual fund is good, nor is something automatically bad if it goes down in value. Even so, this absolute comparison serve as one of the few aspects of the SRI profiled mutual fund that is actually tangible.

This absolute value of the investment sticks out as there are no such absolute aspects for any of the SEE aspects involved with investing in SRI profiled mutual funds. The absolute comparison of investment value becomes a central aspect of evaluating SRI profiled mutual funds in a post-purchase setting. As there are no such aspects for the other factors (including SEE performance), it is not strange that financial performance takes the main stage when consumers evaluate their SRI profiled mutual funds in a post-purchase context.

Viewing the results against the backdrop of complexity it is possible to explain why the results of the study came to be. Complexity shows why perceived financial return is the most important aspect of post-purchase evaluations in SRI. As consumers have few tangible aspects of the mutual fund in the complex environment, it is only natural that these will be important for evaluations of the purchase.

5.3 The decision making process for SRI profiled mutual funds

When viewing the results of the combination of each of the individual studies against the backdrop of complexity in the decision making environment, an overall picture of the decision making process emerge. This picture, that ranges from the pre-purchase information search stage, to the post purchase evaluation stage, highlights the intricate decision making of consumers who choose to invest in SRI profiled mutual funds.

The first aspect that should be highlighted when viewing all the studies in combination is the role of SEE consideration in the decision making process.

All the studies performed within the thesis show that SEE consideration, in one way or another, is part of the decision making process for consumers of SRI profiled mutual funds. This means that SEE issues are factors that impact consumer decision making throughout the decision making process.

In this manner, the somewhat "controversial" non-utilitarian aspect of investment is highlighted (e.g. Statman 2005; Statman 2008; Statman 2004). This study shows that mutual fund consumers do not only invest using selfish "economic man" thinking (at least when choosing to invest in SRI profiled mutual funds). Instead, social responsibility is important to the segment of consumers that choose SRI, and it is a source of customer value. This is the case in "regular" consumer industries (e.g. Lampe and Gazda 1995; Laroche et al. 2001; Roberts 1996), and this is also the case in the mutual fund industry.

However, taking all four studies into account, a picture also emerges that consumers act on their financial objectives when investing in SRI profiled mutual funds. Issues such as perceived financial performance are important for the purchase of SRI profiled mutual funds. Moreover, perceived financial return is very important for consumer satisfaction with SRI profiled mutual funds. The financial motives for investment are clear in all four of the studies presented. Along these lines, this study clearly shows that both of the dimensions included in SRI are important in the overall consumer decision making process. Put in the words of the SRI movement, most consumers, in one way or another, care about both "making a profit" and "making a difference".

However, the four studies also show that there is no straightforward manner in which consumers combine their SEE consideration and financial objectives when investing in SRI. Instead, depending on the setting in a given stage of the consumer decision making process, the personal preferences and attitudes, and the personal abilities of the consumer, the manner in which combine these aspects with each other varies.

First, the complexity of the decision making process means that personal abilities become one aspect that impact the way consumers deal with SEE consideration and financial objectives in their investment behavior. As discussed above, complexity (as displayed by the information overload/lack paradox) implies that consumers have a hard time evaluating the characteristics of an SRI profiled mutual funds. If consumers cannot evaluate the characteristics of the mutual fund in an appropriate manner, it would be surprising if they could use the available tools, analyze and evaluate different mutual funds and thereby manage to combine their financial objectives and consideration for SEE issues in a satisfying manner.

However, personal abilities, such as involvement and knowledge, can aid consumers in dealing with the difficulties of a complex environment

(Martenson 2005). The studies show that there are two types of personal abilities relevant to SRI profiled mutual funds. Consumers can have personal abilities with regard to the financial dimension of SRI profiled mutual funds. However, the consumer can also have personal abilities in dealing with the socially responsible dimension of SRI profiled mutual funds. These two types of abilities are very different in nature and therefore have no natural connection. That is, just because a consumer has one type of ability does not, by definition, mean that s(he) has the ability to deal with the other dimension.

