Aalto University
School of Business

The importance of brand performance on mutual fund launch - An investigation of the Finnish mutual fund market in 1997-2010

Marketing

Master's thesis

Hanna Lindroos

2013

Department of Marketing
Aalto University
School of Business

Aalto University
School of Business

Aalto University, P.O. BOX 11000, 00076 AALTO
www.aalto.fi

Abstract of master's thesis

Author Hanna Lindroos

Title of thesis The importance of brand performance on mutual fund launch – An investigation of the Finnish mutual fund market in 1997-2010

Degree Master's Degree

Degree programme Marketing

Thesis advisor Jaakko Aspara

Year of approval 2013 **Number of pages** 37 **Language** English

Abstract

Purpose of the study
The relationship between mutual fund performance and fund flows has been studied widely, but less attention has been given towards mutual fund launches and their success. For services the company itself plays as the brand, and thus product launch can be viewed as brand line extension. This paper investigates the importance of brand performance, company track record, on the success of mutual fund launch. In Finland the mutual fund industry can be divided roughly into two types of players, retail and non-retail banks, and there fore they will be also investigated separately and the results will be compared.

Methodology
The study was performed on the Finnish mutual fund market and it includes virtually all mutual fund launches between 1997 and 2009. The data is tested using linear regression, and first the significance of the brand performance and additional factors are evaluated based on the whole sample, and later on the importance of the variables for retail and non-retail banks will be compared. Last, the consumer segment will be observed more closely.

Findings
The results show that the overall company track record, the brand performance, has positive effect on the success of mutual fund launch. When the two company types were compared separately it was found that the company track record plays more important role for non-retail bank investors whereas for retail bank investors other company and fund related variables were found to be more important. Similar conclusions were made within the consumer segment.

Keywords Brand performance, product launch, mutual funds

TABLE OF CONTENTS

1. Introduction

Mutual funds have been researched already since the 60's (Jensen 1968), but as the mutual fund industry grew in the 80's, during the next decade a growing number of researchers started to examine the relationship between mutual fund performance and the inflow of investments (e.g. Chevalier and Ellison 1997; Sirri and Tufano 1998) as well as the performance persistence of mutual funds (e.g. Goetzmann et al, 1994; Brown and Goetzmann, 1995; Gruber, 1996). However, the vast majority of existing literature focuses on evaluating the performance and flows of existing funds in relation to future flows and/or performance with less focus on the mutual fund launches. The brand literature has on the other hand focused more on the product launches, and though often considered more important for physical products, a growing number of researchers are now realizing the importance of branding also, or especially for services (e.g. Dibs and Sinkin 1994; de Chernatony and Dall'Olmo, 1999; Berry, 2000) – "strong brands increase customer's trust of the invisible purchase" (Berry, 2000).

There is a gap in the existing literature when it comes to determining the success factors of mutual fund launch, especially if measuring the success by fund inflows. As mutual funds are classified as financial services, the company serves as a brand (Berry, 2000) instead of the actual service. Therefore mutual fund introductions can also be viewed as brand extensions, or specifically line extensions as they are introduced into somewhat same category. Since mutual fund flows have previously been proven to have a convex relationship with the past performance on existing mutual funds (e.g. Chevalier and Ellison 1997; Sirri and Tufano 1998), it would be rational to suspect that the past performance would thus also serve as a brand for mutual fund launches. However, the brand extension literature suggests other factors to be taken into account as well (e.g. Reddy et al, 1994; Völckner and Sattler; 2006), such as mutual fund family strategies. The mutual fund market

is also divided into two types of service providers; retail banks and specialized fund management companies, and the distribution type has been proven to make a difference to fund inflows such that retail bank customers are less focused on the past performance (Frye, 2000; Gordon et al, 2001).

This paper is trying to fill this gap by combining the financial literature on mutual funds with brand literature on service brand equity and brand extensions. Reflecting on the existing literature the factors affecting the launch success are drawn, and later tested on a sample of 471 mutual fund launches in Finland between 1997-2009 by using linear regression. First the significance of the brand and additional factors are evaluated based on the whole sample, and later on the importance of the variables for retail and non-retail banks will be compared. Last, the focus will be shifted towards the consumer segment to observe the importance of brand and the additional factors for private investors within both distribution channels. The results of the study support the convexity of past performance and fund flows and also highlight the specific features of brand for the two distinct distribution types as well as the nature of the consumer segment.

The paper begins by first presenting the previous research on mutual funds, branding in financial services and the distribution channels. Drawing on them, a research model and hypotheses are drawn. The results are then presented and discussed further following with conclusions and suggestions for future research.

2.Theoretical Background

2.1 Performance-flow relationship

The relationship between performance and fund flows has been debated widely, but it seems that two issues generally acknowledged. First, since Jensen's (1968) research little proof have been found that mutual fund managers outperform passive benchmarks. However, Gruber (1996) introduced the concept of "Smart money" suggesting that (sophisticated) investors can predict the future performance based on past performance resulting from superior management, thus creating a higher a flow to best performing funds. Contrary views suggest that investors lack the ability to identify superior management skills and rather chase the good past performance (e.g. Sapp and Tiwari 2004). Zheng (1999) contributed to Gruber's (1996) smart money effect and found that the effect is short-term (max. 30 months) and more applicable to small funds, and later Sawicki and Finn (2002) discovered that effect is stronger especially for small *and* young funds. That is in line with Chevalier and Ellison's (1997) research suggesting flows of younger funds respond more positively to good performance in contrast to older funds.

Secondly, it is widely acknowledged that mutual fund flows have convex relationship with past performance – investors tend to buy funds with good past performance and sell poorly performing ones (e.g. Chevalier and Ellison 1997; Sirri and Tufano 1998). This strongly suggests that investors interpret past performance in order to forecast future performance. Berk and Green (2004) state that in rational markets fund flows respond to fund's past performance even though fund performance is not persistent and fund managers do not outperform benchmarks on average. As most studies concern the US mutual fund market, Alves and Mendes (2008) studied the small market size context using Portuguese fund market as a sample, and they found absence of the convex flow–performance relationship and smart money effect.

2.2 Fund-family strategies

Since funds are not stand-alone products and belong to a larger fund family, the family level strategies influence the fund flows as well (Sirri and Tufano 1998, Massa 2003, Kempf and Ruenzi 2008, Benson et al 2008). Benson et al (2008) found that individual fund flows are not only affected by their own past performance but also by the family level characteristics that signal the individual fund's management quality. Massa (2008) discusses the importance of fund family's strategy that relies on customer base heterogeneity in terms of investment horizon, and suggests that fund families should strengthen their non-performance-related characteristics to minimize competition in performance. He also states utilizing product proliferation and launching more funds instead of enhancing performance has positive effect on fund inflows, thus making performance only one aspect of competition for fund families. Kempf and Ruenzi (2008) also found that fund's position within the fund family, especially within larger families, has an effect to fund flows so that the higher the ranking the larger the inflows.

As the prior performance is crucial for future flows, investor has to acquire the relevant information, which creates search costs. Sirri and Tufano (1998) found that the search cost is an important factor affecting fund flows. They measured these costs by mutual fund family's size by total net assets under management, advertising and distribution expenses reflected in management fees and brand awareness by received media attention. Huang et al (2007) address also the same issue by studying how participation costs influence the flow-performance relationship and construct a model to examine the cost effect on flow-performance relationship.

