BUILDING SOCIETY MARKETING STRATEGIES:

THE ROLE OF SERVICE IMAGE.

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In recent years building societies have experienced dramatic change in the markets in which they operate. Deregulation has provided societies with the powers to enter new and very different markets. Societies wishing to re-work their strategies to exploit the new opportunities however did so with the knowledge that their own traditional markets had also to be protected from new competitors. Deregulation had provided access into the savings and mortgage markets to their natural competitors, the banks and insurance companies. The selection, by societies, of appropriate strategies thus became critical to their future success.

Whilst recent studies have investigated the likely strategies to be pursued by societies in response to market change, their findings offer little guidance to societies attempting to re-work their current strategies. Previous studies failed both to consider the appropriateness of all strategic options to different building societies and ignored the likely response of consumers to strategic change.

The aim of the research was to identify the marketing strategies most appropriate to different building societies from a consumer perspective. Image was selected as the vehicle with which to study the likely response of consumers to change and thus evaluate the appropriateness of different strategies. Three generic marketing strategies were identified: Differentiation; Focus; and Cost Leadership.

The Building Society Image Model was constructed to depict the composition and structure of image as perceived by the consumer. Utilising this model the appropriateness of the three strategies to different building societies was considered. Whilst support was found for both the Differentiation and Focus strategies, the appropriateness of the Cost Leadership strategy was questioned. In particular the applicability of the diversification strategy currently adopted by the majority of societies is challenged.

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CHAPTER ONE

BACKGROUND TO THE STUDY

1. BACKGROUND TO THE STUDY

1.1 Introduction

The U.K. personal financial services sector has experienced
revolutionary change in recent years. Once a highly
fragmented market, the traditional boundaries between
financial institutions have become blurred. In response to
intensifying competition (both domestic and global),
advancing technology and growing consumer sophistication,
financial institutions have expanded into areas once the
sole domain of their competitors. Building societies are a
prime example of such institutions. In recent years
societies have broadened their activities to include
unsecured loans (e.g. Woolwich); overdrafts (e.g.
Nationwide Anglia); credit cards (e.g. Halifax Visa) and
travellers cheques (e.g. West of England), activities
traditionally associated with banks and insurance
companies.

Diversification for the building societies was however
delayed. Whilst other financial institutions were
deregulated, allowing them to enter new areas, the
societies remained constrained by the 1962 Building
Societies Act[1]. The U.K. banks, for example, were freed in

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1 Section 1(1) restricted societies to the "raising, by the
  subscription of members, a stock of funds for making
  advances out of the funds of the society upon security by
  way of mortgage or freehold or leasehold estate"

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the late 1970s and quickly introduced competitive products into the mortgage and savings markets. In response, building societies attempted to widen their product portfolios within the limitations of the 1962 Act. Associations were formed with other financial institutions (e.g. banks), enabling societies to provide new services (e.g. current accounts). The resulting services were, however, inferior to those of their competitors. For example, legal restrictions prohibited societies from offering overdraft facilities, consequently cheque guarantee cards were not available with current accounts.

It was not until 1986, with the enactment of the new Building Societies Act, that societies were able to compete with other personal financial institutions on equal terms. The Act provided societies with the power to engage in a wide range of new services, essentially covering all financial services: investment; banking; and housing (see Table 2.3, page 57 for a full list of the services sanctioned). Within two years the Act was reformed, extending the powers of societies in the areas of investment and insurance services; trusteeship; executorship and land services (see Table 2.4, page 59 for details).

As a direct result of new legislation, and its subsequent reform, societies were able to revise their strategies with greater freedom. However, whilst legislation had provided societies with greater opportunities, the new and highly competitive environment in which they now operated posed tremendous threats. Whilst many societies wished to take advantage of these new opportunities, strategies were re-worked with the knowledge that any errors of judgement would be to their competitors' benefit. The selection, by societies, of the appropriate strategies thus became increasingly important to their future success.

Building societies, however, had little previous experience of the market conditions they now faced. Previous competition had been intra-type (i.e. between societies) and controlled by the Building Society Association, the industry cartel. In addition, consumers were relatively unsophisticated, wary of speculative investments (e.g. stocks and unit trusts) and comparatively loyal. In response building society strategies were supply (i.e. by cost and technology), rather than demand (i.e. by consumer wants and needs), driven (Wright and Watkins 1987). Such strategies were inappropriate to the new personal finance market.

Whilst research has been conducted in recent years to investigate the likely strategies to be pursued by building

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societies (e.g. Nottingham Institute of Financial Studies, 1985; and the Economist Intelligence Unit, 1986), these studies have failed to provide the information with which societies could formulate their strategies. Previous studies suffered two major weaknesses: firstly, they failed to consider all the strategic choices available to societies; and secondly, they ignored the likely response of consumers to changes in building society strategy. Clearly these weaknesses undermine the usefulness of such studies. Societies need both to be aware of all options available to them and the response of consumers to the different options when formulating their strategies.

In an attempt to overcome the above weaknesses the strategies available to societies were considered within the framework of Porter's (1989) three generic strategies: Focus; Differentiation; and Cost Leadership. Porter's approach to strategic choice does not offer definitive statements on the final form a strategy should take. However, it does provide a loose framework from which building societies can formulate specific strategies to accommodate their individual needs.

To assess the likely response of consumers to strategic change, direction was taken from the "Positioning" concept. Positioning suggests that changes in strategy will alter an organisation's perceived location, vis-a-vis its

competitors, within the market. Thus to understand consumer response, the way in which consumers perceive and select building societies must first be identified. Laidlow (1986) suggested that consumer choice behaviour can only be explained by the "latent image" of a financial institution, the nature of "image" was, however, only speculated.

Precise knowledge of consumer perceptions would thus appear to be of fundamental importance in the selection and formulation of successful building society marketing strategies. The focus of the study is thus upon the consumer and their perceptions of societies, i.e. building society image, and its role in the selection and formulation of building society strategies.

1.2 Research Question

Following from the above the research question was identified as :

"What marketing strategies should building societies pursue in the current personal financial services market?"

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1.3. Aims of the Study

The study comprises five aims, focusing upon consumer perceptions of building society image:

1. Determine the composition and structure of building society image with respect to consumer perceptions;

2. Assess the use, by consumers, of the image construct, (i.e. consumer perceptions and choice behaviour);

3. Construct a model of building society image;

4. Identify the strategies appropriate to building societies in the current personal financial market;

5. Evaluate the contribution of image to the selection and formulation of building society marketing strategies.

1.4. Significance and Importance of the Study

The present study is considered important for the following reasons:

Firstly, the U.K. economy is a service economy, i.e. service industries are the largest contributors to GDP and Employment than either the extraction or manufacturing industries (see Tables 2.1 and 2.2, pages 40 and 41). The importance of this study stems from its concern with the fastest growing service sector, banking and finance. The banking and finance sector doubled in size (measured by contribution to GDP) during the twenty year period 1965-1985 (Turner and Williams 1987), and is now the second largest service sector (the largest being Public and Miscellaneous Services). This study focuses upon one industry within the banking and finance sector: building societies.

Secondly, building societies are mutual organisations, as such their members are shareholders. Changes to a society's memorandum (e.g. to allow the introduction of new services), thus requires the approval of the society's members. The study is therefore important as it considers building societies from a consumer perspective, providing an insight into consumer perceptions of societies. Such a

perspective is of particular importance as a growing number of consumer groups have been established to campaign against the activities of societies. For example, the Building Societies Members' Association continue to campaign for mutuality and that housing, not banking, should be a society's main concern; and A.M.A.F, the unsuccessful Abbey Members Against Flotation.

Thirdly, the personal financial services market has experienced rapid change in recent years, hence findings of previous studies may not be applicable to the new market place. The importance of this study arises from its timing. Data were collected both prior to, and following, the enactment of the Building Societies Act (1986) and Financial Services Act (1986), legislation which changed the personal financial services market. The study thus provides building societies (and perhaps other financial institutions), with information relating to the current market.

Fourthly, the study is significant as the majority of the British population currently holds a building society account. Previous studies have found that 61 % of the population of Great Britain hold a building society deposit account (B.S.A. 1986a). In addition, the study is particularly significant due to the nature of the products traditionally provided by societies: deposit accounts

provide a safe repository for savings; and the mortgage enables consumers to purchase a home for their families. Changes taking place within building societies are therefore both relevant and important to many consumers.

1.5. Limitations of the Study

The following limitations are recognized within this study:

Firstly, research constraints (i.e. cost and time) restricted the focus of the consumer research to a sample area within the South West of England (see Fig 3.5, page 140). Previous studies (e.g. Euromonitor 1985) have, however, identified regional differences in consumer financial behaviour. For example, the South West populous were found to be more financially active than the U.K. average. The findings may therefore be unrepresentative, imposing limitations upon the generalisability of the research.

Comparisons of consumer behaviour across regions (e.g. BSA 1986b), however, found consumers in the north of England (e.g.Yorkshire/Humberside) to be less active, and those of the South East (e.g. Greater London) to be more active than the South West populous. Thus whilst the sample was not truly representative of U.K. consumers, the resulting data provides a valuable insight into the views and behaviour of

consumers within the sample area and an indication of the views and behaviour of the U.K. consumer as a whole.

Secondly, data were collected from representatives of both the consumer market and the building society industry. Although, consideration of each and every individual in the sample area (total population 380,000 OPCS) and all societies operating within the U.K. (141 in 1987: BSA Bulletin No. 52, 1987), was preferable, it was clearly impracticable. The use of sampling can also impose limitations upon the generalisability of the data as it is highly unlikely that any sample will be a perfect representation of the population from which it was drawn. Analysis of the samples drawn did indeed reveal errors in both the consumer and industry groups. For example, respondents from the consumer market were found to be more financially active, generally skewed towards the upper socio-economic groupings and more highly educated than local and national averages. To limit the effect of these differences, data were analysed in aggregate and by respondent characteristics (e.g. savings behaviour and demographics) and significant differences identified. In addition, samples taken from the building society industry were found to contain proportionately more large (asset based) than small societies (defined by Wright et al 1986 as societies with assets above or below £100m). Whilst concentration upon the larger societies produces a bias,

the top ten societies account for 76.7 % of the industry's total assets (BSA Bulletin No. 52, Oct 1987). The societies interviewed thus represented the views of those societies within which most consumers hold their accounts.

Thirdly, the area under study is complex by nature. The image construct comprises a wide range of inter-related attributes, involving intangible and emotional factors which are difficult to measure. In addition each consumer is unique, responding and perceiving the image of societies according to their own personality (Martineau 1958; Kunkel and Berry 1968). For the purpose of the study it was thus necessary to simplify the image construct (i.e. to a standard set of common attributes), and consider the responses of consumer groups (e.g. market segments based upon savings behaviour). Whilst such procedures fail to take account of all factors contributing to the formulation of the image construct, they permit an invaluable insight into this complex area.

Fourthly, the personal financial services market is dynamic: the enactment of new legislation (Building Societies Act 1986, and Financial Services Act 1986); technological advancements (e.g. EFTPOS, Smart Cards, ATMs); the entrance of new players (e.g. Mortgage Corporation) and the frequent mergers and acquisitions by societies (e.g. Alliance and Leicester proposed acquisition

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of the Girobank), have all taken place in recent years. Research conducted in such an environment quickly suffers from the time decay of information, and consequently requires continual up-dating to accommodate new and previously unexpected changes. The research conducted for the study serves as a series of comprehensive snapshots of the building society market, which combined, map the changes which have taken place. Clearly, changes in all sectors of the personal financial market affect building society image. However, whilst attempts were made to monitor all changes within the personal financial services market, the focus of the study was upon the building society industry and as such it was the changes which occurred in this sector which have received most attention.

1.6. Organisation of the Study

The study is arranged in six chapters. **Chapter One** (this chapter), provides an introduction to the study, it details background information relating to the personal financial services market with particular reference to building societies. The chapter highlights the importance of the study and identifies its limitations.

Chapter Two presents a critical review of the relevant literature. Its primary purpose is to demonstrate the need

for the research conducted by identifying inadequacies within the available, published literature. Four distinct but inter-related areas of knowledge are considered: strategy and the strategic process; services and service industries; building societies and their marketing strategies; and image.

In **Chapter Three** the methodology conceived and research techniques employed to collect data are explained. The chapter begins with an overview of the research process illustrated with the aid of the Conceptual Framework. The research participants are identified and details of the methods used to elicit information discussed. Finally, techniques employed to analyse the resulting data are reviewed.

Chapter Four reports upon the current activities of building societies and their consumers, taking account of recent changes within the personal financial services market. This chapter also investigates the nature of building society image (i.e. the attributes used to construct image). Both industry and consumer perspectives of are reported.

Chapter Five considers the structure and use of the image construct by consumers. The chapter begins with a consideration of the use of individual image attributes and

concludes with the identification of the nine dimensions of image. Both attributes and dimensions are used to construct the model of building society image.

Finally, **Chapter Six** concludes the thesis. The findings of Chapters Four and Five are combined and related to the theory presented in Chapter Two. Specifically, the appropriateness of three strategies: Differentiation; Focus; and Cost leadership are considered with respect to individual societies in the current personal financial services market. The chapter concludes with recommendations for future research.

CHAPTER TWO

LITERATURE REVIEW

2. LITERATURE REVIEW

2.1. Introduction

Building societies, as with most service sector industries, have largely been ignored by researchers and academics who have traditionally focused upon the marketing of manufactured goods. Whilst recent changes within the personal financial services sector (e.g. deregulation), have stimulated interest in the marketing activities of building societies, many gaps still remain in the available literature. For example, despite the obvious important role played by consumers in the ultimate success of marketing strategies, few (if any) studies attempt to combine the two with respect to building societies. This chapter therefore presents a critical review of the literature both central and relating to the area of study. Its primary purpose is to demonstrate the need for the research presented in this thesis by identifying inadequacies in the available information.

The **first** section of this chapter aims to provide an understanding of marketing strategy. Attention is first given to defining the concept of strategy within the strategic process and examining the link between marketing strategy and the marketing concept. The critical role of marketing to the success of all organisations is then established, with particular reference to its importance for organisations operating within a changing environment.

Attention is drawn to the changing nature of many service industries following deregulation, and hence the importance of studying the marketing strategies of building societies. The models which attempt to illustrate the strategic alternatives available to organisations are reviewed and the Porter (1980) model selected as the basis with which to classify and study the marketing strategies of building societies.

The **second** section focuses upon services, an important and growing sector of the U.K. economy. Attention is drawn to the problems of accurately and precisely distinguishing goods from services and the weaknesses inherent in the classification techniques utilised to-date. The marketing of goods and services is discussed and the arguments for and against the creation of a separate marketing approach for the service sector discussed. The goods-service debate is criticised for its reliance upon managerial perceptions of products, an approach which places emphasis upon consumer perceptions is recommended.