Thus, the consumer's ability (knowledge and involvement) with regard to the specific dimensions of SRI profiled mutual funds is fundamental for understanding the way consumers combines SEE and financial decision making factors and how these factors actually impact consumer decision making. For example, a consumer that has the ability to deal with the financial dimension, but not the socially responsible dimension, may make an appropriate financial decision. However, it is questionable whether the consumer would be able to make an appropriate socially responsible decision.

Closely related to personal ability is the preferences held by consumers. In many ways, the studies performed within this thesis show that consumers of mutual funds, just like consumers in other industries, have preferences which they follow through on when choosing what to purchase. One significant preference that is evident in this thesis is the desire to choose socially responsible options that is displayed by some mutual fund consumers. These consumers may very well *lack* ability to make good decisions. In this way they may not always know what SRI really means, nor how social responsibility is performed within these mutual funds. However, they may still *prefer* investing in mutual funds that take some sort of social responsibility.

The presence of complexity in the decision making environment means that preferences will most likely be based on less solid evaluations than in other consumer decision making environments. This fact, however, does not make these preferences less important. Instead, as consumers may not be able to tell which option is better, these preferences may be even *more* important for decision making in all stages of the consumer decision making model. The studies show that different groups of SRI investors have different preferences. The way a consumer combines consideration for SEE issues and financial objectives when investing in SRI profiled mutual funds thus depends on that particular consumer's preferences.

Finally, the setting of the different stages in the decision making process impacts how consumers combine the SEE consideration and financial objectives as consumers face challenges that are specific to the stage in the decision making process. Thus, the specific information, tools, and general

surroundings of the specific stages will impact the way consumers deal with the two dimensions. In the information search phase, for example, challenges include finding and processing relevant information without actual experience of the SRI profiled mutual fund. Here, the task may focus on sorting information using the *morningstar.com* fund screening tool, or other relevant sources to sort through a vast number of different mutual funds on a wide variety of characteristics. The goal is to find a mutual fund with a good possibility of good future performance. In the post-purchase phase, however, the focus is on how to evaluate the actual performance of a mutual fund that has already been chosen. Here, the task presents the consumer with a widely different set of challenges that include being able to evaluate how the specific fund has performed during the investment period. Thus, the focus of the evaluation is the past, and not, as in the other stages of the consumer decision making process, the future. In this manner, the consumer will focus attention on different aspects of the integration, and as seen in the studies, deal with SEE consideration and financial objectives in different ways.

In all, this thesis (and the four individual studies performed within it) highlight that although consumers of SRI profiled mutual funds often do care about both SEE and financial issues, there is no straightforward combination between these aspects that consumers perform. Instead, the combination differs individually depending on the stage that the consumer is in, personal preferences and attitudes, as well as the personal abilities of the consumer to deal with complexity of the decision. The four studies appended to this thesis highlight these three issues and shows how they impact the decision making process consumers go through.

6. Conclusions, contributions, and future research

"How ironic that Homo economicus, who was only ever supposed to be interested in maximizing his own self-interest, has turned out to be so interested in investing in the common good" (Hertz 2003)

In many ways, SRI profiled mutual funds are an unusual form of investment product. As social, ethical, and environmental criteria are incorporated into the investment process, SRI includes non-financial aspects into an otherwise financially oriented investment process. It is the nature of SRI profiled mutual funds that make consumers of SRI interesting as well as important to understand. By incorporating non-financial criteria SRI somewhat challenges the traditional notion of the investor as an economic man. But, if consumers of SRI are not selfish economic men, what are they?

At the outset, this thesis started with these thoughts and the question of how consumers, that choose to invest in SRI profiled mutual funds combine the traditional financial objectives associated with investing money with the "additional" SEE consideration and how varying combinations of these impact consumer decision making when choosing to invest in SRI profiled mutual funds. Moreover, the impact of a complex decision making environment on these issues was central.