2.3 Mutual fund launches

Mutual fund starts have been left with very little attention and the existing literature focuses on the their performance persistence; the ability to continuously provide excess returns (Blake and Timmermann 1998; Karoui and Meier 2009) instead of fund flows, which would serve as a better determinant of the launch's success since the fund company earnings come from percentage-based fees that rely on fund's size. Karoui and Meier (2009) studied 828 new launches in US over the period 1991–2005 and found that on average new funds perform better than existing funds in term of return and risk-adjutancy, contrary to Blake and Timmermann's (1998) earlier findings in UK suggesting that mutual fund starts do not show superior performance. As the relationship between past performance and fund inflows has been generally agreed to be convex for existing funds (e.g. Chevalier and Ellison 1997; Sirri and Tufano 1998), it would be rational to conclude that it would be the same for fund family's past performance and new fund's inflows. On the other hand the concept of "window dressing" suggests that poorly performing fund families launch new funds in order to draw attention away from bad returns with the expectation that the new fund will be not be affected by the poor past performance (Ippolito, 1998; Sirri and Tufano, 1998).

Khorana and Servaes (1999) explored the determinants of new mutual funds from a sample of 1163 mutual fund launches between 1979-1992 and found evidence that mutual fund families performing well are likely to launch more new funds, also adding that "reputation for excellent performance may serve to attract money into other funds as well". This issue was later explored by Nanda et al. (2004) who found evidence that "star performance" of fund family's other funds increases the cash flows to rest of the funds. Based on this it is justified to assume that the fund family's past performance would have an effect on the mutual fund's launch success in terms of money flows. In regards to fund family strategies, Wisen and Chiang (2006) found that new funds performed better

in terms of returns if they were part of larger fund family or charged higher fees, which suggest that the fund families benefit from economies of scale in fund launches.

Most discussed aspect in relation to mutual fund launches seems to be the concept of incubation, which implies that fund families seed money into new funds prior to their availability to the public in order to create favorable track record, and the funds that don't reach acceptable track record are terminated and thus never launched (e.g. Malkiel 1995). Artega et al (1998) studied the launch success of these incubated funds and found that during first year they attracted substantial inflows. In contrast, they suggest that funds offered straight to the public require "selective attention" that is supported by fund family favoritism. Evans (2010) discussed the incubator bias, and also confirmed that incubated funds experience higher fund flows compared to non-incubated funds, making incubation an effective way to increase fund flows.

2.4 Branding in Financial Services

Branding has been generally considered more important for physical products than for services, but a growing number of researchers are stating that it is also crucial, if not even more important, for services (e.g. Dibs and Sinkin 1994; de Chernatony and Dall'Olmo 1999; Berry 2000). As for consumer goods the brand tends to focus on the physical product, for services the focus should be on corporate brand (Sharp, 1995; Berry, 2000), especially among financial services (McDonald et al. 2001; Devlin, 2008). As Berry (2000) states, "with services the company is the primary brand", stressing also the importance of branding among service companies because "strong brands increase customer's trust of the invisible purchase". Berry et al. (1988) also argued consumers tend to view all services by one company as parts of one single corporate brand.

The concept of brand equity has been studied extensively (e.g. Aaker 1991; Simon and Sullivan 1993; Keller, 1993; Cobb-Walgren et al. 1995) but there seems not to be only one right definition of that term. Simon and Sullivan (1993) take a financial viewpoint and consider brand equity as financial market valuation of future cash flows while Keller (1993) introduced customer-based brand equity that considers how brand knowledge affects consumers' responses to marketing of the brand. Smith and Park (1992) defined brand's financial equity, or brand's value both by its effect on the success of existing products and the launching new products, referred as "brand's latent value". Aaker 's (1991) conceptual scheme for customer-based brand equity is perhaps the most popular, and it consists of brand loyalty, brand awareness, perceived quality and other brand associations.

The importance of brand equity in for service brands has been proven (Cobb-Walgren et al. 1995; Berry 2000; Chang and Liu 2007), and some research has also been done relating to service brand equity in financial services (Taylor et al. 2007; McDonald et al. 2001), but Brady et al (2005) were first to investigate especially mutual funds. The study identifies media reviews, objective product rankings and national reputation as intrinsic cues and personal referrals, price and advertising as extrinsic cues for investment services. According to the study, all cues were important but for highly intangible services like mutual funds the intrinsic cues were more important compared to physical goods, or more tangible services.

The measurement of brand equity has also been discussed widely (e.g. Keller 1993, Simon and Sullivan 1993; Aaker 1996), and while often referred measurement criteria by Aaker (1996) suggests that marketing mix elements or advertising expenses should not be considered, opposite views are found as well. Simon and Sullivan (1993) state that all marketing events affecting the cash flows, measured in excess return on tangible assets, influence brand equity accordingly. Cobb-Walgren et al (1995) found that advertising budgets had effect on brand equity both for products

and services thus generating higher brand preferences and purchase intentions. These are in line with the notion that marketing efforts lower search costs thereby increasing the fund flows (Sirri and Tufano 1998), and supports the findings that advertising has positive effect on mutual fund flows (Jain and Wu 2000; Huhmann and Bhattacharyya 2005). Korkeamäki et al (2007) found also that advertising has a positive effect on fund flows, but only when the fund family has high performing funds.

2.5 Mutual fund launches as brand extensions

Since for services the company is considered to be the brand (Berry, 2000), and by looking at the names of new mutual funds the company's name is nearly every time incorporated to the funds name, new mutual funds can also be considered as corporate brand extensions (Keller and Aaker, 1990), or more specifically line extension since they are launched within, more or less, the same product category (Tauber, 1981; Reddy et al., 1994). Brand extensions and their success factors have been studied widely (e.g. Keller and Aaker, 1990; Broniarczyk and Alba, 1994), but less focus has been given on line extensions. Reddy et al (1994) divided the success factors of line extensions in consumer goods into three categories: Parent brand, extension and firm characteristics, and found that strong brand, advertising/promotional support and firm size were key aspects of launch success.

Völckner and Sattler (2006) studied both brand and line extension within the concept of brand extensions and found similar results stressing especially the importance of the fit between parent-brand and extension, marketing support, parent-brand conviction, retailer acceptance and parent-brand experience. However, the existing studies on brand/line extensions focus heavily on products, and the literature on service line extensions is more involved with vertical rather than horizontal line extension (Jing et al, 2008; Boisvert, 2012). Boisvert and Ashill (2011) studied line

extension launch success for financial service s and found, based on customer perceptions, that the perceived innovativeness and quality of the extension have positive impact on customer attitudes.

2.6 Retail bank vs. non-bank distribution

As the mutual fund industry has grown, banks have expanded their services at a growing pace in to these non-interest offerings, which has also drawn the attention researchers. Frye (2001) studied the performance of bank-managed bond funds in the US and though she found no evidence that nonbank funds would outperform bank-managed funds, superior past performance did not have effect on fund flows whereas past marketing information and reputation of the bank were significant factors for people investing in bank funds. She also found that the clientele attracted by banks differed from the nonbanks, and in addition, the past performance played more significant role to the nonbank investors. This is in line with Davies' (1996) findings that since financial services are in general complex and from the customer's point of view hard to evaluate, inexperienced consumer tend to rely on service providers' advice. He also states that advertising should focus on the company instead of specific product offerings to reach maximum gain.

Gordon et al (2001) studied investors who purchased mutual funds from banks and elsewhere, and found that bank investors were financially less literate compared to the nonbank investors. Mishra and Kumar (2011) identified two types of mutual fund investor: highly knowledgeable investor who perceive investing less risky and actively engage in their investment decision, and less knowledgeable investors who consider mutual funds more riskier and are more passive in their investment decisions while instead relying on brand cues. From this can be drawn a conclusion that bank customers rely more on the bank's referral whereas nonbank customers are more knowledgeable, hence they rely more on past performance.