In the **third** section, the marketing strategies of a specific service organisation, building societies, are considered. The revolutionary changes within the personal financial services sector are reported, and the role of marketing in the development of building societies considered. Particular attention is drawn to the response of building societies to recent changes in their markets (e.g. Building Societies Act 1986). Whilst evidence is presented to suggest that

societies may be pursuing inappropriate strategies, the failure of recent studies to indicate the strategies societies should adopt is demonstrated. The section concludes by suggesting that societies should place greater emphasis upon the likely response of consumers when formulating strategies.

Finally, in the **fourth** section the concept of image is discussed using studies conducted in both the service and retail sectors. Previous studies reported within the image literature are shown to possess a number of inherent weaknesses which cast serious doubts on the validity of their findings. In particular, the techniques used to identify the attributes of image are criticised. Methods with which to overcome these problems are discussed. The various models of image are identified and reviewed. The Berkowitz et al model (1978) is selected to provide the theoretical framework of the study, the rationale for its selection is given.

2.2. Strategy

2.2.1. Definition of Strategy

Although a plethora of literature exists on strategy, there is wide variation in the understanding of the concept, resulting in a confusion of varied explanations (Greenley 1984, Hofer & Schendel 1978).

Strategy has been derived from the ancient Greek word "Strategos" meaning General. The word has a military connotation implying the art and science of directing military forces to defeat an enemy or to mitigate the results of defeat (Meidan 1984). The concept of strategy is relatively new to the management literature (Ansoff 1968; Hofer & Schendel 1978). Drucker (1954) was amongst the first to address strategy, although he did so implicitly. He defined the concept as the answer to two questions:

"What is our business ? And what should it be?"

Later, Chandler (1962) defined strategy as:

"The determination of the basic long-term goals and objectives of an enterprise, and the adoption of courses of action and the allocation of resources necessary for carrying out these goals."

In this definition, Chandler fails to differentiate between the processes used to formulate strategy and the concept itself. The first authors to focus explicitly and exclusively on the concept of strategy and the processes by which it should be developed were Andrews (1965, 1971) and Ansoff (1965). Andrews combined the ideas of Drucker and Chandler in his definition:

"Strategy is the pattern of objectives, purposes or goals and major policies and plans for achieving these goals, stated in such a way as to define what business the company is in and the kind of company it is or is to be."

Ansoff (1965) viewed strategy as the "common thread" among an organisation's activities and the product/markets that defined the essential nature of the business that the organisation was in and planned to be in the future. Thus Ansoff's definition also draws upon the ideas of Drucker. The discussions of Andrews and Ansoff however differ on three major points:

1. The Breadth of the Concept of Strategy - whether the concept includes both the goals and objectives an organisation wishes to achieve and the means that will be used to achieve them (Andrew's broad concept) or whether it includes only the means (Ansoff's narrow concept).

2. The Components of Strategy - whether the narrow concept of strategy has components, and if so what are they? Ansoff suggests that strategy has four components, (i.e product - market scope; growth vector; competitive advantage and synergy), Andrew disagrees.

3. The Inclusiveness of the Strategy Formulation Process - whether goal setting is part of the strategy formulation process (Andrew) or whether it is a separate process (Ansoff).

Numerous authors have since written on the subject of strategy, however major disagreement still exists. This disagreement is primarily concerned with whether strategy should be defined broadly (Katz 1970; Newman & Logan 1971; Steiner & Miner 1977), narrowly (Cannon 1968; Mc Nichols 1972; Paine & Naumes 1974; Glueck 1976; Hofer & Schendel 1978), or both broadly and narrowly (Uyeterhoeven et al 1973).

In this study the "narrow" view has been adopted whereby goal setting and strategy formulation are two distinct, although inter-related processes. Goals and objectives are formulated after identifying competitive and other environmental constraints (economic, social, political and cultural conditions; government policies; legal and technological forces), vis-a-vis the firm's strengths and weaknesses, from this a strategy is selected and resources allocated for its implementation. This study is thus concerned with the strategies selected by societies in an attempt to achieve their goals. Whilst the focus of the study is upon strategy formulation, attention will also be given to the inter-related choice of building society goals.

2.2.2 The Strategic Process

The literature reports a variety of models conceptualizing the strategic process (e.g. Kollat et al 1972; Cravens et al 1980). For the purpose of this study a simplified model of

the strategic process has been adopted in which three levels: corporate mission; corporate strategy; and functional strategies are identified (see Figure 2.1).

This approach starts with a specification of the overall direction the firm wishes to pursue: the corporate mission. Mission definition is the first, crucial step in the strategy formulation process (Porter 1979), as it provides the basis upon which the corporate and functional strategies are formulated.

Abratt (1989) defines corporate mission as the succinct expression of a company's purpose. Kollat, Blackwell and Robeson (1972) define corporate mission as the long term vision of what the business is, or is striving to become. Similarly, Chang and Campo-Flores (1980) define it as the scope and direction of business endeavours. The scope of business is taken to be defined in terms of customers, products and business areas. The purpose of establishing a mission is therefore to develop an encompassing understanding of an organisation's purpose and overall direction (Greenley 1984; Cravens et al 1980).

The Product/Market scope has been identified as the most common approach used to determine corporate mission (Ennew, 1990). Although, Ansoff (1968) proposed the application of this, and other, components at the Corporate Strategy stage, the Product/Market scope component provides an important contribution to the mission definition stage as it forces

Figure 2.1

Simplified Model of the Strategic Process

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            ┌─────────────────────────┐
            │    Corporate Mission    │
            └─────────────────────────┘
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                         ▼
            ┌─────────────────────────┐
            │   Corporate Strategy    │
            └─────────────────────────┘
                         │
                         ▼
            ┌─────────────────────────┐
            │  Functional Strategies  │
            └─────────────────────────┘
                         │
       ┌────────────┬────┴─────┬────────────────┐
       ▼            ▼          ▼                ▼
┌────────────┐ ┌────────────┐ ┌──────────┐ ┌──────────────┐
│ Marketing  │ │ Production │ │ Finance  │ │ Research &   │
│            │ │            │ │          │ │ Development  │
└────────────┘ └────────────┘ └──────────┘ └──────────────┘
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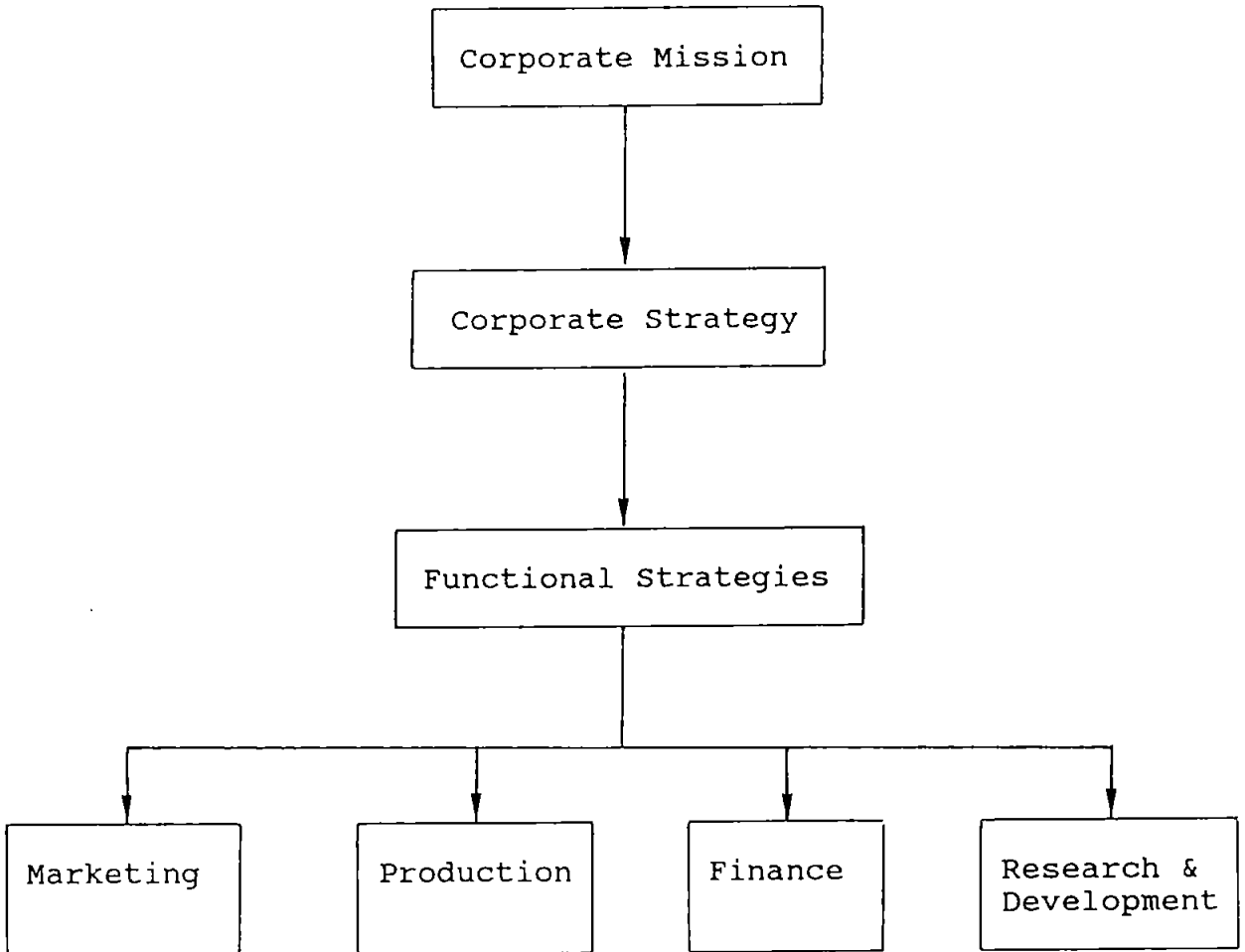
the strategist to decide on what products will be produced and for whom. The Product/Market scope thus defines the scope of the business.

Abratt (1989) suggests that ideally the corporate mission definition should set the company apart from all others. In order to achieve this a company must fully understand its "position" relative to those of competitors within the market in which it operates. An organisation's position is not, however, determined by the strategist. It is the **consumer's perceptions** of an organisation in relation to other competitors selling to that market. The strategist can only attempt to alter consumer perceptions to obtain a more favourable position (Ries and Trout, 1982).

The concept of positioning provides a valuable contribution to the mission definition stage due to its ability to define the Product/Market scope. Identification of an organisation's current position (or that which it wishes to occupy), will determine the nature of it's products and thus it's customers as the consumer will seek an organisation whose products appear to satisfy their needs. The consumer will also determine an organisation's competitors as it is those organisations perceived to be occupying a similar position within the market who are directly competing for that consumer.

The corporate strategy is more specific than the corporate mission, it determines what portfolio of businesses the corporation should hold (Weitz and Wensley 1984). The

portfolio should represent a viable match between an organisation's capabilities and the opportunities and risks present in its environment (Wiersema 1984; Hofer and Schendel 1978; Hofer 1976). The management of corporate strategies thus require regular consultation with functional managers (i.e. marketing, production, finance, research and development), in order to analyse the strengths and weaknesses of both internal and external environments and identify any gaps between the objectives and likely performance of the organisation.

Ansoff (1968) viewed corporate strategy as consisting of four component parts, from which it is possible to develop a range of alternative strategies. The four components are:

1. **PRODUCT-MARKET SCOPE:** specifies the industries to which the firm is to restrict its business, defining the broad areas of product and market participation.

2. **GROWTH VECTOR:** relates to the alternatives available to the firm to achieve growth of sales and output, giving the alternatives of market penetration, market development, product development and diversification.

3. **COMPETITIVE ADVANTAGES:** concerned with how the firm will be able to develop advantages over its competitors within these industries and vectors.

4. **SYNERGY:** concerned with evaluating how the firm's strengths and weaknesses will affect its market participation.

Ansoff considers the components to be complimentary rather than mutually exclusive, thus one, two, or all the strategy components may be chosen.

Corporate mission and corporate strategy provide the framework for the development of the functional strategies. There are four functional strategies: marketing; production; finance; and research and development. For the purposes of this study the focus is upon the first, marketing strategy.

All functional strategies however follow the company's central theme. As the corporate mission provides an understanding of the company's purpose and overall direction it is thus the starting point for making decisions on the functional strategies. Greenley (1984) suggests that as the mission is expressed in terms of customers, products and business areas it is particularly appropriate to the formulation of decisions within the marketing function. The corporate strategy also influences the functional strategies. Within the framework of the corporate strategy, each functional strategy deals with the decision area of a function, defining its goals and objectives, and detailing the deployment of resources to accomplish given tasks.

Functional strategies are thus the "instruments" of corporate strategy (Chang and Campo-Flores 1980).

Recently the appropriateness of the conventional model of the strategic process (as illustrated in Figure 2.1) has been challenged by several authors (e.g. Piercy and Giles 1989; Mintzberg 1988, 1989; and Quinn 1981) who suggest that such models are far removed from reality.

The most serious challenges question the validity of the assumptions forming the basis of the conventional model. For example, the model assumes that strategies are deliberately and rationally chosen. Previous research has, however, repeatedly highlighted the inaccuracy of these assumptions. Mintzberg (1989), by his identification of "realized strategies" (i.e. strategies developed from patterns of behaviour without the organisation knowing), demonstrates that not all strategies are deliberately chosen. Mintzberg and others have also shown that not all strategies are rationally chosen. For example, Mintzberg (1988) observed strategies developing from a confused and imperfect process; Quinn (1981) reported that the strategic process is frequently characterized by "logical incrementalism"; and Piercy and Giles (1989) suggest that good strategic marketing plans may be produced by a wholly "illogical" process (i.e. by starting at the "end" with tactical implementation issues and working backwards to the "beginning" of strategies and missions).

The conventional model is also criticised by Piercy and Giles (1989) for its failure to recognize the "processual characteristics" of planning and the "essential nature of iteration", thus assuming that each of the activities in planning is completed to perfection at first attempt. Piercy and Giles (1989) report that "many companies only make a proper start at strategic planning after allowances have been made for some 'illogicality' to creep into their planning process". Mintzberg (1989) supports this criticism by suggesting that the strategic process is a fluid process of learning. A strategy is "crafted" through simultaneous formulation and implementation. Mintzberg illustrates this point with the example of making a vase whereby the potter starts with a strategy, i.e. to roll out the clay and make a pot of a given shape, size, colour and design. However, as the pot is being made a different shape may come about which is preferred, this new shape is pursued and a completely different pot results from that originally envisaged.