These questions are broad and, if answered correctly, have the potential to shed light on this unusual investment phenomenon that combines financial and non-financial elements. In order to answer them, a conceptual framework was developed and four different studies were performed within this thesis, each dealing with a specific stage in the consumer decision making process. It is argued that these four studies and the conceptual framework, in combination, make up a comprehensive base for addressing the overall research questions of the study.

Based on these components, as well as the discussion of the previous chapter, the conclusion, and answers to the research questions of the thesis revolves around the notion that SRI investors integrate and evaluate both financial and non-financial aspects when making their decision to invest in these types of funds. Although consideration for SEE issues and financial objectives can have a differing impact on consumer decision making, all the studies reached the conclusion that both aspects, in one way or another, were important. However, the manner in which the integration between financial objectives and SEE consideration is shaped by the complexity of the decision making environment. This environment highlights that consumers approach the combination of SEE consideration and financial objectives differently depending on multiple factors such as the stage of purchase decision making process in which they are addressed, personal attitudes and

preferences of the consumer, and personal abilities that in many ways make up the sophistication by which the consumer can approach the task of investing in SRI. It is argued that these personal factors, on the individual level, influence how consumers deal with the complex environment, and therefore also deal with the financial and non-financial aspects of investment in SRI.

By answering the research questions and reaching these conclusions, we have come some way towards understanding how consumers of mutual funds integrate non-financial elements with the traditional financial objectives when choosing how to invest money. The picture that emerges highlights the point made in the quote at the outset of this chapter. Consumers of socially responsible investment mutual funds are a lot more multifaceted in their motives and behavior than assumed in the view of the investor as an "economic man".

6.1 Contributions of the thesis

In addressing the research questions, this study makes several contributions to the literature. Although each of the studies could be argued to contribute to the literature individually, the thesis overall generates at least three major contributions.

The first overall contribution that the thesis makes revolves around the topic of decision making in complex environments. In general, the impact of complexity on the decision making of consumers has received only limited attention in previous research (Devlin 2007; Martenson 2005). Researchers often bring up the fact that consumers, when faced with a complex environment, should behave differently than in simple contexts. However, only few researchers take this notion further and actually investigate how consumer decisions are made when exposed to this environment.

This study creates a conceptual framework that highlight the complexity in the market for SRI profiled mutual funds. Against this background, this study contributes both empirically and theoretically to the literature on how consumers make purchasing decisions in complex decision making environments.

The second overall contribution to the literature revolves around the notion of how consumers (or private investors) deal with financial and SEE issues at several stages of the decision making process. Previous research within the SRI literature has only scratched the surface of how the final consumer of SRI profiled mutual funds deal with SEE issues. Only a handful of studies exist with this aim, and these often merely have an exploratory purpose and methodology (e.g. Getzner and Grabner-Kräuter 2004; Lewis and Mackenzie

2000a; Mackenzie and Lewis 1999; McLachlan and Gardner 2004). On top of this, the research that does exist often bring up only one aspect of the decision making process, making academic understanding on how retail investors deal with these issues fragmented, at best. By increasing knowledge on how consumers of mutual funds deal with SEE issues, the study makes a contribution to the SRI literature.

However, in doing this the study also makes a contribution to the general SEE consumer behavior literature. This third contribution of the thesis revolves around the notion that previous research within the SEE consumer behavior literature has virtually focused only on one aspect of the decision making process: predicting the actual purchase of these products. The literature is full of research that, in one way or another, attempts to predict purchase (or behavior) (e.g. Alwitt and Berger 1993; Alwitt and Pitts 1996; Boulstridge and Carrigan 2000; Carrigan and Attalla 2001; Carrington et al. 2010; De Pelsmacker et al. 2005; Follows and Jobber 2000; Kim and Choi 2005; Minton and Rose 1997; Roberts 1995). This research is worthwhile and has contributed a lot to knowledge regarding the actual purchase stage of SEE profiled products and services. However, due to the specific focus on purchase or behavior, the important pre- and post-purchase stages are excluded from the research. Moreover, in focusing on the behavior aspect only, the contribution to the field of marketing of many of the studies could be questioned. Against this background it is clear that the literature to date has generated a large amount of knowledge on the actual purchase, but little knowledge on other important marketing related concepts such as satisfaction and information search.