3. Research Model

In order to determine the success of mutual fund launches and the importance of flow-performance relationship relating to the mutual fund launch I will be interpreting brand track record on company brand level as the focal variable and other firm-level factors as control variables. Industry- and fund- level characteristics will be used as additional control variables. The data did not show any signs of the use of incubation and there fore it will not be taken into account. The taken approach is financially based within the limitation on the data, leaving the consumer-based view, or consumer perceptions, and aspects of the model aside.

3.1 Fund launch success

The success of the product launch can be measured in many ways, but when concentrating on the financial point of view, the most common measurement for brand equity's influence on the success has been the change in market share (e.g. Simon and Sullivan, 1993; Reddy et al., 1994). In the case of mutual funds, fund flows are often used to indicate the success of a fund (e.g. Chevalier & Ellison 1997; Sirri & Tufano 1998), however the previous literature on mutual funds launches or young funds has systematically measured the success by performance or performance persistence of the fund (e.g. Blake and Timmermann 1998; Karoui and Meier 2009). Fund flow can be considered as a better, or at least more marketing-oriented determinant of the launch's success since the fund company earnings come from percentage-based fees that rely on fund's size. There fore the success of the launch will be measured by *the size of the fund after 1 year*, or the fund net inflow during the first year.

3.2 Brand performance track record

The basic assumption for investor behaviour has been rationality since Markowitz's theory (1952) according to which expected returns and risks of the investing act as the only crucial variables to making investment decisions. This assumption is in line with the "Smart money effect" (Gruber, 1996; Zheng, 1999) suggesting that investors interpret past performance to predict future returns, thus creating higher inflows to well-performing funds. This convex relationship between past performance and fund inflows is generally accepted among researchers (e.g. Chevalier and Ellison, 1997; Sirri and Tufano, 1998). The past performance can also been viewed as a determinant of perceived quality and thus an element of brand equity (e.g. Aaker, 1991) or one success factor of brand extension (e.g. Völckner and Sattler, 1996; Boisvert and Ashill, 1999).

H_1 Company brand performance track record has a positive effect on the success of mutual fund launch in terms of fund in-flow.

3.3 Contingency variable: Company type

A specific characteristic of the mutual fund industry especially in Finland is the *company type*, which is also a determinant for distribution channel and can be roughly divided into retail banks and non-retail banks (or specialized fund management companies). The dominance in the market is being held by retail banks, and supported by previous research (e.g. Korkeamäki and Smythe, 2004; Knuutila et al 2007; Korpela and Puttonen, 2006) it can be assumed that the company type will have an effect on the launch success factors.

H_2 Company brand performance track record has a stronger effect on the success of mutual fund launch for non-retail banks.

3.4 Key control variables

The company size has been noted to be important for launch success both by mutual fund (e.g.; Wisen and Chiang, 2006; Benson 2008) and brand extension research (e.g. Simon and Sullivan, 1993; Reddy et al 1994) with the assumption that the bigger the company the higher return, and thus more successful launch. Reddy et al (1994) divide the brand strength into 3 components: Brands *market share* as a signal of market power, age and advertising expenditures. *The age of the company* has been found to be significant factor by other as well (e.g. Smith and Park 1992; Simon and Sullivan 1993), and the relationship between *advertising expenses* and mutual fund inflows has been stated by several researchers (Jain and Wu 2000; Huhmann and Bhattacharyya 2005; Korkeamäki et al. 2007). Another specific characteristic of mutual funds is the *fund fee*, which contrary to products, doesn't serve as the price in traditional way as it is just small mediate expense. However, the research mutual funds have shown that funds charging higher fees tend to experience higher inflows (e.g. Wisen and Chiang 2006), partly since fund fees can be viewed as sign of quality (Brady et al. 2005).

In line with the brand extension research, Benson et al (2008) found that individual fund flows are strongly affected by the family level characteristics, such as age, size and product proliferation acting as signals of quality. The level of product proliferation, the number of other funds offered by the company, is thus assumed to have a positive impact on the fund inflows presenting also as the history of previous brand extensions (Völckner and Sattler, 2006). There are a controversial views on how *the number of other launches by the parent company* affect, and though others state there are positive effects on inflows (e.g. Massa, 2008), cannibalization between the line extension and parent brand is possible (Reddy et al., 1994; Smith and Park, 1992), which leaves the expected effect to remain undecided.

3.5 Environmental factors

To control the market environment and its effect on the launch success the stock market's situation will be taken into account by *market mood indicator*. It signals the hotness or coldness of the market, which presumably has effect on the investor behavior and thus fund flows in such way that when the market is hot investors are more eager to invest, and vice versa. The specific nature of the Finnish mutual fund industry and its recent high growth speed will be controlled with an indicator for *market maturity*. As for the competition in the market, Smith and Park (1992) suggest that the number of established competitors should be taken into account as a characteristic of the market, but when considering the mutual fund market it would be more appropriate to take into account *the number of launches by competitors* as a measurement of the competitiveness in the market.

4. Data and Methodology

4.1 Data

The data consists of 471 mutual fund launches in Finland between 1997 and 2009 provided by The Finnish Association of Mutual Funds. All funds are registered in Finland and besides 9 funds (2 US, 2 SEK & 5 NOK), all are in mk or euros, which are all converted into euros. As already mentioned, the data showed no indication of incubation and thus it can be stated that it had no role in the Finnish mutual fund market during the observed time period.

4.1.1 Finnish mutual fund market

The Finnish fund industry is fairly new, fast growing and heavily influenced by the strong bank

dominance unlike the market in US, and the impacts of these factors has been researched to some extent (Korkeamäki and Smythe 2004; Korpela and Puttonen 2006; Knuutila et al 2007). First, the Morningstar fund rating that has been proven to affect the fund flows especially in the US (e.g. Blake and Morey 2000), Knuutila et al. (2007) found that they have little effect on the bank-managed funds in Finland whereas the nonbank funds tend to have relationship similar to the US. More specifically, it was found that the top rated nonbank funds attracted nearly 80 per cent of nonbank fund flows, whereas the top performing bank funds did not experience higher flows compared to other bank funds (Knuutila et al 2007). Second, the economies of scale provided by the bank-dominance of few key players has not reduced overall the mutual fund expenses (Korkeamäki and Smythe, 2004), and the expenses tend to be higher for bank managed mutual funds which implies that existing customer relationships and convenience impact buying behaviour (Korpela and Puttonen, 2006).

4.2 Research measures

4.2.1 New fund success

The success of mutual fund launch is measured by the size of the fund in euros one year after the launch since the data at hand does not contain inflow measures or the initial euro size of the fund. Prior literature favours the usage of percentage net growth in funds total net assets since euro flow is affected by fund size (e.g. Chevalier & Ellison 1997; Sirri & Tufano 1998), but this concerns existing funds and not new funds. Khorana and Servaes (1999) studied mutual fund starts and measured inflows also by the dollar size after one year. The natural logarithm of the variable is used to correct the positive skewness.

4.2.2 Firm brand performance track record

Assuming investor rationality, the company's average Sharpe ratio would serve as an indicator of track record, but since many researchers argue that average, naïve investor values the raw, non-risk adjusted returns instead (e.g. Sirri and Tuffano, 1998), both variables will be included and reported similar to previous studies. For both variables one-year average will be used.