Recognition that the conventional model represents a simplification of reality can greatly assist the strategic planner. Piercy and Giles (1989) suggest that the conventional model should serve as a "strategic or marketing plan" focusing on what to produce rather than the means by which to produce it. For the purposes of this research, however, the key issue is not the means by which the strategy is devised, but rather what that strategy is and whether or not it will be successful. Ultimately it is the consumer who will determine the success of the selected

strategy, hence attention will now be directed to the marketing strategy.

2.2.3 Marketing Strategy

Marketing strategy has been defined both with respect to its role in the strategic process and with its base in the marketing concept. Writers using the strategic process as their frame of reference define marketing strategy as the broad means of achieving given aims (Baker 1978); the fundamental means or schemes (Luck and Ferrell 1979); and the grand design to achieve objectives (Kotler 1976). Having defined marketing strategy in these broad terms, most writers then continue to explain the detailed schemes which constitute a marketing strategy.   For example, Kotler (1965), Baker (1978) and Doyle (1976) link marketing strategy with the product life cycle and demonstrate how marketing strategy needs to be modified as the product moves through the various stages of life.

Alternatively, other writers have based their definitions of marketing strategy within the marketing concept. The marketing concept is defined by Kotler (1986) as:

"A management orientation that holds that the key task of the organisation is to determine the needs and wants of target markets and to adapt the organisation to delivering the desired satisfactions more effectively and efficiently than its competitors"

Thus authors using the marketing concept as their frame of reference have defined marketing strategy as the synchronising of customers' needs with the available (and potential) capabilities of the firm (Wiersema 1984); and the overall company programme for selecting a particular marketing segment and then satisfying these consumers through careful use of the elements of the marketing mix (Boone and Kurtz 1977). Whilst both groups of definitions provide insights into the role of marketing strategy, each fails to accommodate the others viewpoint. Carter et al (1986) however, combine both definitions, they simply state:

> "marketing involves developing a strategy for meeting corporate objectives through a satisfaction of customers"

This definition of marketing strategy was thus adopted for the study outlined in this thesis.

2.2.4. The Importance of Marketing

The development of a viable overall strategic plan requires inputs from all four functional areas. However, the marketing function is considered to be of critical importance to the success of an organisation (Kollat et al 1972; Robertson and Wind 1983) as it provides invaluable information on the total environment in which the organisation operates. The total environment comprises four major interacting systems: political, legal and regulatory; societal (e.g. cultural and life style); and economic and technological (Pride and Ferrell 1987). The environment is

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continually undergoing change. Toffler (1985) suggests that today's corporate environment has grown increasingly unstable, accelerative and revolutionary. Key events within the environment have become more novel, less predictable and more difficult to anticipate (Ansoff 1968). In such environments all organisations become extremely vulnerable to outside forces or pressures. The service sector is a prime example. Many service industries have experienced rapid changes in the markets in which they operate. For example, the airline, telecommunication and banking sectors have all changed dramatically following deregulation. Organisations within these markets have to adjust to a radically different business environment, one with which they have little experience (see Merwe 1987 for a full discussion). Strategies which were once successful can rapidly become inappropriate in the new environment. Service sector organisations thus need to monitor environmental changes and assess requirements for their continued success. Failure to recognize or adapt to environmental change poses a severe threat to the survival of an organisation.

2.2.5. Choice of Marketing Strategy

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Although all strategies are, by definition, long term the marketing strategy requires continuous re-working in response to environmental changes. An organisation must monitor these changes and select an appropriate strategy to meet the challenges of the new market. Within the literature

a variety of strategic alternatives have been suggested by different writers. For example, Baker (1985) identified three alternative marketing strategies: Undifferentiated; Differentiated; and Concentrated.

1. **Undifferentiated** - the same or undifferentiated products are offered to all persons / organisations believed to have a demand for a product of that type;

2. **Differentiated** - the supplier seeks to supply a modified version of the basic product to each of the major sub-groups which comprise the basic market; and

3. **Concentrated** - the supplier selects one of the major market segments and concentrates all efforts upon this group.

Similarly Kotler (1986) identifies three phases of strategies in his model of the evolution of markets and organisations. Mass Marketing (one product for one market); Product Differentiation (two or more products exhibiting different features designed to offer variety); and Market Segmentation (the product is designed to match the needs of one or more segments).

Kotler suggests that an organisation becomes more marketing orientated as it evolves, i.e. focusing more upon the

satisfaction of consumers' wants and needs. Implicit in this model is the suggestion that Mass Marketing and Product Differentiation are strategies which are less marketing orientated than Market Segmentation. Thus whilst the final phase, Market Segmentation, is clearly a marketing orientated strategy as it focuses upon the satisfaction of the needs of a specific group of consumers, can Product Differentiation and Mass Marketing also be considered to be marketing orientated strategies?

Kotrba (1972) and Smith (1956) identify both Product Differentiation and Market Segmentation as alternative marketing strategies. However, Product Differentiation can be classified as either a marketing or product orientated strategy depending upon the nature of the differentiation. Porter (1980) defines Differentiation as "creating something that is perceived industry-wide as being unique", the 'unique something' need not necessarily satisfy a given consumer need. Also, Kotrba (1972) states that Product Differentiation is more sensitive to product characteristics whereas Market Segmentation is more sensitive to consumer characteristics. Hence whilst differentiation which attempts to provide benefits to the consumer is marketing orientated, differentiation which merely seeks to create a difference without providing any benefit to the consumer is not truly marketing orientated. A current example of this difference can be found in the consumer tea market with the introduction of foil packaging (Typhoo) and round shaped tea bags (Tetley). Whilst the former offers the consumer a

benefit, i.e. assurance of fresh tea bags, the latter does not appear to offer any real benefit to the consumer.

Kotler's (1986) model suggests that the Mass Marketing (or Undifferentiated) strategy is the least marketing orientated, it is the initial strategy pursued by organisations in their early development. The Mass Marketing strategy essentially treats the consumer market as homogeneous, offering one product to all consumers. The strengths of the strategy lie in the potential economies of scale achieved from mass production of a standardized product. The focus of this strategy is not upon the consumer and thus the strategy is generally not marketing oriented.

Porter (1980) would appear to have adapted the work of Kotler to produce his model of competitive strategies, he identifies three generic strategies: Focus (market segmentation); Differentiation; and Cost Leadership. Cost Leadership is based upon having the lowest costs and hence the greatest profit margin, and not on offering the lowest price. This strategy allows the firm to earn profits when its competitors have had their margins competed away. The cost leader emphasises cost control and organisational leanness. Cost leadership strategies require the exploitation of any economies of scale or experience, and thus requires in turn a high market share.

Speed (1989) argues that whilst the Focus and Differentiation strategies bring benefits to consumers (i.e. differentiation leads to products that fulfil needs better

by being different, and focus leads to products that fulfil needs better by being designed for a specific group), the Cost Leadership strategy "does not lead to any increased benefit to the consumer unless the lower costs lead to lower prices". Cost Leadership strategies can however bring benefits to the consumer. For example, within the building society sector attempts to obtain economies of scale by merger would result in an increase in the absolute number of branches for both societies engaged in the merger, and thus increase consumer convenience; and an extension of a society's range of products in order to reduce costs by spreading the fixed costs of operating over a larger number of units would increase consumer choice.

The Porter model does not, however, provide the only framework with which to study an organisation's strategic options. A popular alternative has been developed from Ansoff's Product/Market matrix (1965). The model consists of four strategy types: market penetration, market development, product development and diversification. Market Penetration strategies seek to increase market share of current products in current markets; Market Development strategies seek new markets whose needs might be met by the company's current products; Product Development strategies seek new product development possibilities; and finally, Diversification strategies seek favourable opportunities outside the present businesses.

Whilst Porter's strategies are generally recognized as generic (see for example, Saunders, 1989; and Speed, 1989), the generic nature of the Product/Market based strategies is questioned. Frameworks devised by both Kotler (1988) and Meidan (1986) suggest that the Product/Market based strategies can be further classified and thus are not generic. Kotler identified three strategies: Intensive Growth; Diversification; and Integrative Growth. Within the Intensive Growth category three of the four Product/Market based strategies (namely, Market Development; Market Penetration; and Product Development) were condensed. Meidan (1986) also combined the Product/Market based strategies: Market Development and Market Penetration, within a Growth classification.

Porter's framework can however be used to classify the strategies identified by Kotler (1988) and Meidan (1986). Focusing upon Meidan's framework the three strategy types can be classified as follows: **Growth** strategies are a diversification type strategy as their aim is to "penetrate and expand into new areas", such strategies would thus be classified within Porter's Cost Leadership. (Growth strategies could however, also be classified as Focus or Differentiation depending on their specific nature, see below). **Competitive** strategies are described by Meidan as aiming to "face and respond to the increasing competitive environment", this general definition provides little direction for the classification of this group and therefore direction will be taken from the individual strategies (i.e.

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Market Leader and Associative Strategy) placed within this group. Finally **Rationalisation** focuses upon cost reduction and thus can be classified as a Cost Leadership strategy

Each of Meidan's six strategies can be classified within Porter's framework as follows:

Market Penetration seeks to win additional customers via a better understanding of customer needs and consequently an ability to project certain images and a variety of products and prices for the right market segments. This strategy can thus be classified as Focus.

Geographical Expansion is conducted via aggressive branch expansion and mergers/acquisitions of other organisations. Meidan describes this as a "Growth" strategy. Assuming the objective of this Growth strategy is to achieve economies of scale then this specific marketing strategy could be classified within Porter's Cost Leadership strategy.

The **New Market** Strategy seeks to attract new customers from competitors and non-users. Meidan suggests that this is done through the intensive employment of price, product and promotional elements within the marketing mix. The key to the classification of this strategy depends upon the precise employment of the 'mix'. The New Market Strategy could be used to attract particular segments of non-users, or particular types of groups from competitors (e.g. high net worth individuals) in which case the strategy would be

classified as Focus. Alternatively, if attempts were made to attract non-users and/or competitors customers by projecting the society by a particular attribute considered to appeal to these groups (e.g. Consumer Focused society), then this strategy would be classified as a Differentiation strategy within Porter's framework

The **Associative** Strategy endeavours to gain more customers in total by a co-operative venture of some form. Clearly, this strategy falls within Porter's Cost Leadership as the Associative Strategy will (as Meidan observes), result in economies of scale and marketing benefits enabling the participant to share the costs and benefits of launching the new product/service.

The **Market Leader** strategy provides a description of the strategy operated by the larger organisation. Meidan suggests that such organisations act as guardians of an industry by virtue of their size and established reputation. Due to their size, such organisations will also enjoy the benefits of economies of scale which allows them to protect their market share. Whilst it is doubtful whether Market Leader is in itself a strategy (as this would appear to more aptly describe a state) this 'strategy' could be classified as Cost Leadership.

Meidan's final strategy, **Rationalisation**, can be achieved by improving the product mix and deletion of unprofitable

products and/or branches. Clearly this strategy is by definition a Cost Leadership type strategy.

Whilst the generic strategies of the Porter model provide a useful framework with which to study the strategies of an organisation, the model does however possess a number of weaknesses. For example, Porter suggests that in order to select an appropriate strategy the competitive situation within the industry must be first assessed to identify the relative strengths and weaknesses of the organisation. Five basic competitive forces are identified, i.e buyer power; supplier power; degree of competition; threat of entry; and threat from substitution, the collective strength of which varies from industry to industry. O'Shaughnessey (1984) criticises the choice of these forces as the selection appears to be arbitrary i.e. there is little to suggest that this is an 'exclusive or exhaustive list'; and there is no indication given of how to operationalize the analysis of the forces and thus assess the relative power of the forces. In addition, the list does not agree with the factors generally used to describe the environment, e.g. Pride and Ferrell (1987) identified political, legal and regulatory, societial, economic and technological forces.

Despite these criticisms Porter's generic strategies may themselves be useful. Speed (1989) suggests that they have validity because Porter's work draws heavily on well established and researched concepts. For example, Differentiation and Market Segmentation strategies date back

to the seminal work of Smith (1956), also the Cost Leadership theories e.g. economies of scale can be traced back to the 1940's and earlier (see for example Chamberlain 1948). In addition the generic strategies are broad and appear to encompass most, if not all, the strategic alternatives suggested by previous writers. This study will therefore adopt the Porter model to study the strategies of building societies in the past, present and perhaps most importantly, in the future

2.3   The Marketing of Services

2.3.1 Importance of Services

Service industries have undergone a period of substantial growth in recent years to become important sectors in many world economies. In the industrial (e.g. U.K., U.S.A, France) and newly industrialising economies (e.g. Nigeria, Portugal, Mexico) the service sector accounts for a higher percentage of both GDP and employment than either the extraction or manufacturing sectors (see Table 2.1). The contribution of service industries to the economies of developing countries (e.g. Kenya, Pakistan) is also significant.

Within the U.K. economy, service industries have played a significant role from as early as the mid nineteenth century when services employed 30 % of the work-force, mainly in

Table 2.1

Contributions to GDP and Employment by Economic Sector (% 1981)

	Development Category		
Economic Sector	Developing	N.I.C.S.	Industrial
G.D.P.			
Extractive Sector	42	15	7
Manufacturing Sector	10	21	27
Service Sector	48	64	66
EMPLOYMENT			
Extractive Sector	72	25	9
Manufacturing Sector	10	22	24
Service Sector	18	53	67

Adapted from Riddle (1987) p 87

Note - Development Categories are based on groupings defined
by the World Bank (1984 world development report)
according to per capita income

Key -   Developing = Low Income Countries;
         N.I.C.S.   = Upper Middle Income Countries
         Industrial = High Income Industrial Countries

Table 2.2

Contributions to U.K. GDP by Economic Sectors 1965-85 (%)

	1965	1970	1975	1980	1985
AGRICULTURE AND FORESTRY	3.3	2.9	2.7	2.1	1.8
MANUFACTURING	34.6	33.5	29.9	27.5	25.5
CONSTRUCTION	7.0	6.7	6.8	6.3	6.1
SERVICES					
Energy and Water Supply	5.6	4.9	5.4	10.3	11.3
Distribution	11.7	8.9	12.9	12.6	13.2
Transport and Communication	8.6	10.4	8.4	7.3	6.8
Banking and Finance	6.8	8.0	10.8	11.8	13.9
Public Sector & Misc.	22.4	24.6	23.1	22.0	21.6
TOTAL SERVICES	55.1	56.8	60.6	64.0	66.8

Source : Turner and Williams 1987

domestic service (Millward 1987). A century later, employment in this sector had grown steadily to 45 % (Millward 1987) representing an output of approximately 49 % (Cowell 1984). Currently service industries account for 68 % of employment (Employment Gazette No. 1987) and over 60% of Britain's total output (Baker 1981).