This thesis contributes to this area by taking a more holistic view of SEE consumer behavior and performing research over four stages of the decision making process. In this manner, new theoretical concepts, such as satisfaction and information search, are introduced into the literature on SEE consumer behavior. In this way, this contribution could be said to be twofold. First, this thesis expands the current literature. Second, this thesis moves the SEE consumer behavior literature closer to the field of marketing.

6.2 Implications

On a practical level, the results of this thesis carry with it a number of implications for different actors in society. Particularly practitioners within the industry as well as public policy makers are affected by the results of this thesis.

6.2.1 Implications for practitioners within the industry

This thesis is performed within the subject area of marketing. Being able to contribute to how companies could market SRI profiled mutual funds is

therefore an important aspect of the conducted research. As the market for SRI profiled mutual funds is not yet mature, the results of the thesis highlight several aspects that could be of importance for companies that desire to offer their customers investment products profiled as socially responsible.

The first important implication for marketers of SRI profiled mutual funds revolves around the notion that both financial and SEE aspects are important to investors of SRI profiled mutual funds. Although the importance differs between different segments and different stages in the purchase decision making process, all studies show that most consumers desire both a financial return on their investment as well as a socially responsible profile in the investment process.

With regard to the first of these, there is much research that shows that there is no significant penalty for investing in a socially responsible manner (Bauer et al. 2007; Kreander et al. 2005; Statman 2000). Yet, this thesis, and other studies, show that a significant segment of consumers perceive that SRI perform worse than other mutual funds. In many ways, this perception is not surprising. After all, consumers pay a premium for other SEE profiled goods and services. Fair trade coffee, organic vegetables, and ecologically profiled fish are just some examples where consumers pay extra for SEE qualities. However, this perception of underperformance is likely to have more of an adverse effect on the market for mutual funds. After all, financial return is the fundamental motive for investing money. Moreover, as consumers often have difficulties estimating an "objective" financial return due to complexity and the information overload/lack paradox, the consumer's perceptions could become even more important for behavior.

Against this background, one way of increasing attractiveness of SRI profiled mutual funds could be to address this perception of poor financial return. If consumers would have a perception of financial performance that is more in line with results in research on the topic, these types of mutual funds would most likely be perceived to be more attractive.

A second important implication for providers of SRI profiled mutual funds deal with the "other" dimension of SRI profiled mutual funds, how social responsibility is addressed in the mutual funds. Here, the thesis has shown that for many consumers, it is very difficult to accurately evaluate how the mutual fund works with SEE issues. As there is a general lack of transparency in mutual funds, even knowledgeable consumers encounter difficulties in understanding and evaluating the processes that go on within the mutual fund.

In this context, the perception or feeling that you, as a consumer of SRI profiled mutual funds can influence perceived SEE problems become important. This aspect is also tested when addressing the influence consumers perceive their investment has (PCE) against the amount that they

chose to invest in SRI profiled mutual funds. As shown in the studies, PCE was in fact an important aspect that influenced investment in SRI profiled mutual funds, meaning that the perception of influence will impact the tendency to invest in SRI profiled mutual funds.

This discussion highlights that it is up to the SRI profiled mutual fund and its provider to prove to the consumer that an investment in their mutual fund will actually make some form of difference. Consumers, themselves, are not equipped to evaluate this. Thus, the second implication for practice implies that the mutual fund provider should, if wanting to make SRI profiled mutual funds more attractive, address this issue and *show* the consumer that an investment in their SRI profiled mutual fund will in fact make a difference.