4.2.3 Other firm-level variables

The company size will be measured in total net assets under management in euros and *market share* naturally in percentages. *The age* of the company is measured in days. Firm-level *advertising* is measured in the data in euros, but as the previous research suggests the use of a relative share of company's advertising (Simon and Sullivan, 1993; Reddy et al. 1994), fund family's annual advertising expenses will be divided by the total annual advertising expenses of all mutual fund companies. *The number of other launches by the parent company* is simply given as the total number of other launches by the fund family during the year of the launch. The total number of funds in the fund family, the product proliferation, is left out since the data showed strong correlation between the company size and level of proliferation (0.851, Pearson correlation, two-tailed) and the company age (0.777), which lead to the conclusion that the size of the company in euros and the company age represents also the level of proliferation. *The company type* is in the first model a dummy variable, where 0=non-retail bank and 1=retail bank. Later these two groups will be observed separately to discover the differences in their launch success factors.

4.2.4 Fund-level variables

Fund fee and *fund's minimum investment* will serve as fund-level variables. Since the data includes mutual funds both for private and institutional investors, the minimum investments also vary from 0 to 500 000 euros. There fore the fund's minimum investment in euros will be used as a control

variable in the first model, and later on the data will be filtered with a minimum investment of 10 000 euros in order to observe the consumer segment and rule out the institutional investors.

4.2.5 Environment variables

To control the nature and competitiveness of the environment, the market's maturity, mood and competitors actions will be taken into account. *Market maturity* is a dummy variable where 0=not mature and 1=mature. The *market mood indicator* is the percentage change in HEX index from previous year to the launch year. Finally, *the number of launches by competitors* is the number of competitors' launches during the launch year.

5. Results

5.1 Summary statistics

The used variables are summarized in table 1 and their pair wise correlations are presented in table 2. The r-values of the variables indicate that there are high and statistically significant correlations between some of the variables, but the correlation between company average return and company track record is the only one exceeding the critical value of r=0.8 noted by Farrar and Glauber (1967). The high correlation between these two independent variables is not surprising as they are alternative indicators of performance. As discussed earlier, many researchers (e.g. Sirri and Tuffano, 1998) prefer the use of use of average returns instead of the risk-adjusted Sharpe ratio (company track record) arguing that naïve investors value more the raw returns. Due the high correlation between these two variables they will not be used simultaneously in order to avoid collinearity and in order to compare their significance as alternative past performance indicators.

Based on the correlations it seems that fund's minimum investment, environment maturity, company size (in euros), company age and advertising share have all positive correlation with the dependent variable fund size after 1 year. This suggests that funds with higher minimum investment, issued by big and old companies advertising relatively more than competitors, and issued to a mature market are going to experience successful launch in terms of size of the fund after one year. The minimum investment and environment maturity are control variables driven from the data, but the previous research supports the significance of the company size (e.g. Simon and Sullivan, 1993; Wisen and Chiang, 2006), age (e.g. Smith and Park 1992; Simon and Sullivan 1993), and relative advertising (e.g. Korkeamäki et al. 2007; Reddy et al. 1994) as independent variables.

Surprisingly and contrary to previous research on the relationship between performance and fund flow (e.g. Chevalier and Ellison, 1997; Gruber, 1996), neither of the performance indicators; company track record or company average returns, seem to have significant correlation on the launch success as such. On the other hand, this supports the suggested framework for mutual funds launch success that assumes that the convex relationship between past performance and fund flows is only on factor affecting the success. The previous research on the convexity has also focused on interpreting existing funds rather than fund starts that don't yet possess a performance indicator of their own (if excluding the incubator effect) and are thus suggested to be dependent on the fund family's past performance.

Table 1

Correlations of the regression analysis variable (N=471)

Variable	*M*	*St.d*	*(1)*	*(2)*	*(3)*	*(4)*	*(5)*	*(6)*	*(7)*	*(8)*	*(9)*	*(10)*	*(11)*	*(12)*	*(13)*
(1) Fund size after 1 year	3,113	1,393													
(2) Fund min. investment	1112521	475733	0,153**												
(3) Environment maturity	0,47	0,5	0,115*	0,021											
(4) Environment market mood	0,157	0,376	-0,027	-0,049	-0,150**										
(5) Competitors launches	41,79	18,09	0,005	-0,075	0,537**	0,218**									
(6) Company Track record	0,669	1,168	0,046	-0,066	0,132**	0,449**	0,479**								
(7) Company av. Returns	8,969	18,254	0,010	-0,067	-0,039	0,647**	0,285**	0,825**							
(8) Company size	2596	4006	0,362**	-0,029	0,305**	-0,082	0,146**	-0,074	-0,077						
(9) Company market share	0,252	0,679	0,083	-0,039	-0,246**	0,031	-0,381**	0,133**	0,167**	-0,035					
(10) Company age	3981	2073	0,375**	0,083	0,249**	-0,104*	0,042	-0,083	-0,074	0,680**	-0,018				
(11) Advertising share	0,102	0,145	0,180**	-0,056	-0,116**	-0,033	-0,165**	-0,107*	-0,048	0,343**	0,156**	0,430**			
(12) Other product launches	5,4	5,281	-0,012	0,021	0,254**	0,079	0,300**	0,267**	0,150**	0,037	-0,112*	0,050	-0,049		
(13) Fund fee	1,099	0,765	0,060	-0,168**	0,029	0,006	0,017	0,095*	0,061	0,093*	0,106*	0,054	0,086	0,074	
(14) Firm type	0,59	0,492	-0,157	-0,144**	0,019	0,098*	0,026	0,093*	0,118**	-0,264**	0,009	-0,265**	-0,189**	-0,275**	0,079

*Note. *p<0,05 and **p (Pearson correlation, two-tailed)*

5.2 Regression Analysis

The main objective is to examine the variables influencing the success of mutual fund launch, and the overall estimations for the regressions are presented in table 2. As stated earlier, the alternative independent variables measuring past performance, company track record, are tested separately and the related regressions are shown in three separate models from which the first model accounts the only for the effects of the control variables. As another objective was to compare the success factors of mutual fund launches between retail banks and fund management companies, the data was split into two accordingly and the regression estimates for both are shown in table 3. In order to focus more specifically on the individual investors, the data was sorted according to the minimum investment and mutual fund starts with minimum investment over 10 000€ were ruled out. The reasoning for the decided minimum investment is based on an estimate of the maximum investment by an individual investor. The results of the individual investor regression estimates for both retail bank and mutual fund company customers are shown in table 4.

For all three models the variance inflation factor (VIF) values were examined to rule out the possibility of multicollinearity. The greatest VIF value discovered was 4,7, while the overall values were under 2, and no alarmingly high values over 10 (O'Brien, 2007) were discovered. The homoscedasticity off all models was tested and the variance was found to be constant, and also the error term normality was tested and the distribution was normal.

5.2.1 Model 1: Overall analysis

Table 2.

Least squares dummy variable regression with fund size in one year as the dependent variable (N=471)

	Model		
Variable	*1*	*2a*	*2b*
Track record (Sharpe)		0.136**	
		(0.067)	
Track record (Returns)			0.055
			(0.004)
Company size	0.206***	0.220**	0.209***
	(0.000)	*(0.000)*	*(0.000)*
Market share	0.094***	0.056	0.082*
	(0.092)	*(0.097)*	*(0.096)*
Company age	0.192***	0.186***	0.189***
	(0.000)	*(0.000)*	*(0.000)*
Advertising share	0.001	0.004	0.002
	(0.475)	*(0.472)*	*(0.475)*
Nr. Other Launches	-0.059	-0.082	-0.064
	(0.013)	*(0.013)*	*(0.013)*
Firm type	0.058	0.071***	0.062
	(0.149)	*(0.149)*	*(0.150)*
Fund fee	0.047	0.039	0.045
	(0.078)	*(0.078)*	*(0.078)*
Minimum Investment	0.162***	0.164***	0.163***
	(0.000)	*(0.000)*	*(0.000)*
Environment maturity	0.042	0.046	0.044
	(0.157)	*(0.156)*	*(0.157)*
Environment market mood	0.033	-0.008	0.002
	(0.170)	*(0.181)*	*(0.211)*
Nr. Competitors' launches	-0.003	-0.067	-0.015
	(0.004)	*(0.005)*	*(0.004)*
Adjusted R^2	0.178	0.187	0.178
F-value	10.327***	10.044***	9.537***

Note. *p<0.10, **p<0.05 and ***p<0.01
Standardized regression coefficients reported; standard errors in parentheses.