It would, however, be incorrect to imply that all service industries have grown as aggregate figures fail to reveal trends at an industry level. Whilst the general trend has been towards growth, specific services, e.g. transport and communication have declined (see Table 2.2) and other service industries, e.g. banking and finance have grown dramatically, doubling in size during the twenty year period to 1985 (Turner and Williams 1987)

2.3.2. Definition of Services

Whilst many writers have observed the growth and importance of the 'service sector' (tertiary group), there exists some confusion over which industries are to be included in the classification "service industry". Cowell (1984) in his review of economic studies observed that "the term services is not used in a consistent way". For example, whilst Fuchs (1968) excluded transportation and communications from the service classification, Whiteman (1981) included both. Attempts have been made to clarify this position, e.g. Fortune magazine (June 13 1983) defined a service firm as

one which derives 50 % or more of its sales by providing services. This definition however fails to define exactly which products constitute a "service".

Attempts to define a "service" have resulted in little success. Although there exists a wide variety of definitions, none are considered universally acceptable. The American Marketing Association (AMA 1961) was amongst the first to define services:

> "activities, benefits or satisfactions which are offered for sale, or are provided in connection with the sale of goods".

This definition failed to distinguish between goods and services: goods are also offered for sale because they provide "benefits" and "satisfactions". Subsequent writers therefore attempted to create a definition which would clearly identify those products which could be considered services. For example, Stanton (1981) defined a service as:

> "those separately identified, essentially intangible activities which provide want-satisfaction, and that are not necessarily tied to the sale of a product or another service. To produce a service may or may not require the use of tangible goods. However, when such use is required, there is no transfer of title to these tangible goods"

Kotler (1982) similarly defined a service :

> "any activity or benefit that one party can offer to another that is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product".

Whilst these definitions appear to be moving towards a consensus of what constitutes a service (i.e. service characteristics), they fail to provide an adequate definition. A definition should provide an exact description, one which distinguishes the "object" of the definition from everything else (Hayward and Sparkes 1988). Thus, a definition of a service should enable all observers to clearly identify those products which are goods from those which are services. Blois (1981) states that 'no definition has been sufficiently developed as to enable two knowledgeable observers, presented with the same set of products, to agree with any certainty as to which are services'. He concludes that 'a service is no more than that to which an observer chooses to apply the label service'.

2.3.3. Characteristics of Services

Although no one definition of a service exists, many writers refer in their definitions, either directly or by implication, to a number of characteristics idiosyncratic of services. Five characteristics were identified in the literature by Cowell (1984): Intangibility; Inseparability; Variability; Perishability; and Ownership:

INTANGIBILITY: A consumer purchasing a good, purchases something tangible: an object, device or thing. Something which can be seen, touched, perhaps smelled or worn. When a service is purchased there is generally nothing tangible to

show for it, it is a deed, a performance, an effort (Berry 1984). The customer may be given something tangible to represent the service (e.g. a building society passbook), however this in not in itself the service.

INSEPARABILITY: It is often impossible to separate the service from the person of the seller. Goods are produced, sold and consumed whereas services are sold, then produced and consumed.

VARIABILITY: It is often difficult to standardise the service output. Variability has been attributed to the human component, service industries with a high human component ("people based") are more variable than those with a low human component ("equipment based").

PERISHABILITY: Services are time-dependent, if the consumption of the output is not immediate, it is lost. The output of a service is abstract and cannot be reasonably stored, there can be no accumulation of an inventory (Mills 1986).

OWNERSHIP: The customer has access or use, but not ownership of the service facility (e.g. credit card). When a customer purchases a good they have full use of that product.

The use of characteristics however, also fails to unambiguously identify products as goods or services. Akehurst (1987) identifies two major weaknesses. Firstly,

there is a lack of consistency in the application of the five characteristics. Whilst some writers insist that all the characteristics should be present, others require only some. Secondly, clearly all services do not have the same characteristics in all circumstances and those identified are not the sole preserve of services (Akehurst 1987). Many goods also have one or more of the above characteristics. For example, it is difficult to standardise the out-put of "people-based" goods (such as hand-painted china figurines), hence some variability may be introduced into the final product. Even intangibility, considered by some to be the best differentiator between goods and service (e.g. Flipo 1988), and others to be the only characteristics common to all services (e.g. Klein and Lewis 1985), has been shown by Wyckham et al (1975) to be unsufficiently discriminating.

Blois (1981) suggests that classifying products by their characteristics merely justifies the authors preconceived concept of what a service is, i.e. those products which are goods, and those which are services cannot be recognized without the characteristics first being known. Smith (1972) suggests that no criteria are likely to provide a clear distinction between goods and services.

2.3.4. Marketing of Services

In recent years there has been a growing debate concerning the marketing of goods and services. As the traditional

theories and concepts of marketing were developed in the
goods manufacturing sector, this debate centres on the
question of whether or not services possess unique features
which demand a different marketing approach to goods.

Within the service marketing literature three viewpoints are
presented. Firstly, services are seen to possess unique
features, they are not like products "except" for their
intangibility (Shostack 1977), and therefore service
marketing is different from goods marketing. Blois (1983)
has identified eight features of services commonly cited in
the literature to support the need for a separate marketing
approach:

1. intangible nature

2. inventories of services cannot be established

3. benefits offered by services are difficult to
   communicate

4. price of a service is a more important indicator of
   quality than for goods

5. warranties or guarantees are difficult to apply to
   services

6. consumers will be involved when a service is
   produced

7. the act of consumption and production of a service
   is inseparable

8. the channel of distribution for services will be
   short and there will not be a middleman function.

This approach is supported by a number of writers (e.g.
Booms and Bitner 1981; Stanton 1981; Wilson 1972), who
believe that the unique features of services have to be

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recognized in order to develop an appropriate service marketing theory. In response many of the traditional theories and concepts of goods marketing were developed to accommodate the perceived needs of the service sector. For example, Booms and Bitner (1981) adapted the marketing mix (Borden 1965), by extending the original four elements (Product, Place, Promotion and Price) to form a seven element mix (Product, Place, Promotion, Price, People, Physical Evidence and Process). This viewpoint however is weakened by the problems associated with the identification of the functional features. As with the service definition and characteristics, the functional features are also unable to accurately and precisely delimit the differences between goods and services. For example, Bonoma and Mills (1980) have provided examples where the criteria on which products are classified as services both include products usually considered to be goods and also exclude those products usually considered as services.

Many critics of the above approach (e.g. Blois 1983; Bonoma and Mills 1980) and others (e.g. Levitt 1976; Wyckham et al 1975) support a second, opposing view, i.e. differences between goods and services do not exist, hence marketing theories and concepts apply equally to all products. For example, Levitt (1976) wrote:

> "there is no such thing as service industries. There are only industries whose components are greater or less than those of other industries. Everybody is in service."

Similarly, Buttle (1986) suggests:

> "mining, agriculture or manufacturing, they all perform a service for the consumer, even though their final output may be a tangible product. Consumers seek intangibles in **every** purchase, be it a good or service: these intangibles are called benefits and satisfactions. Marketers face the identical problem of communicating these intangible benefits whether the product itself is tangible or intangible"

This approach is seriously weakened by its failure to recognize important differences within products as clearly all products are not homogeneous and undifferentiated (Shams and Hales 1989). Hence marketers do not face identical problems when trying to communicate the benefits of their products to the consumer.

More recently a third, balanced view has emerged. It argues that fundamental differences between goods and services do not exist, the differences are merely classificatory (Cowell 1984). In the broad sense every product has intangible elements, 'services' merely have a higher proportion than 'goods'. Thus the marketing of goods and services are similar, but not identical. Supporters of this approach (e.g. Ennew 1990; Black et al 1985; Cowell 1984; Baker 1981; Berry 1980; and Gronroos 1978) recognize that differences exist in the marketing of different consumer goods (e.g. perfume, petrol and baked beans), these differences are in the degree and emphasis of the various marketing tools and techniques, but not in the basic principles. Such differences are also recognized to exist between goods and

services, as well as between different services. Hence, the products of a building society differ from products which are goods, products which are services, and other personal finance products.

Building society products are intangible, they cannot be seen or touched in contrast to, for example, soap, television sets or soft drinks, this creates differences in degree and emphasis of their marketing. For example, consumer product marketing often approaches the market by enhancing a physical object through abstract associations e.g. Coca-Cola is surrounded with visual, verbal and aural associations with authenticity and youth. A service is however already abstract, to compound the abstract would dilute the "reality" (Shostack 1977), thus more tangible associations are used, e.g. Abbey National High Interest Accounts have used both racing cars and aeroplanes.

The products of building societies also differ from other service products. Shostack (1977) developed a "goods-service continuum" to show the relative proportions of tangible and intangible elements within specific products. Four categories were identified : pure tangible, e.g. salt; a tangible with accompanying services, e.g. motor car; a service with accompanying goods and services, e.g. passenger air transport; and a pure intangible, e.g. massage. Building Society products are intangible with few accompanying goods (e.g. branches, passbooks) and hence would be placed on the continuum in the intangible dominant sector close to other

services with accompanying goods, i.e. between an airline and massage. Differences in the marketing of services can thus be established from their relative positions on the continuum, reflecting their tangible/intangible content.

Within the personal financial services sector products also differ. Wilson (1972) suggests that the concept of tangibility may be divided into three sub-groupings; these can be used to highlight differences between the products of financial institutions, i.e. services providing pure intangibles (e.g. investment advice); services providing added value to a tangible (e.g. insurance); and services that make available a tangible (e.g. mortgages, hire purchase). These differences will have implications for the marketing of different financial products.

Whilst identification of the tangible/intangible content of building society products and those of other organisations has suggested that the marketing of the products may differ in degree and emphasis, this approach is seriously weakened by its reliance upon managerial perceptions of products. Blois (1983) has criticised the whole goods-service debate for ignoring the consumer. He states that:

> "an examination of the literature shows a pre-occupation with discussing the managerial problems of developing and delivering services without reference to consumers other than as passive objects in the system .... Criticism of this state of affairs is based.....upon the practical dangers which arise unless the consumers' views are considered."

Thus consideration of the marketing activities of an
organisation must adopt a marketing orientation and place
emphasis upon consumer perceptions of products. In this
study it is consumer perceptions of building societies which
will be focused upon, from which insights into the specific
nature of building society marketing strategies will be
gained.

2.4   The Personal Financial Service Market

2.4.1. The Traditional Position

The U.K. personal financial service market was once highly
fragmented. Each sector developed its own specialism, often
from over a century and a half of operations. Special laws
were enacted which restricted the activities of each sector
to a relatively small number of related services. The
building societies took short and medium term deposits and
provided loans for house purchase; clearing banks offered
traditional banking services; and insurance brokers advised
on insurance.

All sectors of the personal finance market were supervised
either by the Bank of England or an appropriate government
department such as the Department of Trade. Building
societies were however unique in that they fell outside this
main framework and were supervised by the Registrar of
Friendly Societies (a direct result of their historical

development as mutual, co-operative organisations). Thus, societies were not subject to the same regulation as other financial institutions, but were generally regarded partly as social service organisations (Boleat 1987).

The special nature of societies largely contributed to their growth. Whilst the banks were subject to balance sheet controls, the societies were able to increase their market share in both the retail savings and mortgage markets. This was however an artificial market. Protected from their natural competitors (banks), building societies were vulnerable to any changes in the market which would remove their advantage.

2.4.2. Environmental Changes

The personal finance market experienced a period of rapid change during the 1980s. Change initially began in the late 1970s when controls imposed on the banking sector were abolished following the call from the Wilson Committee for competition between the financial markets. The removal of exchange controls in 1979 and the "Corset" (Specialist Supplementary Deposit Scheme) in 1980, freed banks to compete with the building societies on equal terms. Once these constraints were removed the banks quickly re-entered the mortgage market and introduced competitive products into the savings market.

At the same time technological advancements provided non-traditional institutions with the ability to enter financial markets by offering, for example, interest bearing current accounts. Overseas entrants were also attracted to the U.K. market, providing credit facilities to the retail stores and funds to the mortgage market.

By the early 1980s building societies were faced with growing competition in both their traditional markets, i.e. the mortgage and retail savings markets. In addition, competitors were able to offer more sophisticated products than the societies. For example, the mortgage loan was sold as a package with estate agency services, unsecured loans and insurance. The special laws which had once provided the societies with a privileged position now confined them to a restrictive area of operation. Societies attempted to respond to this growing competition by adding a number of new services to their portfolios. Such services included current account banking (e.g. cheque books) and additional insurance services (e.g. house structural insurance). The nature of these products was however limited by the 1962 Act which prohibited societies from offering overdraft facilities, and restricted insurance products to those sold in conjunction with the mortgage loan.

In response to increasing competition the societies requested new legislative powers, largely to enable them to diversify. The Government responded with the July 1984 Green Paper in which, subject to the general principle of ensuring

'that the building societies continued primarily in their traditional roles', legal restraints were to be relaxed allowing societies to develop further in the housing field and to offer a wider range of financial services (see Table 2.3).

The resulting Building Societies Act (1986) provided societies with the power to engage in a wide range of new services, essentially covering all financial services, i.e. investment, banking and housing. (Table 2.3 contains a list of the services sanctioned under the Act.) Societies were also allowed to extend their banking services beyond those specified by converting (subject to certain requirements[1]) to plc status.

In practice the provisions of the 1986 Act represented a modest extension of a society's power to provide new services. Conceived almost four years prior to its enactment, the powers granted suffered from the effects of a rapidly changing environment. The Financial Services Act (November 1986) and the bull market (1985-1987) both served to significantly reduce the impact of the new powers.

The polarisation rule of the Financial Services Act effectively required all investment businesses (e.g. banks, insurance brokers and building societies) to be either independent (i.e. offering all products on the market except their own) or tied (i.e. offering the products of only one

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1. To convert building societies must obtain their members approval. A majority of borrowers with a debt of £100 or more, and 75% of shareholders with savings in excess of £100 must agree to the conversion.