A final implication for marketers revolves around the notion that consumers have limited ability to make educated mutual fund investment decisions. This limited ability stems both from the consumers themselves as well as the complexity of the environment in which they have to make their decisions.

No matter the reason for the limited ability to make good decisions, the fact is that this limited ability will impact the manner in which decisions are made. In the context of financial services, one of the most notable consequences of this is the dependency on financial advisors that is evident for many consumers. This dependency on advisors mean that consumers, themselves, may not always process all relevant information or understand what they are investing in.

In this context, one of the key factors that could impact the market share of SRI profiled mutual funds is the group of financial advisors. This group give advice to consumers, and given the limited ability of consumers to process relevant information by themselves, may exhibit considerable influence (Lee and Cho 2005; Martenson 2008b). In this manner, the third implication of the thesis involves addressing the advice that is given to consumers. Should this advice be positive toward SRI, it is likely to attract more investments from consumers. However, as shown in previous research (Schrader 2006), there may be a need to educate financial advisors in order to ensure that they give consumers accurate advice about SRI.

6.2.2. Implications for public policy

Although most of the implications to come out of the results of this thesis are directed toward the practitioners within the SRI industry, there are also some implications that are relevant to public policy makers. The first is tied to the ongoing trend in many western countries whereby consumers are increasingly considered to be responsible for managing their own pension. The Swedish PPM scheme, where consumers themselves are responsible for investing a certain part of their pension is one example of this trend. Under

the PPM format, consumers are expected choose up to five different mutual funds, and by changing funds over the years, manage this part of their pension until retirement.

However, one aspect of investing in mutual funds that this thesis has shown is that it is extremely difficult to evaluate mutual funds. Even the most knowledgeable consumers (or professional investors) cannot completely evaluate the characteristics of the mutual fund. There are several reasons for this: the process is future oriented, not transparent, and influenced by many external factors, just to mention a few.

With this complex decision making environment in mind, one question which must be considered by public policy makers, is whether it is realistic to expect consumers to make these decisions. The risk with a system like this is that a significant part of the population risk getting a lower pension than what they would have should the state have managed it for them. Against this background, public policy makers have to ask themselves whether the liberty to invest your own pension makes up for the risk of citizens receiving poor pensions when they retire.

Another aspect of the thesis that may be of relevance for policy makers is how they should address SRI in this context. Many commentators believe that SRI profiled mutual funds have the potential to impact companies (e.g. Sparkes and Cowton 2004; Sullivan and Mackenzie 2006b). As a result, SRI could be one tool to achieve a more socially, ethically, and environmentally sustainable society. Against this background, public policy makers need to address the question of whether this type of investing should be encouraged through government initiatives. Actively encouraging consumers to make more sustainable choices exist in many other industries. For example, in Sweden consumers received a premium if they bought a car that was profiled as environmentally friendly (e.g. Jansson 2010). However, no such initiative has been taken in the investment arena to date. If SRI is considered to be a road toward increased sustainability, public policy makers could consider making it more attractive to invest in these types of mutual funds.

6.3 Limitations and suggestions for future research

Within academic research, several choices are made in order to deliver knowledge that is both reliable and valid. However, these choices, no matter what they are, always entail some limitations, and the present thesis is in this way no exception.

One of these limitations that have already been discussed in the method section is that the questionnaires were distributed by companies that sell SRI profiled mutual funds. Only two fund providers were used which could mean that there are limitations of the study concerning the representativeness of the samples. As different banks and mutual fund providers target different

segments, the samples drawn from the data-bases of the providers, although randomly generated, may not be representative of the investment population overall. Moreover, a practical consequence of this procedure was that no non-response bias tests could be performed, which in many ways is a limitation by itself.