The first model illustrated in Table 2 covers 471 mutual fund launches by both retail banks and specialized fund management companies representing virtually all mutual fund launches in Finland during 1998-2010. Within that group three separate models were performed from which the first one covers only the effects of the control variables. The overall model is statistically significant at the 0,01 level, and from the control variables company size, market share, company age and minimum investment are statistically significant while none of the environment-level variables is significant. The three company-level control variables are in expected direction as they all have positive effect on the launch success. The minimum investment is also in the expected direction as the main assumption was that the bigger the minimum investment the bigger the size of the fund would be after first year.

In the model 2a the independent variable company track records is added and the company's one-year average Sharpe ratio is used as an indicator of past performance instead of average returns. The overall model is statistically significant at the 0,01 level and illustrates a slight increase in the adjusted R^2 from 0,178 to 0,187 suggesting that the added variable increases incrementally the explanatory power of the model. The addition of the independent variable decreases the effect of market share making it statistically insignificant, while the company level variables, company size and age, and fund-level variable, minimum investment, remain significant and positive. The addition of the company track record variable increases the effect of firm type from 0,058 to 0,071 and it is now statistically significant at the 0,01 level, which is in line with the expectations.

The positive effect of track record was expected based on the prior research and convex nature of the relationship between past performance and future fund flows (e.g. Chevalier and Ellison, 1997; Gruber, 1996), and though there appeared not to only marginally significant pair wise direct relationship between the variables as shown by their correlations, the fact that their association is

positive and significant in the regression model confirms the importance of past performance the key element rather than the only factor of the launch success as stated earlier. The company's age and size have also positive effect on the fund flow as was expected based on previous studies (e.g.; Wisen and Chiang, 2006; Benson 2008; Smith and Park 1992; Simon and Sullivan 1993). As the company type is a dummy variable where 1 equals retail bank, the model suggests that retail banks experience higher fund flows during the first year after launch and would thus be more successful in launching new mutual funds. The number of company's other launches is almost statistically significant at the 0,1 level, and though not significant the negative sign suggests cannibalization between company's funds, contrary to some studies on the positive effects (e.g. Massa, 2008).

The third model 2b includes all variables but the company's average returns are now used as an indicator of past performance instead of track record. The overall model is significant at the 0,01 level but the adjusted R^2 decreases from 0,187 to 0,178 from the model 2a to the same level as was for model 1. Both track record variables show positive effect on the launch success but since the average return is not statistically significant it suggests that the risk-adjusted track record (Sharpe index) has more explanatory power compared to the returns-based track record. In comparison to the model 2a, company's age and size remains to be significant but the company type is no longer statistically significant. Since the third model explains less of the variance and the alternative variable, company's average returns is not statistically significant, it can be concluded that the use of company's track record as an indicator of past performance is more advised at least for the whole sample covering both retail banks and specialized fund management companies.

5.2.2 Model 2: Retail banks vs. fund management companies

Table 3

Least squares regression with fund size in one year as the dependent variable

	Retail Banks (N=278)			Non-retail Banks (N=193)		
	Model			Model		
Variable	1	2a	2b	1	2a	2b
Track record (Sharpe)		0.059			0.197**	
		(0.106)			*(0.089)*	
Track record (Returns)			-0.015			0.104
			(0.007)			*(0.006)*
Company size	0.330***	0.336***	0.330***	0.197	0.201	0.200
	(0.000)	*(0.000)*	*(0.000)*	*(0.000)*	*(0.000)*	*(0.000)*
Market share	0.119**	0.096	0.122**	0.070	0.031	0.049
	(0.125)	*(0.142)*	*(0.135)*	*(0.133)*	*(0.135)*	*(0.137)*
Company age	0.083	0.081	0.083	0.179	0.180	0.173
	(0.000)	*(0.000)*	*(0.000)*	*(0.000)*	*(0.000)*	*(0.000)*
Advertising share	-0.033	-0.029	-0.034	0.045	0.035	0.037
	(0.539)	*(0.542)*	*(0.542)*	*(1.308)*	*(1.293)*	*(1.312)*
Nr. Other Launches	-0.083	-0.096	-0.082	-0.017	-0.041	-0.033
	(0.014)	*(0.015)*	*(0.014)*	*(0.071)*	*(0.071)*	*(0.072)*
Fund fee	0.026	0.020	0.028	0.088	0.096	0.100
	(0.115)	*(0.117)*	*(0.117)*	*(0.116)*	*(0.115)*	*(0.1179*
Minimum Investment	0.259***	0.260***	0.258***	0.086	0.094	0.093
	(0.000)	*(0.000)*	*(0.000)*	*(0.000)*	*(0.000)*	*(0.000)*
Environment maturity	0.095	0.099	0.094	-0.093	-0.093	-0.097
	(0.206)	*(0.206)*	*(0.207)*	*(0.253)*	*(0.250)*	*(0.253)*
Environment market	0.052	0.032	0.061	-0.001	-0.042	-0.051
mood	*(0.233)*	*(0.260)*	*(0.312)*	*(0.272)*	*(0.275)*	*(0.305)*
Nr. Competitors'	-0.094	-0.121	-0.090	0.096	0.011	0.084
launches	*(0.006)*	*(0.007)*	*(0.006)*	*(0.007)*	*(0.007)*	*(0.007)*
Adjusted R^2	0.218	0.217	0.215	0.102	0.125	0.104
F-value	8.755***	7.990***	7.933***	3.189***	3.489***	3.030***

Note. *p<0.10, **p<0.05 and ***p<0.01
Standardized regression coefficients reported; standard errors in parentheses.

Table 4

Summary statistics – Retail banks and fund management companies

	Retail banks				Non-retail banks			
Variable	Min.	Max.	Mean	SD	Min.	Max.	Mean	SD
Fund size after 1 year	0,62	6,7	3,315	1,420	-1,3	6,39	2,806	1,303
Fund min. investment	0	100000	76753,46	237051,18	0	5000000	165851	687290
Environment maturity	0	1	0,49	0,501	0	1	0,45	0,499
Environment market mood	-0,42	0,9	0,119	0,359	-0,42	0,9	0,213	0,396
Nr. Competitors launches	13	83	41,52	17,776	16	83	41,89	18,429
Company track record	-1,73	3,12	0,579	1,129	-1,94	4,17	0,779	1,210
Company av. Returns	-30,91	55,67	7,495	17,423	-44,12	76,03	10,919	19,3
Company size	3,00	20521,43	3805,81	4821,46	3	3681,7	881,865	883,854
Company age	431	8079	4702,88	1951,98	369	7321	2961,45	1801,454
Advertising share	0	0,653	0,140	0,166	0	0,393	0,048	0,082
Nr. Other launches	1	26	7	6,263	1	8	3,15	1,72
Fund fee	0	3	1,137	0,692	0	3,3	1,027	0,836

To compare the differences between retail banks and fund management companies, the data has been split into two and the similar analysis has been made for both data sets as was done for the whole data. The results of the regression analysis are illustrated in table table 3 and the summary statistics in table 4. In the first models only the effect of control variables was tested, and for both retail banks and fund management companies the overall model is statistically significant at the 0,001. It seems that for retail banks the launch success is affected positively by the company size and market share from company-level features and by the minimum investment from fund-level variables. However, none of the control variables were statistically significant for non-retail banks. As can be seen from table 4 the minimum investments range for retail banks between 0 and 100 000 but for fund management companies the range is between 0 and 500 000 and the mean is twice as high as it for retail banks. This makes it quite interesting that the minimum investment is not significant factor for fund management companies.