Table 2.3

The Major Recommendations of the 1984 Green Paper and the

Provisions of the 1986 Building Societies Act

	Comment	1986 Act
Unsecured Lending	- Agreed for personal loans for furniture and fittings - Consumer credit riskier and needs building up gradually - Restricted to societies with free reserves of £3 million	- Limit to £5000 per person - Class 3 assets limited to societies of above £100m
Housing Provision	- Proposed new power to allow ownership, development of residential property - Likely to be restricted to societies with £3 million free reserves and to be a small proportion of assets	- Accepted - Limited as above
Integrated House Buying	- Proposed that societies offer this competitive service - Danger of interest conflict especially with respect to estate agency network	- Restrictions on conveyancy for own customers
Agency Services	- Proposal to allow societies to act for other organisations to improve utilisation of branches - If involves service to non-members, requires further clarification	- Accepted
Financial Services	- Further comment required on proposal to extend the range of financial services especially with respect to sales of shares and investment advisory roles	- Postponed for sale of shares - Personal Pensions in new Social Security Act
Insurance Broking	- Further discussion required as to whether societies should offer full insurance broking services	- Extension of current services
Formation of Subsidiaries	- Should be able to own equity interest in subsidiaries - Building Society insurance subsidiary would be subject to same control as any insurance company	- Accepted
Money Transmission	- Proposal that societies can offer full transmission services if they wish	- Accepted - Can offer cheque guarantees
Joint Ventures	- Proposal to allow societies to become involved in joint venture provision of services already legally permissible	- Accepted
Money Raising	- At least 80 % should be from individual members; 20 % from money markets	- Accepted - 40% possible if Commission agrees

Source: Wright and Watkins (1987)

company), however the Building Societies Act limited the number of building society investment products.

The bull market dramatically reduced building society net receipts as consumers gained confidence in the stock market and transferred funds to take advantage of increasing share prices. For example, societies estimate that the British Gas flotation (Nov 86) resulted in a loss of £700-800 m. net receipts (BSA Bulletin No. 49, Jan 1987). Consequently societies experienced great difficulty in raising retail funds and therefore had to place greater emphasis on the raising of funds from non-retail sources. The original limit of 20 % non-retail funds (40 % with special permission), as specified in the 1986 Act, thus became inappropriate.

The effects of these factors upon the building societies and their markets lead to a review of the 1986 Act. Following a number of amendments throughout 1987, (e.g. the 20% limit on non-retail funds was raised to 40% in November 1987), the results of a major review were announced in early 1988. This provided societies with greater powers in the areas of banking, investment and insurance services, trusteeship, executorship and land services (see Table 2.4). Societies are now able to offer the widest possible range of personal financial services and can thus compete with the banks on equal terms in this market.

Table 2.4

Review of Schedule 8: Extension of Building Society Powers

BANKING	The following new powers and removal of previous restrictions were granted: - leasing and hire purchase arrangements - restrictions on the institutions for which building societies can arrange and manage loans or credit will be removed - the guarantee limit on the operation of accounts, previously £100 per transaction, abolished - guarantees and indemnities - foreign exchange transactions may be for amounts up to £10,000 (previously £5,000) for corporate bodies, and without limit for individuals - tax and financial planning and safe deposit facilities - a service of administration of share issues, share registration, and administration of prospectus. note some limitations on societies with commercial assets below £100m
INVESTMENT	The new powers in respect of Investment include: - agency broking - portfolio management - acting as nominee - establishing and managing personal equity and unit trusts through associated bodies - establishment and management of pension schemes - investment advice note societies with assets below £100 m. no longer have the power to establish and manage unit trust schemes for the provision of pensions
INSURANCE	Societies were allowed to own a life insurance company and take a 15 % equity investment in general and composite insurance companies. Societies will also be able to act as agents and brokers for insurance, and will be able to give advice on insurance.
TRUSTEESHIP	A new power for societies, it covers family trusts, corporate trusts, pension fund trusts, and charitable trusts; societies will also be able to act as agents for trustees. Trusteeship power must be exercised through an associated company and the majority of beneficiaries must be individuals.
EXECUTORSHIP	Also a new service, societies are allowed (via associated bodies) to act as executor for wills, administrator for estates and, also, to arrange for the execution of wills.
LAND SERVICES	The power to provide land services includes: - estate agency, which must be provided through an associated body (previously societies could provide estate agency only through a subsidiary which meant that they could not take a minority interest). - property listing - surveys and valuations of land (previous service) - removals and storage - development of primarily residential property for others

Source: Building Society News (Vol.8, No.3, March 1988)

2.4.3. Current Position

The traditional boundaries between the main financial sectors: banks; building societies; and insurance companies are becoming increasingly blurred. Whilst the building societies have retained their specialist nature relative to the general nature of insurance and banking institutions, it is becoming increasingly difficult to distinguish between the major financial institutions.

All institutions have entered areas previously the domain of their competitors: banks and building societies sell insurance products (e.g. Scarborough Building Society); insurance companies and banks provide independent mortgage advice, and mortgages (e.g. General Accident Property Services); and banks and building societies offer interest paying accounts, including current accounts (e.g. Lloyds "Classic" account).

The rate at which the financial institutions have diversified in recent years has been phenomenal. Whilst the banks have entered almost all the new markets opened to them (and re-entered markets they had previously ignored), most building societies have adopted at least one of the new services permitted by the 1986 Act (see Table 2.5), including flotation (the Abbey National began trading on the Stock Exchange on 12.7.89).

Table 2.5

Examples of Building Society Diversification

Unsecured Lending	Housing Provision	House Buying	PLC Conversion	Financial Services	Insurance	Subsidiaries
Cheltenham & Gloucester	Northern Rock Housing Trust	Saffron Walden & Essex (solicitors)	Abbey National	Cheltenham & Gloucs (share dealing)	Leamington Spa (e.g. motor)	Britannia Central Lending
Yorkshire	Nationwide Anglia Housing Trust	Halifax (estate agents)		Dumferline (stocks & shares)	Derbyshire (e.g. travel)	Leeds & Holbecks (Albion Home Loans)
Bedford	Woolwich Homes Ltd	Abbey National (estate agents)		Britannia (stocks & shares)	West Bromich (e.g. home contents)	Nationwide Anglia Relocation
West Bromich	C & G Homes Ltd	North of England (estate agents)		Birmingham Midshires (unit trusts)	Lambeth (e.g. home buildings)	Northern Rock Asset Management
Newbury	Town and Country Home Builders Ltd	Yorkshire (estate agents)		Woolwich (unit trusts)	Principality (e.g. credit cards)	Peckham Slim Systems (mortgage/investment)
Norwich & Peterborough	Nationwide Anglia Quality St (rented)	Lancastrian (estate agents)		Skipton (unit trusts)	Staffordshire (home contents)	Woolwich Property Services
Walthamstow	Halifax	Bath Investment (estate agents)		Northern Rock (P.E.P.s)	Cumberland (e.g. credit cards)	
Town & Country		Alliance & Leicester (estate agents)		Birmingham Midshires (P.E.P.s)	Eastbourne Mutual (e.g. anti-gazumping)	
Skipton		Cheshire (estate agents)		Nationwide Anglia (P.E.P.s)	Cheshunt (e.g. travel)	
Nottingham		Barnsley (estate agents)		Bristol & West (pensions)	Stroud & Swindon (e.g. repairer)	
Holmesdale		Newcastle (surveying)		Bradford & Bingley (pensions)	Scarborough (e.g. motor)	
Mansfield		Coventry (solicitors)		National & Provincial (pensions)	Furness (e.g sickness accident & redundancy)	
Heart of England				Chelsea (travellers cheques)	Wessex (e.g. home contents)	
Barnsley				Britannia (credit cards)	National Counties (e.g. travel)	
Coventry				Leeds (credit cards)	Cheshire (e.g. legal expenses)	
Universal				Town & Country (credit cards)	Bristol & West (e.g. legal expenses)	

Source: Financial Institutions Review (various editions)

The activities of the U.K. financial institutions are no longer restricted to the domestic market. Each sector is increasingly looking to the opportunities provided by foreign markets. For example, the Abbey National Building Society[1] has entered the Spanish mortgage market and Lloyds Bank, the U.S. equities market. With the boundaries between the EC countries set to be removed in 1992, greater opportunities (and threats) will exist for the U.K. financial institutions.

Despite the freedom of societies to diversify into many different areas, under the 1986 Act societies must remain 90% building societies i.e. savings and mortgage institutions (Myers 1986). Although building societies currently hold dominant positions in both the domestic savings and mortgage markets, their continued success in these markets is not guaranteed. Societies must re-assess the appropriateness of their strategies to the new environment and adopt strategies which meet consumer needs. Failure to adopt a marketing orientation could seriously affect the viability of societies. It is thus the aim of this study to consider the appropriateness of alternative building society marketing strategies from a consumer perspective.

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1. The Abbey National Building Society has now converted to Plc status.

2.4.4. The Marketing Strategies of Building Societies

The building society industry was, and to some extent remains, a 'homogeneous industry' (Howcroft and Lavis 1986). Previously societies were restricted by law (1962 Building Societies Act) to the same narrow activities: collecting retail savings and making mortgage loans; and were bound by the recommended interest rate of the cartel, the Building Societies Association. Societies thus developed as essentially similar organisations, sharing the same traditional goal of growth (Meidan 1986, Wright et al 1986; Newman 1984).

Although societies evolved as a relatively homogeneous industry, there exists wide diversity in the size and resources of the 141 societies within the building society industry (BSA Bulletin No.52, Oct 1987). Societies range from the largest, the Halifax with assets of £33,039.5 million and 745 branches, to smaller societies, e.g. the Aid to Thrift which operates without its own branch offices, and has £3.8 million in assets (figures are for year ending 1987, Building Societies Gazette April and May 1988 respectively). Due to the marked differences in resources the strategies employed by these (and other) societies also differ. Despite these differences general trends in the evolution of building societies strategies can be identified.

Within the literature there exists some disagreement concerning the type of strategy societies have pursued to-date. Whilst, Meidan (1986) suggests that all societies have 'until recently' pursued an undifferentiated marketing strategy, Haas and Berry (1972), and Thwaites (1989) suggest that this strategy was adopted only during the early years of societies' development when competition was minimal. Haas and Berry (1972) describe this strategy as the "blanket approach", e.g. share and deposit accounts were products without a significant marketing differentiation, aimed at the broadest cross-section of the market. During this time societies attempted to increase their market share by using advertising (e.g. Woolwich Building Society first used railway poster sites to advertise its services in 1907) and appointing professional firms (e.g. solicitors and accountants) to act as their agents (Thwaites 1989).

Whilst an undifferentiated strategy largely describes the activities of most societies during their early years, societies were at this time relatively small, regional concerns. Each society served the needs of local consumers, and thus also operated a market segmentation type strategy. This strategy was however employed by default, societies were generally too small to serve a larger, national area. The Halifax Permanent Building Society was one exception to this, they actively employed market segmentation techniques, developing a range of six accounts aimed at different consumer groups during their early years (see Thwaites 1989).

Favourable conditions during the early to mid 1900s (i.e.
the low level of competition, and the need to replenish
housing stock following World War One), allowed societies to
grow rapidly whilst still pursuing an undifferentiated
strategy. Changes within the market were few and
evolutionary rather than revolutionary (Thwaites 1989), thus
societies could use past experience to formulate their
strategies.

Societies continued to grow steadily during the 1950's
despite the emergence of greater competition in the savings
and investment market with the introduction of premium
bonds, unit trusts and finance house deposits. There was
however a trend towards a reduction in the number of
societies via merger which resulted in a change in the
structure of the building society movement. Assets became
more concentrated as the number of societies fell. By 1960
the 30 largest societies (4% of the industry) held 73.7 % of
total assets (Davies 1982).

During the 1960's and 1970's societies were faced with
increasing competition and were thus forced to re-work their
strategies. Change within the personal finance market was
becoming more frequent and novel, increasingly societies
were faced with new markets with which they had little
previous experience. In response the majority of societies
adopted branch expansion and/or product differentiation as
the means with which to gain a competitive advantage.

Branching was used to attract further business and facilitate growth. Before 1960 only 5 societies had national coverage, this increased to 12 societies by 1975. Branching activity peaked in 1979 when no fewer than 552 offices were opened (Building Societies Gazette March 1986). Societies also expanded their product range by modifying their own existing products (product differentiation) within the limitations of the 1962 Building Societies Act. For example, the Provincial (now National and Provincial) introduced low cost endowment mortgages and the Co-operative Permanent (now Nationwide Anglia) promoted higher yielding open-ended contractual investments (i.e. subscription shares). Later, societies attempted to circumvent the legislation by offering products in conjunction with other financial institutions, e.g. cheque book accounts were offered in conjunction with the clearing banks. Whilst these products were new to the building societies, they were essentially modifications of products traditionally associated with banks and insurance companies.

Whilst the majority of societies pursued either one or both of these strategies in response to growing competition, a number of societies took alternative action. Many smaller societies sought favourable mergers in response to increasing competition from national and local societies (Thwaites 1989). Alternatively, the Bradford and Bingley society pursued a differentiation strategy. Funds were directed away from branch opening and into advertising and marketing (the Mr. Bradford and Mr. Bingley campaign), in an

attempt to raise awareness and increase traffic through their branches.

During the late 1970's competition continued to intensify. Unit trusts were heavily advertised and competition between banks and societies intensified. In addition, consumers were becoming more sophisticated, and increasingly willing to move their funds to take advantage of interest rate differentials. In response societies became more marketing orientated, focusing on the needs and wants of specific consumer groups, i.e. market segments. Whilst, Shostack (1984) suggested that all financial institutions were stuck in the product differentiation phase and were awaiting transition to the next market segmentation, societies have from their beginnings engaged in some form of market segmentation, i.e. geographical segmentation. Later societies, and other financial institutions, analysed their customers on a financial basis, e.g. amount invested. Societies were however generally slow to adopt other forms of segmentation despite several writers having suggested a variety of alternatives with which to segment the market. For example, Modigliani and Brumberg (1954) suggested segmenting the market according to life cycle and Doyle and Newbold (1976) demonstrated segmentation of the building society market according to financial behaviour (e.g. savers; bankers; and investors). Abbey National were amongst the first to adopt an alternative form of market segmentation, they introduced The Junior Savers Club (1979) which attracted 100,000 members (Meidan 1986). More

recently, the Halifax launched a series of campaigns (Sept 1984) focusing on young women, young men, ethnic groups and the elderly and the Nationwide Anglia identified the nursing sector as a target market for mortgages.

During the 1970s societies also began to increase their expenditure on advertising and promotional activities (see Newman 1985). Whilst, previously societies had concentrated their efforts on press, radio and cinema, with exhibitions and P.O.S. literature, the use of television dramatically increased during the 1970s. The Woolwich was the first to use t.v. in 1968 to create a recognisable corporate image e.g. "We're with the Woolwich", "Get a little Xtra help" (the Halifax) and "Get the Abbey Habbit". Such advertisements attempted to create differences between societies which largely offered similar products and services (Meidan 1986). Television was used by both the national and regional societies, but generally proved too expensive for local societies.