Another limitation worth mentioning is the presence of social desirability bias (e.g. Zerbe and Paulhus 1987). Social desirability bias is in essence the tendency for respondents to adapt their answers depending on what they think is socially desirable. The social desirability bias is present in most research that generates empirical data from consumers. However, in research on SRI and other SEE profiled goods and services, this issue could be considered even more important as investing in SRI (or purchasing SEE goods and services) is often considered a socially desirable behavior (e.g. Auger and Devinney 2007). In this thesis, effort was made to reduce social desirability as much as possible. For example, an anonymous questionnaire was used in order to reduce the pressure to answer in a socially desirable manner. Moreover, questions were often disguised as much as possible to limit their socially desirable nature.

6.3.1 Suggestions for future research

This study has started the process of understanding the consumers of socially responsible investment profiled mutual funds. In many ways, SRI is a different form of investment product in that it actively incorporates non-financial aspects into the investment process. However, it is also this fact that makes consumers of SRI interesting and important to understand. SRI somewhat challenges the traditional notion of the investor as an "economic man". Against this background, the fundamental question for future research revolves around the notion that if consumers of mutual funds do not act in a manner consistent with economic man, how do they act?

This thesis has come some way in answering this question. The four studies all generate some knowledge on how SEE factors are integrated with the traditional financial objectives of mutual fund investment. However, much more needs to be done in future research in order to understand the multifaceted nature of consumer investment in socially responsible investment profiled mutual funds.

One fundamental aspect of this thesis is its quantitative nature. As discussed in the method section, this quantitative approach has several advantages in the fact that it is possible to generalize results to a larger population, address issues of statistical significance, and keep the format for the questionnaire anonymous. However, as with any approach, there are also some weaknesses to this approach. Future studies could use more qualitative techniques in order to generate a more in depth picture of the reasoning that

consumers perform in the different stages of the consumer decision making process.

Continuing on with suggestions for future research, another aspect that could be addressed is to break down and study the individual parts in the SEE acronym. In this thesis, SEE is often considered to be one construct, describing the "other" that is not financially oriented. In this manner it is similar to the ESG (environmental, social, governance) that is also used to describe the non-financial element of SRI in parts of the literature. However, the fact is that social, ethical, and environmental issues (or environmental, social, and governance issues) could very well have differing impacts on how consumers approach SRI. Thus, an environmentally motivated consumer may not show the same behavior as an ethically motivated consumer.

Future research could thus focus on breaking down the SEE or ESG concepts into different parts. This would most likely result in a greater understanding on the consumer of SRI profiled mutual funds.

Along these lines, another aspect of the thesis is that there is need for *more* variables that can explain how consumers invest in SRI profiled mutual funds. The explanatory power of some of the models in the studies is fairly limited. This means that even though the variables included are important, there could be other explanatory factors that could explain the nature of investment in SRI profiled mutual funds.

Here, there are several categories of variables that could be included and tested. For example, there may be variables relevant to the personal abilities of consumers of SRI profiled mutual funds. This study highlighted involvement and subjective knowledge as abilities, however the role of objective knowledge is not addressed. This type of actual ability could very well play an important role in consumer investment behavior. There may also be variables related to the attitudinal structure of consumers that could be worthwhile testing. For example, the Value-Belief-Norm theory (e.g. Stern 2000), holds several attitudinal aspects that have been shown to be important for pro-environmental consumer behavior. These may also be relevant in the case of SRI.

Finally, future research could include more of socio-demographics to investigate socially responsible investment. For example gender has been shown to be important for understanding both consumer investment behavior (e.g. Bajtelsmit and Bernasek 1996; Barber and Odean 2001; Graham et al. 2002) and SEE consumer behavior (e.g. Davidson and Freudenburg 1996; Diamantopoulos et al. 2003; Stern et al. 1993). The role of socio-demographics has only received a small role in this thesis, and may therefore be expanded in future research.

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