The models 2a include all the variables and the Sharpe index is used as measure of past performance for the track record variable. Both models are overall statistically significant the 0,01 level, the adjusted R^2 0,217 for retail banks is showing a minor decrease from 0,218 in the first model, showing still significantly more explanatory power than for private fund companies with adjusted R^2 being only 0,125. For retail banks the statistically significant factors are fund's minimum investment and company size, both showing positive effect as expected earlier. For fund management companies the addition of the track record variable resulted in rise of the adjusted R^2 from 0,102 to 0,125 highlighting the explanatory power the track record for the model. Track record appears to be also the only significant variable suggesting that customers of fund management companies are sensitive to company's track record when investing into new mutual funds, which is in line with H_2.

When the past performance indicator is changed to average returns in the 2b models, both overall models are still significant, and as was shown also in table 2, but for both the adjusted R^2 decreases. However, the drop in R^2 for retail banks is very small, from 0,217 to 0,215 as it is more significant for fund management companies decreasing from 0,125 to 0,104, which is nearly the same level as it was in model 1 that included only the control variables. For neither the average returns are statistically significant, and the company size and minimum investment continue to show positive effect for retail banks, while also market share shows statistically significant positive effect. But for fund management companies none of the variables show statistically significant effect as could be suspected since in the second model the only significant variable was track record that was excluded in the third model. Since the R^2 was highest for retail banks in model 1, and the adding of track record neither in model 2a nor 2b did not result in higher R^2, track record does not seem to be a launch's success factor for retail banks. On the contrary, for fund management companies

including the track record (Sharpe) in model 2a resulted in higher R^2 in comparison to models 1 and 2b, and the track record was also statistically significant variable. These findings support the H_2.

The finding that the track record is not a significant factor for retail bank customers is also in line with previous research (Gordon et al., 2001; Mishra and Kumar, 2011) suggesting that nonbank investors are financially more literate and rely more on past performance in contrast to the less knowledgeable retail bank investors relying more on bank's referral. As track record seems to be the only significant factor for fund management companies, it suggests that for this set of customers brand equity is more financially based and in line with the definition by Smith and Park (1992) on brand's value as the success of existing products, here the track record, and product launches.

The average sizes of the retail banks are significantly higher compared to the average sizes of fund management companies. As the company size is statistically significant factor for the retail companies so that the bigger the issuing company the higher the fund flows, it can be concluded that fund launches by the biggest retail banks tends to be more successful than the launches be smaller retail banks. As the size of the company was also an indicator for fund family size in terms of product offering, it can be assumed that retail banks with higher level of product portfolio are more successful in launching new mutual funds bearing in mind that retail banks have in general superior sales channels and machineries as well as more extensive customer base in comparison to non-retail banks. This finding is in line with research by Benson et al. (2008) showing that fund flows are affected by the size and level of product proliferation acting also as signs of quality. Bigger product portfolio indicates also launch experience in the past, which was also found to be important factor for brand extension success (Völckner and Sattler, 2006).

5.2.3 Model 3: Retail banks vs. fund management companies, private investors

In order to observe the success factors of mutual fund launches for consumer segment, the data was filtered by setting 10 000€ as the highest minimum investment for a fund thus ruling out the institutional investors. As seen from the table 4, the highest minimum investment for retail banks is 100 000€ and for fund management companies 500 000€ which justifies the data filtering according to the minimum investment. As the data is already filtered according to the minimum investment, it will not be used as control variable in this third model. The results of the regression analysis for the filtered data for both retail banks and fund management companies are shown in table 5.

Table 5

Least squares regression with fund size in one year as the dependent variable

	Retail Banks, private investors (N=244)			Non-Retail Banks, private investors (N=136)		
		Model			Model	
Variable	1	2	3	1	2	3
Company track record		0.039			0.193**	
		(0.118)			*(0.105)*	
Company av. returns			-0.026			0.119
			(0.008)			*(0.007)*
Company size	0.345***	0.350***	0.344***	0.296*	0.284	0.291*
	(0.000)	*(0.000)*	*(0.000)*	*(0.000)*	*(0.000)*	*(0.000)*
Market share	0.109*	0.096	0.0115*	0.059	0.032	0.038
	(0.151)	*(0.167)*	*(0.158)*	*(0.149)*	*(0.149)*	*(0.152)*
Company age	0.105	0.102	0.105	0.080	0.101	0.087
	(0.000)	*(0.000)*	*(0.000)*	*(0.000)*	*(0.000)*	*(0.000)*
Advertising share	-0.044	-0.043	-0.045	0.033	0.014	0.021
	(0.586)	*(0.589)*	*(0.589)*	*(1.415)*	*(1.403)*	*(1.420)*
Nr. Other Launches	-0.045	-0.783	-0.043	-0.078	-0.104	-0.100
	(0.016)	*(0.017)*	*(0.016)*	*(0.084)*	*(0.084)*	*(0.085)*
Fund fee	0.026	0.349	0.029	0.163*	0.174*	0.178*
	(0.124)	*(0.126)*	*(0.126)*	*(0.132)*	*(0.131)*	*(0.007)*
Environment maturity	0.144*	0.147*	0.143*	0.019	0.023	0.016
	(0.223)	*(0.225)*	*(0.225)*	*(0.317)*	*(0.313)*	*(0.316)*
Environment market	0.042	0.029	0.057	0.064	0.020	0.021
mood	*(0.259)*	*(0.286)*	*(0.336)*	*(0.382)*	*(0.406)*	*(0.408)*
Nr. Competitors'	-0.175**	-0.194**	-0.168***	0.065	0.056	0.060
Launches	*(0.006)*	*(0.007)*	*(0.008)*	*(0.008)*	(0.008)	(0.008)
Adjusted R^2	0.195	0.193	0.197	0.090	0.113	0.093
F-value	7.559***	6.770***	15.883***	2.490**	2.727***	2.384**

Note. *p<0.10, **p<0.05 and ***p<0.01
Standardized regression coefficients reported; standard errors in parentheses.

The first models account only for the effects of the control variables, and similar to the table 3 results, the overall model for retail banks is significant at the level 0,01 but for fund management companies the overall model is now statistically significant at the 0,05 level. For the private customers of retail banks the company size and market share are still positively affected and significant company level variables, from which the first seems to be now more significant as it the only variable significant at the 0,01 level while market share is significant at the 0,1 level. However now the environment maturity has a positive effect at the 0,1 level and the number of competitors' launches illustrate negative effect at the 0,05 significance level. For non-retail banks' private customers only the fund fee and company size show positive effect but only at the 0,01 significance level. This would suggest that retail bank consumers are more willing to invest to bigger companies and are more sensible to competition with minor preference for investing in mature market and to companies with larger market share whereas the private customers of fund management companies are only slightly affected by the company's size and fund fee.