Whilst most societies pursued one, or a combination of the above strategies, the Cheltenham and Gloucester Building Society chose to adopt an alternative strategy. Managerial costs were reduced, and funds were directed from awareness campaigns and into product development (i.e. cost leadership). The society thus developed as a 'lean organisation', the resulting low costs enabled the society to develop new, high interest rate deposit accounts. The

Cheltenham and Gloucester continued to adopt a cost leadership strategy into the 1980s.

During the early 1980s societies generally continued to focus upon specific consumer segments and introduced new products to meet their specific needs e.g. Halifax CashCard targeted at the young, affluent professional. Following the enactment of the 1986 Act societies have however increasingly followed a diversification strategy. Whilst most, if not all societies have gained their members permission to introduce a range of new products and services, there exists some doubt over the appropriateness of such strategies. Recent research (e.g. Mintel 1987; Nottingham Evening Post 1985) has suggested that diversification may not be an appropriate strategy. Consumers were found to prefer societies for their traditional products e.g. mortgage and deposit accounts, rather than the new banking and insurance products.

Failure to adopt an appropriate strategy in todays highly competitive market could seriously damage the stability of societies. Societies must therefore re-assess their position within the personal financial services market and select new competitive strategies appropriate for the current and future market.

Within the available literature two approaches have been used to resolve the question of which strategies building societies should pursue. Firstly, surveys have been

conducted with building society marketing managers to assess the likely strategies of societies in the near future; and secondly, analysis of market developments have lead to the formulation of appropriate strategic alternatives. Following a consideration of each approach the contribution and guidance provided by the studies to building society strategy formulation will be considered.

In the personal financial services sector two major studies were conducted to investigate the likely strategies of societies. Studies were conducted by the Nottingham Institute of Financial Studies in 1985 (NIFS), and the Economist Advisory Group in 1986 (EAG). Both studies focused upon the response of financial institutions to changes within the financial services market. The NIFS involved all the major financial institutions. The general results from which are discussed in Carter et al (1986), responses from banks are analysed in Watkins and Wright (1986), and the building society results are reported in Wright and Watkins (1987). The EAG study focuses specifically upon building societies, a full account of the results are available in Wright, Watkins, Price and Hughes (1986).

Wright and Watkins (1987) consider the use of four main 'strategies' : mergers; growth; strategic use of technology; and marketing as a strategic tool. Using findings drawn mainly from the NIFS survey (82 respondents) they suggest:

1. **Mergers**: the number of societies will reduce by at least 20 % by 1990. The medium sized societies expect to be involved in most mergers. High level of joint ventures or other non-merger links between different types of financial institution also expected.

2. **Growth**: advertising is expected to be the largest single influence on growth (43 % of respondents), followed by internal growth (39 %) and direct marketing (34 %).

3. **Strategic Use of Technology**: a strong role is predicted for technology in building society management. Automatic Teller Machines (ATM's) are expected to account for over one tenth of personal finance transactions by 82 % of survey respondents. However, there is little strong support for the future of in home computerised information services (e.g. Prestel), only 31 % of respondents expect this medium to account for over 5 % of personal finance transactions.

4. **Marketing as a Strategic Tool**: an increasing role for marketing strategy is expected in response to greater competition. Four factors are presented as evidence for this, i.e. increased use of new product and market development; marketing information systems; and advertising and direct

marketing; and changes in distribution.

Whilst the findings of the NIFS provide valuable insights into the future activities of societies, Wright and Watkins fail to indicate the future strategies of societies. Firstly, they failed to adequately indicate the nature of all the strategies to which they refer. Whilst clearly the four main strategies are not corporate strategies (as they do not determine the portfolio which the building society should hold), details of their precise nature is not provided. For example, are all the 'strategies' marketing strategies or other functional strategies? Secondly, there is some doubt that the 'strategies' with which Wright and Watkins refer are indeed 'strategies'. The study concentrates on a narrow range of activities rather than strategies. Whilst merger and technology could be classified within a cost leadership strategy, such 'strategies' would be mere activities or policies which together constitute a strategy. In addition, growth is not by itself a strategy, but is classified earlier by Wright et al (1986) as an 'objective'.

The work of Wright and Watkins (1987) is also seriously weakened by the reporting of building society 'strategies' in aggregate, thus failing to take account of the differing nature of individual societies. For example in what ways do the strategies of large societies differ from those of the smaller societies? The work of Wright and Watkins would appear to suggest that the strategies of societies are

homogeneous (note, merger activity is one exception) which is clearly inaccurate (as demonstrated above). Perhaps of more importance is the tendency of the authors to accept the proposed 'strategies' of societies without any consideration of their appropriateness to the building society market or the individual society. Although in their conclusion Wright and Watkins (1987) state that some societies are "starting to identify strategies which fit their characteristics" and that societies "need to match the pressures for change on the supply side to the expressed needs of their actual and potential consumers" no account is given to these issues within the report.

The EAG study reported in Wright et al 1986 generally focused upon the adoption of the new powers available to societies under the 1986 Building Societies Act. Once again the study fails to report upon the likely strategies of societies, but instead focuses upon specific activities. For example, the report considers the following activities of societies to the year 2000: conversion (17 % of societies expect to convert to plc status); banking (29 % of societies expect to offer full banking and money transmission services); insurance (80% expect to offer insurance broking); pensions (72 % expect to be providing pensions) etc..

Whilst this information also provides valuable insights into the intended behaviour of building societies, the appropriateness of this behaviour to the current and future

building society market was again ignored. This study does however take account of the differing nature of societies, the findings are presented according to society size. For example, whilst the medium sized societies (assets £100m-£499m) were expected to be involved in a higher level of merger activity, those societies expecting to convert to plc status were found to be equally spread across size categories rather than being concentrated amongst the larger societies (i.e. assets over £500m).

In conclusion, whilst the studies reported by Wright and Watkins (1987) and Wright et al (1986) provide insights into the intended behaviour of societies, they provide little guidance to societies. Many questions remain unanswered, in particular the strategic alternatives available to societies are not clearly identified and the appropriateness of the behaviour reported is not discussed with respect to the current or future market.

The reports produced by Merwe (1987) and Pralle (1986) were based upon market analysis. Merwe analysed a range of service industries currently experiencing deregulation and proposed three strategic alternatives appropriate to this environment:

- Client-focused thinking and the need to segment;
- Positioning and finding ways to differentiate; and
- Broadening the service offering and added-value
  services

The strategic alternatives suggested by Merwe are broadly similar to Porter's three generic strategies. The client focused alternative is a Focus strategy in which specific segments are identified and targeted; positioning and differentiation agree with Porters second generic strategy Differentiation; and broadening the service offering attempts to increase volume and hence can be classified as a Cost Leadership strategy. Merwe provides examples of the use of these strategies from the airline, banking and telecommunication industries, however, no one strategy is deemed specifically appropriate for any one service sector.

Following an analysis of the current building society market, Pralle (1986) advises societies on a range of marketing strategies. Four strategic alternatives are suggested depending upon the size and expected status of the society:

	Mutual	Plc
Local	Remain a Niche Player	Diversification, probably limited to house related activities
National	Keep to traditional building society	Become a major personal financial services player activities

Source : Pralle (1986)

Pralle suggests that only two of the strategic options will prove successful, these represent a polarisation within the market whereby the small, local building society will exploit a market niche and the large society which converts to plc status will become a major personal financial supplier. Societies which gain plc status, but have a local geographical coverage are expected to find it difficult to stay independent. Whilst, the national, mutual societies will find their strategies difficult to sustain in the long term.

Although Pralle considers both the viability of strategies with respect to future market trends, and takes account of the differing natures of societies, he fails to accommodate the consumer. In what ways will the consumer respond to these proposed strategies? This is however a criticism shared by all the studies presented here. Yet the consumer is of fundamental importance to the success of future building society strategies. It is thus the aim of this study to consider the marketing strategies of building societies from a consumer perspective, using image as the vehicle through which to assess consumer response to the available strategic alternatives.

2.4.5. Marketing Strategy & the Image of Building Societies

The past success of societies has been attributed to their ability to adopt a specialist approach in a narrow range of markets, and thus by being clearly differentiated (Clifton and Day 1985). Changes in the strategies of societies, in response to the new competitive environment, could thus adversely affect societies. For example, the pursuit of a diversification strategy forces societies to adopt a broad approach in a wider range of markets and thus changes the very nature of the society. The effects of such changes on the building society consumer, their perceptions and behaviour, are unknown.

Laidlow (1986) has speculated that the entrance of financial institutions into those areas traditionally the domain of their competitors (e.g. provision of banking service by building societies) could result in consumer confusion. Although the consumer has become more financially sophisticated (Pralle 1986, Newman 1984) the preference for a simple, fragmented market remains. Within the banking sector, the World Banking Poll (1985) discovered bank customers preferred specialist financial institutions. Respondents did not wish to obtain insurance, real estate or a mortgage from a bank. These results suggest that the proposed diversification strategies of the banks were not in line with consumer wants.

Survey findings from studies conducted in the building society sector produced similar findings. For example, a survey conducted by Business Decisions (see Laidlow 1986) asked respondents to indicate the financial institution they would choose first for a variety of products. Generally each institution was chosen first for its traditional products, i.e. banks for current accounts, building societies for mortgages and insurance brokers for insurance. A regional survey conducted by the Nottingham Evening Post (see Wright et al 1986) found that building societies were ranked ahead of banks on their traditional services e.g. mortgages, but were rated worse than banks on loans and cheque books. In addition, Mintel (1987) suggested that there had been little uptake of the new services offered by building societies.

Within the building society literature there are relatively few studies which consider the relationship between building society strategy and consumer choice behaviour (Doyle and Newbold 1976 is a notable exception). The majority of published studies have concentrated on providing a demographic profile of the consumer (e.g. BMRB Housing and Savings Survey 1986, Social Trends 1983 and NOP Financial Research Survey 1984/5). A small number of surveys have sought to explain consumer behaviour, i.e. the factors which determine choice of building society (e.g. Nottingham Evening Post 1985) and building society account (e.g. BSA 1983). The findings of these studies suggest that interest rates and locational convenience are the dominant factors in

consumer choice. A number of authors have however suggested that consumers also choose financial institutions on the basis of other factors. For example, Wasem (1971) in his article on the U.S. banking sector poses the question:

> "Why do people save with us and not with a competitor paying a higher rate? Why do people walk past the doors of other banks and save with us at the same rate? Why do others walk past our doors and finance their cars two blocks down the street at the same rate?"

Wasem speculates that the answer to this question can be found in an additional "force" which operates alongside the more obvious factors:

> "There's a force operative in the determination of a bank's customer - body beside the obvious functional factors of location, marketing techniques and rate. And that force is the way our bank or our individual departments are defined in the individual's mind. Call it what we will - impression, reputation or even image."

A number of authors have agreed with Wasem, for example Laidlow (1986) states that interest rates and locational convenience are not in themselves sufficient to explain consumer choice behaviour. Laidlow suggests that other factors, the "latent image" of a financial institution, influences consumer choice. Latent image is derived from many sources, Laidlow (1986) provides the following examples: the treatment by staff; colour of the passbook; familiarity with branches; and the history of the organisation.

The image of financial institutions is considered by many to be of particular importance due to their special nature.

Financial institutions are service organisations and as such
their products are :

1. **INTANGIBLE**, and therefore difficult to evaluate
   and memorise

2. **INSEPARABLE** from the producer, and therefore tied
   up with the general impression that consumers have
   about the producing organisation;

3. **HETEROGENEOUS**, therefore standardisation and
   quality control are difficult to achieve;

4. **PERISHABLE**, therefore they can be neither
   stockpiled nor returned.

Morello (1988) suggests that these characteristics lead
consumers to base their evaluations of service-providing
organisations on their perceptual beliefs, in addition to
factual information and experience. Marley (1973) points to
specific characteristics of U.S. banks (also applicable to
U.K. financial institutions), which make a favourable image
particularly important:

1. Bank selection is a non-recurring purchase;

2. Banks desire to service specific customer groups;

3. Banks are experiencing a decline in contact with
   their customers;

4. Banks need to be recognized for high integrity to
   inspire trust.

Published studies of the "image" of financial institutions
have largely been conducted outside the U.K., and have
focused upon banks (e.g. Morello 1988, Brown et al 1977b,
Neidell and Teach 1974). Previous studies of U.K. building

societies have focused upon image at an industry level, i.e. inter-type comparisons (e.g. between building societies and banks). The results of such studies, e.g. National Consumer Council (1983), found building societies to have a more favourable image than banks, societies were perceived as friendly, safe and approachable. The attributes of building society image were however assumed to be generic, i,e. equally applicable to all societies. The studies thus failed to consider the image of individual societies (Smith and Harbisher 1989 exploratory study of building society and bank image is a recent exception). For example how is the image of each society constructed? Which image attributes are important to consumers? How does image influence consumer choice behaviour? This study will attempt to answer these questions. Such information is an important input to the decisions of strategic management.

2.5. The Concept of Image

2.5.1. Introduction

Academics and practitioners have long tried to explain consumer patronage behaviour i.e. the factors which determine why consumers are drawn to one establishment in preference to another. The approaches used to resolve this question are of three types: Economic; Geographic; and Eiconic (image).

Early researchers used economic factors, e.g. price, product assortment, distance and satisfaction with previous experience in their attempts to explain consumer behaviour. The consumer was believed to weigh the economic advantages against the economic disadvantages, selection was determined by convenience. This model uses aggregate measures, by so doing it fails to accommodate the multivariate nature of most consumer behaviour. The model is therefore considered by marketers (e.g. Palmer 1982) to be too simplistic.

The geographic approach emphasizes the importance of distance and product assortment, e.g. Reilly's Law of Retail Gravitation (1953). Choice of vendor is determined by the distance consumers have to travel and the assortment of products available on their arrival. Although this approach has received much support (e.g. Huff 1963; Cox and Cooke 1974) its uses are restricted to the determination of store size and location. This approach fails to contribute to the development of the strategies of existing stores.

The eiconic approach suggests that man's behaviour is directed and influenced by images perceived, rather than knowledge and information acquired (Boulding 1956). Marketers adopted the concept of image to enable them to understand consumer choice behaviour. Martineau (1958), in his studies of retail stores, suggested that consumer choice behaviour was determined by a congruency between the consumer's self image and the image of the store. Whilst economic factors were not discounted, unless the store's

image was acceptable to the consumer, they were considered meaningless. Identification of the attributes of image and their role in consumer choice behaviour provides valuable guide-lines for strategic management. Ultimately it is the consumer who determines the success or failure of a store (or other organisation) by choosing to become patrons or non-patrons. Identification of the attributes which influence consumer choice behaviour provides organisations with a tool with which to influence consumer behaviour. Strategies can thus be selected and developed to exploit favourable images amongst specific groups of consumers and thus potentially increase patronage behaviour.