The models 2a include all the variables and the Sharpe index is used as measure of past performance for the track record variable. Both overall models are now statistically significant at the 0,01 level and show similar to table 3 an increase in the adjusted R^2 for the non-retail banks growing from 0,090 to 0,113, but illustrating slight decrease for retail banks. In line with the results on table 3, the company size remains to be significant factor for retail banks with a strong positive effect, but the competitive environment is now statistically significant at the 0,05 and its effect actually gets stronger as the independent variable is added into to model. The market maturity continues the show slight significance at the 0,1 level. For fund management companies the track record remains to be significant factor with only a minor decrease from table 3 in the effect, from 0,197 to 0,194, now at the 0,05 significance level, and for the consumer segment the fund fee seems to have a slight effect at the 0,1 level, and almost at the 0,005 level. The impact of fund fee is

positive so that the higher the fund fees the higher the fund inflows, which suggested also in the prior research (e.g. Wisen and Chiang, 2006).

The model 2b uses the average returns as past performance indicator, and both overall models are statistically significant at the 0,01 level. The adjusted R^2 for fund management companies decreases from 0,113 to 0,093 in a similar manner as in table 3, but contrary to it the R^2 for retail banks actually increases a little from 0,193 to 0,197. This would suggest that for retail banks' consumers the average return serves more strongly as an indicator for past performance, as was suggested in prior research (e.g. Sirri and Tuffano, 1998). However, the average return as such is not statistically significant variable thus supporting the statement that retail banks' customers are financially less sophisticated (e.g. Gordon et al., 2001). Company size and the competitive environment remain as significant factors with similar effects for retail banks in the third model as well. Since the R^2 decreased for fund management companies in the model 2b, and the average returns are not statistically significant, it can be concluded that for fund management companies' private investors the track record is the most significant factor affecting the fund flows while fund fee also has a moderate effect.

6. Conclusions

6.1 Theoretical implications

The study contributes to the research on mutual fund launches by taking a brand point of view to company performance as track record and comparing it's effect between retail banks and fund management companies taking also more closer look towards consumer market segment. Two alternative measures for company brand performance track record were used; average Sharpe ratio

and average returns, and throughout the study average Sharpe ratio was found to have more effect in comparison to average returns.

The first part of the study covered all mutual fund launches for both retail banks and fund management companies, and the results supported first hypothesis (H_1) – Company brand performance track record (Sharpe) has positive effect on mutual fund's launch success in terms of fund inflow. From the company-level control variables company size, age and type, and from fund-level control variables minimum investment were found to have positive effect on launch success. This would imply overall that large and old retail banks with high average Sharpe would be more successful in launching new mutual funds into the market. But since the Finnish mutual fund market is dominated by retail bank sector, representing 60% of the launches, with unique sales channels and methods, it is reasonable to observe the results according to the company type.

In the second part of the study the data was separated according to the company type in order to compare the retail bank and non-retail bank sectors. The results of the research supported the second hypothesis (H_2) – the effect of the company brand performance track record was more significant for non-retail banks, and it was actually found that the track record did not have statistically significant effect for retail banks. The track record proved to be the only significant variable affecting the launch success for non-retail banks, as for retail banks the company size, market share and minimum investment were important control variables. This would imply that fund management company customers are highly concerned on the risk-adjusted past performance of the company, while retail bank customers are more willing to invest in newly launched funds for large and market dominant banks, and the amount invested is positively related to the minimum investment of the fund.

Finally the consumer segment was observed more closely by filtering the data according the minimum investment to better focus on the individual investor. The results from the third part supported the previous findings and both hypotheses such that the track record was found to be significant factor for the non-retail bank consumers while for retail bank consumers it did not have significant effect. In addition to track record, the fund fee was found to have positive effect on the launch success for non-retail bank consumers supporting the notion that fund fees can be viewed as sign of quality (Brady et al. 2005), and thus fees tend to experience higher inflows (e.g. Wisen and Chiang 2006). For retail bank consumers the size of the company continued to have a positive effect, but now the environmental control variables were found to be significant: the market maturity was found to have positive effect while the number of competitors' launches showed negative effect. This would suggest that retail bank consumers are more willing to invest in newly launched mutual funds by larger companies when the market is mature, but are sensitive to the competitiveness of the market.

6.2 Managerial implications

The findings of this study point out interesting viewpoints for managers, both in retail and non-retail banks. As the company track record was not found to be critical factor for the success of the fund launch for retail banks, the managers should thus stress even more the non-performance related aspects in marketing, such as economies of scale earned through the size of the company. Since the consumer sector was found to be sensitive to competitors' actions, the marketing and sales of the fund launch should focus on increasing the commitment of the customers towards the fund family in order to minimize the negative effect of competition. Also since the minimum investment reflected a high positive correlation between the launch's success, retail banks might

consider offering more funds with higher minimum investment at least for the institutional investors, as the minimum investments are overall smaller in comparison to non-retail banks.

For non-retail banks the findings suggest the high importance of the track record, and in order to reduce it's dominance that marketing of new fund launches should focus more on non-performance aspects of the fund family, such as managerial knowledge or high quality service. Regarding the consumer segment, fund fees could be higher since the customer's view them as signaling for higher quality, and the as the company size also has some significance it should be stressed by bigger companies, and for smaller companies the focus should be more on other aspects.

6.3 Limitations and future research

The main limitation of the study is its strict focus on data rather than consumer perceptions as the basis for measuring the brand's importance. This provides a more financially based view on brand but leaves the important aspect of consumer perceptions aside. As this study is a case study on Finnish mutual fund market with unique elements regarding the market size, retail-bank dominance and high growth during the observed time period, the results of the study need to be observed within those limitations. In addition, the research on mutual fund launches is very limited and sparse, and as this study takes the brand viewpoint the model used mixes elements from the previous research on mutual funds, brand extensions and brand equity. With respect to the future research, a wider sample from a larger market should be taken in order to test the findings of this research and its market-specific limitations. In order to construct a more comprehensive model on mutual fund brand equity the consumer perceptions should be taken into account in addition to the financial data used in this study.

7. References

Aaker, D. A. (1991). Managing Brand Equity. The Free Press, New York.

Aaker, D. A. (1996). Measuring Brand Equity Across Products and Markets. *California Management Review*, 38(1), 102-120

Aaker, D. A. & Keller, K. L. (1990). Consumer Evaluations of Brand Extensions. *Journal of Marketing*, 54(1), 27–41.

Alves, C. & Mendes, V. (2008) Does performance explain mutual fund flows in small markets? The case of Portugal. *Portuguese Economic Journal*, 10(2), 129-147.

Benson, K. L.; Tang, G. & Tutticci, I. (2008). The Relevance of Family Characteristics to Individual Fund Flows. *Australian Journal of Management*, 32(3), 419-443.

Berk, J. & Green, R. (2004). Mutual fund flows and performance in rational markets. *Journal of Political Economy*, 112(6), 1269–1295.

Berry, L.L., Lefkowith, E.F. and Clark, T. (1988). In services, what's in a name? *Harvard Business Review*, 66(5), 28-30.

Berry, L. L. (2000). Cultivating service brand equity. *Journal of the Academy of Marketing Science*, 28(1), 128-137.

Blake, C. & Morey, M. (2000). Morningstar ratings and mutual fund performance. *The Journal of Financial and Quantitative Analysis*, 35(3), 451–481.

Blake, D. & Timmermann, A. (1998). Mutual fund performance: Evidence from the UK. *European Finance Review*, 2(1), 57–77.

Boisvert, J. & Ashill, N. J. (2011). How brand innovativeness and quality impact attitude toward new service line extensions: the moderating role of consumer involvement. *The Journal of Services Marketing*, 25(7), 517-527.

Boisvert, J. (2012). The reciprocal impact of vertical service line extensions on parent brands - The roles of innovativeness, quality, and involvement. *Managing Service Quality*, 22(6), 546-564.

Brady, M. K; Bourdeau, B. L & Heskel, J. (2005) The importance of brand cues in intangible service industries: an application to investment services. *The Journal of Services Marketing*, 19(6), 401-410.

Broniarczyk, S. M. & Alba, J. W. (1994), The Importance of the Brand in Brand Extension. *Journal of Marketing Research*, 31(2), 214–28.

Brown, S., & Goetzmann, W. N. (1995). Performance Persistence. *Journal of Finance*, 50(2), 679-698.

Chang, H. H. & Liu, Y. M. (2007). The impact of brand equity on brand preference and purchase intentions in the service industries. *The Service Industries Journal*, 29(12), 1687–1706.

Chevalier, J., & Ellison, G. (1997). Risk Taking by Mutual Funds as a Response to Incentives. *Journal of Political Economy*, 105(6), 1167-1200.

de Chernatony, L. & Dall'Olmo Riley, F. (1999). Experts' views about defining service brands and the principles of services branding. *Journal of Business Research*, 46(2), 181–192.

Cobb-Walgren, C. J., Ruble, C. A., & Donthu, N. (1995). Brand equity, brand preference, and purchase intent. *Journal of Advertising*, 24(3), 25−40.

Davies, M. (1996) Image problems with financial services: some considerations for improvement. *Management Decision*, 34(2), 64–71.

Devlin, J. F (2004). Life would be a lot easier if we were a Kit Kat': Practitioners' views on the challenges of branding financial services successfully. *Journal of Brand Management*, 12(1), 12-30.

Evans, R. B. (2010) Mutual Fund Incubation. *The Journal of Finance*, 65(4), 1581-1611.

Farrar, D. E., & Glauber, R. R. (1967). Multicollinearity in regression analysis: The problem revisited. *Review of Economics & Statistics*, 49(1), 92-107.

Frye, M.B. (2001). The performance of bank-managed mutual funds". *Journal of Financial Research*, 24(3), 419-42.

Goetzmann, W. N. & Ibbotson, R. G. (1994). Do winners repeat? Patterns in mutual fund performance. *Journal of Portfolio Management*, 20(2), 9–18.

Gordon, J. A; Jonesb, J. D & Nigro, P. J. (2001). Does mutual fund disclosure at banks matter? Evidence from a survey of investors. *The Quarterly Review of Economics and Finance*, 41(3), 387–403.

Gruber, M. J. (1996,). Another puzzle: The growth in actively managed mutual funds. *Journal of Finance*, 51(3), 783-810.

Huang, J.; Kelsey, D. W. & Hong, Y. (2007). Participation costs and the sensitivity of fund flows to past performance. *Journal of Finance*, 62(3), 1273–1311.

Ippolito, R. A., 1992. Consumer Reaction to Measures of Poor Quality: Evidence from the Objective Mutual Fund Industry. *Journal of Law and Economics*, 35(1), 45–70.

Jain, P. C. & Wu, J. S. (2000). Truth in Mutual Fund Advertising: Evidence on Future Performance and Fund Flows. *Journal of Finance*, 55(2), 937-958.

Jensen, M. C. (1968). The performance of mutual funds in the period 1945–1964. *Journal of Finance*, 23(2), 389–416.

Karoui, A & Meier, I (2009). Performance and characteristics of mutual fund starts. *The European Journal of Finance*, 15(5/6), 487–509.

Keller, K.L. (1993). Conceptualizing, measuring, and managing customer-based brand equity. *Journal of Marketing*, 57(1), 1-22.

Kempf, A. & Ruenzi, S. (2008). Family Matters: Rankings Within Fund Families and Fund Inflows. *Journal of Business Finance & Accounting*, 35(1/2), 177–199.

Khorana, & Servaes, (1999). The determinants of mutual fund starts. *The Review of financial studies*, 12(5), 1043-1074.

Knuutila, M; Puttonen, V. & Smythe, T. (2007). The effect of distribution channels on mutual fund flows. *Journal of Financial Services Marketing*, 12(1), 88–96.

Korkeamaki, T., Puttonen, V. & Smythe, T. (2007). Advertising and mutual fund asset flows. *International Journal of Bank Marketing*, 25(7), 434-451.

Korkeamaki, T. & Smythe, T. (2004) Effects of market segmentation and bank concentration on mutual fund expenses and returns: Evidence from Finland. *European Financial Management*, 10(3), 413–438.

Korpela, M. and Puttonen,V. (2006). Mutual fund expenses: Evidence on the effect of distribution channels. *Journal of Financial Services Marketing*, 11(1), 17–29.

Malkiel, B., G. (1995). Returns from investing in equity mutual funds 1971 to 1991. *The Journal of Finance*, 50(2), 549–72.

Markowitz, H.M. (1952). Portfolio Selection, *The Journal of Finance*, 7(1), 77–91.

Massa, M. (2003). How do family strategies affect fund performance? When performance-maximization is not the only game in town. *Journal of Financial Economics*, 67(2), 249–304.

McDonald, M. H. B; de Chernatony, L.; Harris, F. (2001). Corporate marketing and service brands - Moving beyond the fast-moving consumer goods model. *European Journal of Marketing*, 35(3/4), 335-352.

Mishra, S.K. & Kumar, M. (2011). How mutual fund investors' objective and subjective knowledge impacts their information search and processing behavior. *Journal of Financial Service Marketing*, 16(1), 27-41.

Nanda, V., Wang, Z. J. & Zheng, L. (2004). Family values and the star phenomenon: Strategies of Mutual fund families. *The Review of Financial Studies*, 17(3), 667-698.

O'Brien, R. (2007). A caution regarding rules of thumb for variance inflation factors. *Quality Journal of Economics*, 31(13), 1474-1497.

Reddy, S. K., Holak, S. L. & Bhat, S. (1994). To extend or not to extend: success determinants of line extensions. *Journal of Marketing Research*, 31(2), 243-62.

Sapp, T. & Tiwari, A. (2004). Does Stock Return Momentum Explain the "Smart Money" Effect? *The Journal of Finance*, 59(6), 2605-2622.

Sawicki, J. & Finn, F. (2002). Smart Money and Small Funds. *Journal of Business Finance and Accounting*, 29(5/6), 825-846.

Sharp, B. (1995). Brand equity and market-based assets of professional service firms. *Journal of Professional Services Marketing*, 13(1), 3-13.

Simon, C. & Sullivan, M. (1993). The measurement and determinants of brand equity: a financial approach. *Marketing Science*, 12(1), 28-52.

Sirri, E. & Tufano, P. (1998). Costly Search and Mutual Fund Flows. *Journal of Finance*, 53(5), 1589-1622.

Smith, D. C. & Park, C. W. (1992). The Effects of Brand Extensions on Market Share and Advertising Efficiency. *Journal of Marketing Research*, 29(3), 296–313.

Tauber, E.M. (1981). Brand franchise extension: new product benefits from existing brand names. *Business Horizons*, 24(2), 36-41.

Taylor, S.A., Hunter, G.L. & Lindberg, D. (2007). Understanding (customer-based) brand equity in financial services. *Journal of Services Marketing*, 21(4), 241-52.

Völckner, F. & Sattler, H. (2006). Drivers of brand extension success. *Journal of Marketing*. 70(2), 18-34.

Wisen, G & Chiang, K. (2006). Explaining the Initial Returns of Mutual Funds. *The journal of investing*, 15(2), 53-67.

Zheng, L. (1999). Is money smart? A study of mutual fund investors' fund selection ability. *The Journal of Finance*, 54(3), 901-933