2.5.2. The Theory of Image

Whilst the concept of image is not new to marketing, it has only recently been addressed in the services marketing literature. The origins of image in marketing have been traced (Stell and Fisk 1986) to early discussions of "reputation" (Maynard and Beckman 1946). Organisations with "better" reputations were considered to be preferred over organisations that may have acted unethically. Thus, reputation of the seller was perceived as a common motive for consumer choice behaviour.

Martineau (1958) was the first to formerly define the concept "image" in his classic article "The Personality of the Retail Store". Subsequent work focused upon retail store

image and attempted to identify the perceived images of store departments, stores and shopping centres (e.g. Cardozo 1974-5; Hansen and Deutscher 1975-76; Beardon 1977). Later, the concepts and methodologies of retail image research were transferred to other service sectors. For example, Riley and Palmer (1976) investigated the image of U.K. and foreign seaside resorts, Kotler (1983) detailed studies conducted on the image of management consultancy firms, Kotler and Bloom (1984) on the perceived image of lawyers, Haugh (1988), secondary schools; and Neidell and Teach (1974), banks.

Stell and Fisk (1986) note that although retail stores sell both physical goods and services, they are essentially service organisations. Consumer's evaluation of the retail outlet results from the overall shopping experience, interactions with sales personnel, and the social and physical surroundings, rather than just from the physical good itself. Retail store image research thus provides valuable insights to image studies to be conducted in the services sector. Whilst within the personal financial service sector image research has been conducted, as stated previously, studies of the U.K. market and in particular building societies, are few. Studies conducted in both the retail and other service sectors thus provide valuable inputs to this study.

Despite numerous image studies (both retail and service), few advances have been made in the understanding of the

image concept. Several authors (Hansen and Deutscher 1977-78; Berkowitz et al 1978; and Peterson and Kerin 1987) have attributed this to the failure of image research to comply with research tradition, i.e. research has not built upon the methods and results of prior studies. Peterson and Kerin (1987) observe that most store image research has been conducted on an ad hoc basis, and often appears to result from consulting projects conducted for specific retailers. Within the banking sector, this criticism is also appropriate, studies have been limited to small, unrepresentative samples (e.g. Morello 1988 studied the image of the 5 largest Dutch banks from a total of 90). Image research has thus developed as a series of independent studies with a number of inherent weaknesses:

- Definition of Image
- Image Terminology
- Dimensions of Image
- Image Measurement

2.5.2.1. Definition of Image

Peterson and Kerin (1987) have traced the conceptual underpinning's of store image to the motivational research studies of the 1950's. These studies ascribed "human" qualities to stores and concluded that retail outlets, like people, had personalities that differentiated one store from

another.	Retail image was first formerly defined by

Martineau (1958) as:

> "the way in which the store is defined in the
> shopper's mind, partly by its functional qualities
> and partly by an aura of psychological attributes"

In this definition "functional" refers to physical

properties (tangibles) such as merchandise selection, price

range and store layout. "Psychological" attributes

(intangibles), refers to such things as a sense of

belonging, the feeling of friendliness etc.. Consumers form

their image of a store using both functional and

psychological attributes simultaneously.

Whilst many writers have since defined image in a similar

manner, in both the retailing (e.g. Arons 1961; Brown 1968)

and service (e.g. Morello 1988; Kotler 1982) sectors, others

have disagreed. For example, Kunkel and Berry (1968) applied

learning theory, defining image as:

> "the total conceptualized or expected reinforcement
> that a person associates with shopping at a
> particular store... an image is acquired through
> experience and is thus learned."

Thus each time the consumer visits the store he either

modifies, or reinforces his previous image of that store.

This approach has received much support (e.g. Berkowitz et

al 1977-78; Stell and Fisk 1986). Acito and Anderson (1979)

suggest that as a result of learning, images become more

clearly defined in the consumer's mind. The initial exposure

to a store results in a general evaluation, through

additional experiences the consumer begins to form more defined images.

Alternatively, Johnson (1969) and others (e.g. Engel and Blackwell 1982; Walters 1974) have defined image as an attitude. For example, Doyle and Fenwick (1974) state:

> "the term (image) is used interchangeably with attitude toward the store to describe the overall impression a consumer has of it."

Such definitions fail to make clear how image and attitude differ. Fishbein and Ajzen (1975) however, state that an attitude is a distinct concept:

> "the major characteristic than distinguishes attitude from other concepts is its evaluative or affective nature"

Thus whilst an attitude consists of positive or negative evaluation of an object (e.g. bank, grocery store), image reports upon the consumer's perceptions of the object, e.g. large or small store, the consumer's evaluation of size is a separate consideration.

Despite disparity concerning the definition of image, most writers appear to agree upon three characteristics of image. Firstly, image consists of a combination of tangible and intangible attributes (Martineau 1958; Doyle and Fenwick 1974; Lindquist 1974-75; Hansen and Deutscher 1977-78; Morello 1988; Riley and Palmer 1976). Secondly, image is a complex of meanings and relationships, from which the

consumer selectively perceives those which have meaning to him (Boulding 1956; Arons 1961; Kunkel and Berry 1968; Lindquist 1974-75; Palmer 1982). Thirdly, image is learnt from experience, through visits to the store or from information gained via word of mouth and/or promotional communication (Kunkel and Berry 1968; Zajonic and Markus 1982; Stell and Fisk 1986; Morello 1988). This understanding of the image concept has been adopted for the study, image is therefore defined as :

"complex by nature and consisting of a combination of tangible and intangible factors that the consumer perceives to be present."

(Lindquist 1974-75)

Image therefore is not something an object has, but something a consumer has of an object, a something which is determined by the consumer's personality and experience of that object. This definition is essentially Martineau's original concept (1958) as modified by Kunkel and Berry's learning theory (1968).

2.5.2.2. Image Terminology

Within the image literature there exists a confusion of terms e.g. characteristics (Gwin and Lindgren 1986), adjectives (Morello 1988), ingredients (Martineau 1958), attributes (Brown et al 1977b), categories (Kunkel and Berry 1968), factors (Taylor and Bengiel 1984). These discrepancies retard attempts to unify the independent

studies of image research. Hansen and Deutscher (1977-78) suggest a three level classification scheme for retail image measurement:

Attribute   -   Component   -   Dimension

In the classification scheme attributes are the narrowest, most specific constructs, and dimensions the most general. Components are aggregates of similar attributes and dimensions are aggregates of similar components. Under this classification scheme, merchandise would be a dimension, and merchandise selection would be a component of that dimension. Any specific construct concerning merchandise selection would be an attribute.

This classification scheme is adopted for the research presented in this thesis.   Image will be studied at an attribute level providing specific information which can subsequently be organized into general dimensions. Specific information has greater managerial relevance, for example, a building society manager would wish to know how important consumers considered staff helpfulness rather than the importance of sales personnel in general.

2.5.2.3. Dimensions of Image

Whilst the majority of authors see image as a multi-dimensional concept, there exists some dispute over the precise number of image dimensions. Within the studies of retail image Martineau (1958) proposed 4 ingredients of a store's personality; Fisk (1961-62) suggested 6 different components; Kelly and Stephenson (1967) found 8, and Kunkel and Berry (1968) identified 12 categories. In the banking sector dispute is also evident, for example Morello (1988) identified 8 bank specific scales; Gwin and Lindgren(1986) identified 8 differing characteristics and Smith and Harbisher (1989) identified 14 constructs.

The number of distinct attributes is dependent on the researcher's categorisation method (Mc Dougal and Fry 1974-75). In addition, many studies are problem or situation specific, relating to a relatively small number of banks (e.g. Morello 1988) or stores (Berry 1969; Stewart and Hood 1983). Many authors (e.g. Peterson and Kerin 1987, Berkowitz et al 1978) have suggested that there exists a need to identify a standard set of image dimensions. The resulting set would allow comparisons of differing studies. For example the appropriateness of specific dimensions could be contrasted across many studies. Research of this nature is one way in which the independent studies of image can be united and standard sets of image dimensions identified. The work of Lindquist contributed greatly towards this goal, he summarized the work of 26 researchers, covering a variety of

retail studies, and identified 9 store image dimensions. However, as image varies between different types of stores (Cardozo 1974-5) it has been suggested that future research should aim to identify a common set of image dimensions by "store" type (Peterson and Kerin 1987). The author's research aims to identify a common set of image attributes and dimensions for the building society industry.

2.5.2.4. Image Measurement

The determination of the relevant attributes, components or dimensions of image to be measured have, in previous research, generally been based on researcher intuition and/or reference to the literature (e.g. Hansen and Deutscher 1977-78; Marks 1976; Palmer 1982). The validity of pre-determination of image attributes has been questioned (see for example Kunkel and Berry 1968) as the researcher is, in effect, selecting attributes without true knowledge of their saliency in consumer's perceptions. Thus, the results of the research although statistically significant, may merely be artifacts of the research process. For example, in a study conducted by Brown et al (1977b), respondents were asked to evaluate a bank on the basis of whether or not it was involved in the community. The respondent may or may not think of "Community Involvement" when he thinks about a particular bank, however when he is required to make an evaluation of such attributes, they become part of the image the respondent is concluded to

have. The resulting "image" then is likely to be more highly correlated with the instrument than with reality.

Attempts to overcome this weakness have included the respondent scaling the importance of each attribute (Myers and Alpert 1968). Bias is still, however, introduced by the researcher's choice of the attributes to be considered. Future studies must seek to identify attributes which are relevant in consumer perceptions to overcome this weakness. The emphasis of the author's research is upon consumer determination of the attributes of building society image. Data were collected using loosely structured techniques to allow the consumer to identify only those attributes which are relevant to their perceptions of societies in the current market.

2.5.3. The Image Models

Within the literature three major approaches or models of image have been identified: multi-attribute model; learning theory based concept; and the strategy-image-patronage model. Following a review of each approach, the rationale for the selection of one approach for the theoretical framework of this study was given.

MULTI-ATTRIBUTE MODEL. - designed to explain events on the basis of one or more independent variables. Most models attempting to explain the role of image in store choice

adopted the Fishbein multi-attribute model (1963) substituting 'image' for 'attitude' and assigning weights to reflect the saliency of each image attribute (see e.g. James, Durand and Dreves 1976; and Lessig 1972). Generally, the models have met with little success (Darden's model (1979) was one exception, however image was only considered implicitly). In practical application researchers have experienced problems identifying the relevant attributes to be included in the model and assigning the appropriate weights. The substitution of 'image' for 'attitude" without theoretical justification also considerably weakens the model (see Berkowitz et al 1978; Doyle and Fenwick 1974-75).

LEARNING THEORY BASED CONCEPT - attempts to explain the consumer's development of image. Kunkel and Berry (1968) state that each visit to a store modifies or reinforces the previous image held by the consumer, thus making the image more resistant to change. Stell and Fisk (1986) extended the concept to include other 'experiences' of the store, i.e. word of mouth and promotional communications. The learning theory based concept has received considerable support in both the retail and service literature e.g. Acito and Anderson (1979), Berkowitz et al (1978).

STRATEGY-IMAGE-PATRONAGE MODEL - a theoretical model designed by Berkowitz, Deutscher and Hansen (1978) to show the inter-relationships amongst consumer behaviour (patronage), image and strategy. Image is positioned as an intervening variable between strategy and consumer

behaviour. (An example of the full model is contained in Appendix 2.1).

Selection of the theoretical framework was based upon its ability to accommodate the aims and objectives of the study. The study sought to identify the appropriate strategies of building societies in a new and changing environment from a consumer perspective, using image as the vehicle through which to assess consumer perceptions and behaviour. The theoretical framework must, therefore, be able to accommodate three elements: consumer behaviour, image and strategy.

The multi-attribute model was rejected due to its practical and theoretical weaknesses (stated above) which made it an unsuitable basis for the theoretical framework. Although the Darden model (1979) had overcome some of the weaknesses associated with this approach, it failed to explicitly consider image.

The learning theory based concept provides valuable insights into the construction of image and has received much support in the image literature. However, the model proposed by Kunkel and Berry focuses upon image and the consumer, and fails to formerly recognize the role of strategy.

The model proposed by Berkowitz et al 1978 extends the concepts of the Kunkel and Berry model as the learning concept is positioned as an intervening variable between strategy and

consumer (patronage) behaviour. It thus explicitly includes the three elements: consumer behaviour, image and strategy. In addition, Palmer (1982) has suggested that the positioning of image enables the model to be considered, in part, as an operationalisation of the Darden multi-attribute model. The Berkowitz et al model was thus selected to provide the theoretical framework for this study.

2.5.4 The Berkowitz, Deutscher and Hansen Model (BDH)

The Berkowitz, Deutscher and Hansen model (1978) provides the theoretical framework for the study, it conceptualises that retail image research involves three important factors: strategy-image-patronage. The model shows the inter-relationships amongst these factors, positioning image as an intervening variable between strategy and behaviour (patronage), a simplified adaptation of the model is shown in Figure 2.2.

In this model, Linkage (1) represents the input of an institution's present image to its strategy formulation. Linkage (2) represents the effects of strategy changes on image, thus reinforcing or changing the consumer's image of the institution. The influence of image on behaviour, as caused by strategy, is shown by Linkage (4). Strategy works through image, Linkage (2) to influence behaviour, Linkage (4). Learning theory states that each time the customer

Figure 2.2

Theoretical Framework
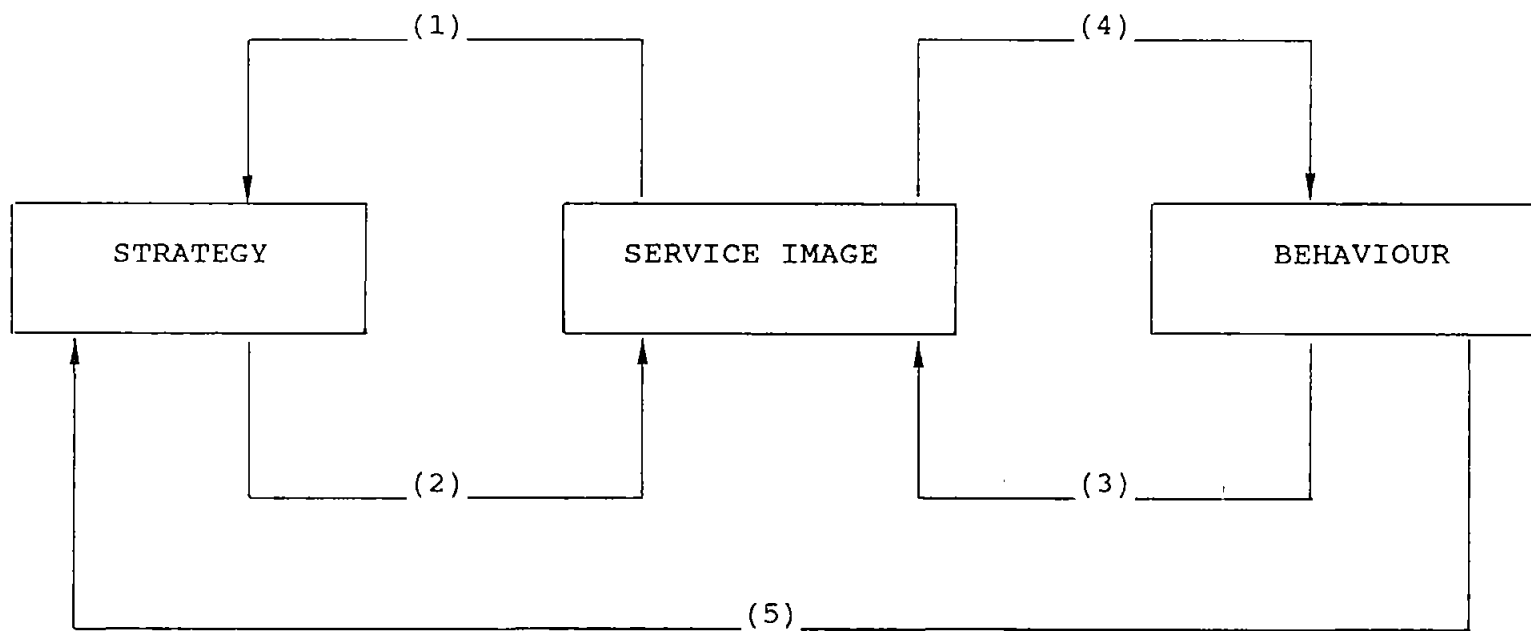
Adapted from Berkowitz et al (1978) Retail Image Model

experiences the institution, through visits, advertising, or any other stimuli, the customer's image of that institution will be modified through positive or negative reinforcement. This force is represented by Linkage (3). Finally, the feedback of behaviour results on future strategy is shown by Linkage (5).

The Berkowitz et al (BDH) model does, however, represent a simplistic view of the linkages between strategy, image and consumer behaviour. The major criticisms of the model are as follows:

i) The Activities of a Firm May Differ from those Specified in it's Strategy

The BDH model assumes that an organisation's behaviour is identical to that specified in its strategy. Previous writers have however demonstrated that members of an organisation may, for a variety of reasons, engage in very different activities to those specified in it's strategy. The works of Piercy and Morgan (1990), and Mintzberg (1989) suggest that this difference can be attributed to a strategy formulation/implementation gap, i.e. the managers and employees charged with the task of implementing new strategies (e.g. field sales personnel, customer service units, etc.), are often far removed from those formulating it. Hence those implementing the strategies may fail to understand, or share, the intentions

of the strategist and thus pursue their own strategies. The works of Muhlbacher et al (1987), suggest that the strategy formulation/ implementation gap can be attributed to an organisation's corporate culture. Muhlbacher et al (1987) observe that the members of a firm have a major influence upon the implementation of a new strategic plan, and it is therefore important that new strategies fit the social norms of behaviour based on the dominating values of the company (i.e. the corporate culture). To overcome these weaknesses the Strategy component of the BDH model needs to identify "Company" and "Strategy" as distinct (but, inter-related) components.

ii) **Individual Companies do not Operate in Isolation, but Affect and are Affected by the Strategies of Competitor Companies.**

Competition is perhaps the most important factor to be excluded from the model. Following the decline of the building societies' cartel and deregulation of the personal financial services sector, all societies have experienced increasing competition from both within the building society industry and externally from other personal financial service institutions. The activities of all competitors will thus have a major impact upon the individual society and should therefore be accommodated within the model. The effects will be two-fold: on the society's perceived image and on its strategy.

Hutton (1990) suggests that consumer's perceptions of an organisation are greatly influenced by the industry in which it operates. Prior to deregulation, the activities of other societies would have provided the major influence. Banks, insurance companies and building societies were seen to be separate and distinct, hence industry or "generic" images existed (Laidlow 1987). The influence of the personal financial services industry has, however, increased in recent years following deregulation. Building society image today would thus be influenced by the activities of institutions both within the building society industry and the wider personal financial service industry. The precise nature of this influence upon consumer perceptions of individual societies will however be dependent upon the awareness and knowledge of that individual. The effects of competitors activities upon building society image will thus vary from individual to individual.

The activities of competitors will also affect the strategies of individual societies. When formulating strategies all organisations assess competitor's activities and establish their position within the total market. Changes in competitors strategies could disturb a society's overall position within the market and hence create a need to re-assess and perhaps modify the society's strategy. In an attempt to remain competitive societies will thus have to adjust their strategies in the light of their competitors' activities.

iii) In Reality Organisations Operate In A Complex And Dynamic Open System.

The Berkowitz et al model is severely weakened by its examination of only those variables which appear to be directly related to image and thus ignoring other potentially important variables operating within the business environment. Pride and Ferrell (1987) define the Environmental Factors as political, legal and regulatory, societal, economic and technological.

The impact of environmental factors on building society strategies can most clearly be seen from the effects of legislation. Removal of the legal constraints imposed upon the activities of U.K. clearing banks greatly increased competition for the societies in the mortgage market. Societies were thus forced to develop new products (e.g. interest bearing current accounts) to help them retain market share.

The influence of political and economic factors upon the model can be readily observed in the current market. For example, high interest rates during 1990 led to increasing defaults on mortgage repayments and consequently home repossessions. Media coverage of such activities can only have a negative impact upon the image of not only those societies involved but also the industry as a whole.

Societal factors, i.e. changing lifestyles and public opinion can have a variety of effects upon the overall model. Hutton (1989) suggests that societal and cultural factors can greatly influence consumer perceptions of an organisation. For example, consumer expectations of service quality have greatly increased in recent years. Societies who were once considered to provide a good service may find that they now fail to satisfy consumer's higher expectations.

Environmental factors thus have wide ranging effects upon strategy, image and consumer behaviour. The effects upon each variable must be accommodated within the BDH model.

iv) Each Building Society has more than One Image.

The Berkowitz et al model fails to recognize that in reality each society will have more than one image. Different groups of consumers will hold different images for the same society despite being exposed to the same information. The differences result due to each individual's unique perceptual system (i.e. the individual's method of filtering information). Whilst consumer behaviour will be driven by the consumer's perceptions (Boulding 1956), the behaviour itself will also provide an input into the perceptual system. Separation of "Consumer" and "Behaviour" acknowledges the role of the individual in the

creation of image and permits the explicit incorporation of Kunkel and Berry's (1968) learning theory as the feedback of information resulting from behaviour.

The modified BDH model is depicted in Figure 2.3. Whilst the author's research will consider the inter-relationships of all factors expressed in the model, the focus of the research is upon determination of the attributes and dimensions of image, and the linkage between image and consumer behaviour.

2.6. Summary

This chapter has reviewed the literature, both general and specific, which relates to the area of study. Firstly, "strategy" was defined narrowly as the means by which an organisation achieves its goals. Attention was drawn to the critical role of marketing strategy and its importance to organisations which operate in rapidly changing environments. The various models which attempt to illustrate the strategic alternatives available to organisations were reviewed. The Porter model (1980), which proposes three generic strategies (Differentiation, Focus and Cost Leadership), was selected to classify and study the marketing strategies of building societies.

Figure 2.3

Refined Theoretical Framework
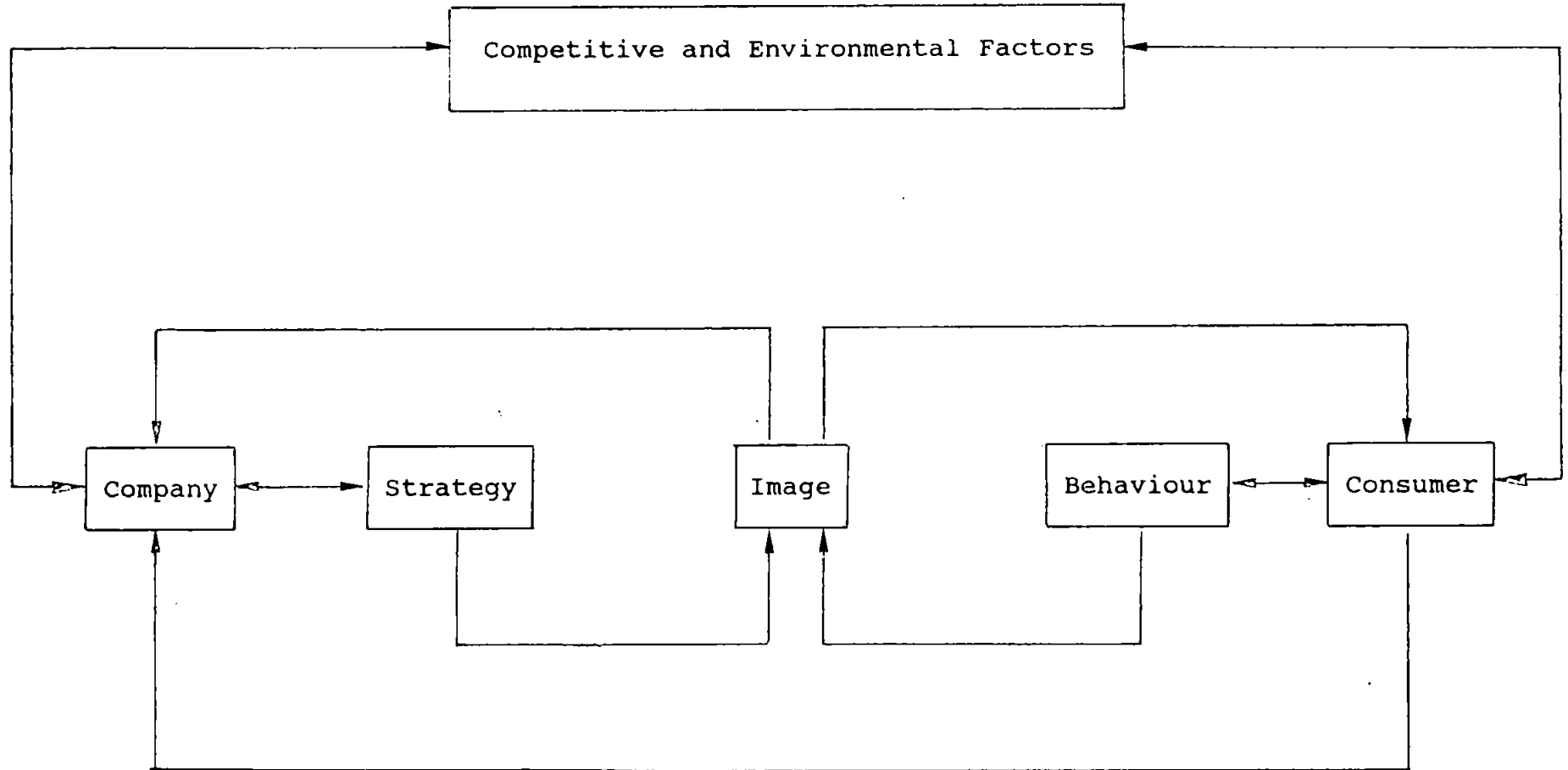
Secondly the phenomenal growth and importance of the service sector was illustrated and the specific problems of service definition and identification were described. The need for a different marketing approach for goods and services was discussed and the failure of the goods-service debate to consider the marketing of products from a consumer perspective identified.

Thirdly, the personal financial services market was shown to be one currently undergoing rapid change. The response of building societies to changes within their markets was reported and the need for a greater understanding of the likely response of consumers to changes in building society strategies identified. Consumer perceptions of societies, i.e. image, was identified as the means with which to study consumer response.

Finally, the concept of image was considered. Weaknesses inherent in previous studies were identified and the necessary steps to overcome these problems stated. Models of image were reviewed and the Berkowitz et al model (1978) was selected to provide the theoretical framework of the study.

CHAPTER THREE

RESEARCH PROBLEMS AND PROCEDURES

3. RESEARCH PROBLEMS AND PROCEDURES

3.1 Introduction

A wide variety of research techniques are available with
which to collect and analyse data. Selection of the
appropriate technique is however, determined by the
specific nature and requirements of each study. The purpose
of this chapter is to explain the methodology conceived and
the research techniques employed to collect and analyse
data for this study.

The chapter begins by **firstly** presenting an overview of the
research process as illustrated in the research plan (Fig.
3.1). Five components of the process are identified,
namely: Background Information; Research Question;
Literature Review; Data Collection and Analysis; and
Research Conclusions. In the subsequent sections each of
the components are considered.

In section **two**, Background Information relating to the
research area, i.e., the U.K. personal financial services
sector, is presented. From this scenario the Research
Question is formulated.

In the **third** section, the nature, source and limitations of
the literature reviewed are presented. The six questions

structuring the search for literature are identified and the salient points to emerge from the review stated.

In the **fourth** section, the Data Collection and Analysis component is considered. Two distinct, but complementary, stages of data collection and analysis are identified. The techniques used to identify the participants of the research (both consumer and industry), and collect information are detailed. The rationale for the selection of these techniques, and those used to analyse the data are provided.

In the **fifth** and final section, the techniques used to derive the Research Conclusions are presented.

3.2 Research Plan

The research plan represents a process comprising five component parts (see Fig. 3.1). Each component is inter-related with the next, hence the findings of one component will determine the formulation of the next. For example, the salient points to emerge from the literature review lead to the identification of the questions to be pursued in Stage One, Data Collection. Detailed descriptions of each component can be found in the following:

Figure 3.1

The Research Plan


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                    ┌─────────────────────────────┐
                    │   Background Information     │◄───────────────┐
                    └─────────────────────────────┘                │
                                   │                                │
                                   ▼                                │
                    ┌─────────────────────────────┐                │
                    │      Research Question       │                │
                    └─────────────────────────────┘                │
                                   │                                │
                                   ▼                                │
                    ┌─────────────────────────────┐                │
                    │      Literature Review       │                │
                    └─────────────────────────────┘                │
                                   │                                │
                                   ▼                                │
              ┌──────┬─────────────────────────────┬──────┐        │
              │      │ Data Collection and Analysis │      │        │
              │      └─────────────────────────────┘      │        │
              │                    │                       │        │
              │    Stage One       │       Stage Two       │        │
              │                    │                       │        │
              └────────────────────┼───────────────────────┘        │
                                   ▼                                │
                    ┌─────────────────────────────┐                │
                    │     Research Conclusions     │────────────────┘
                    └─────────────────────────────┘
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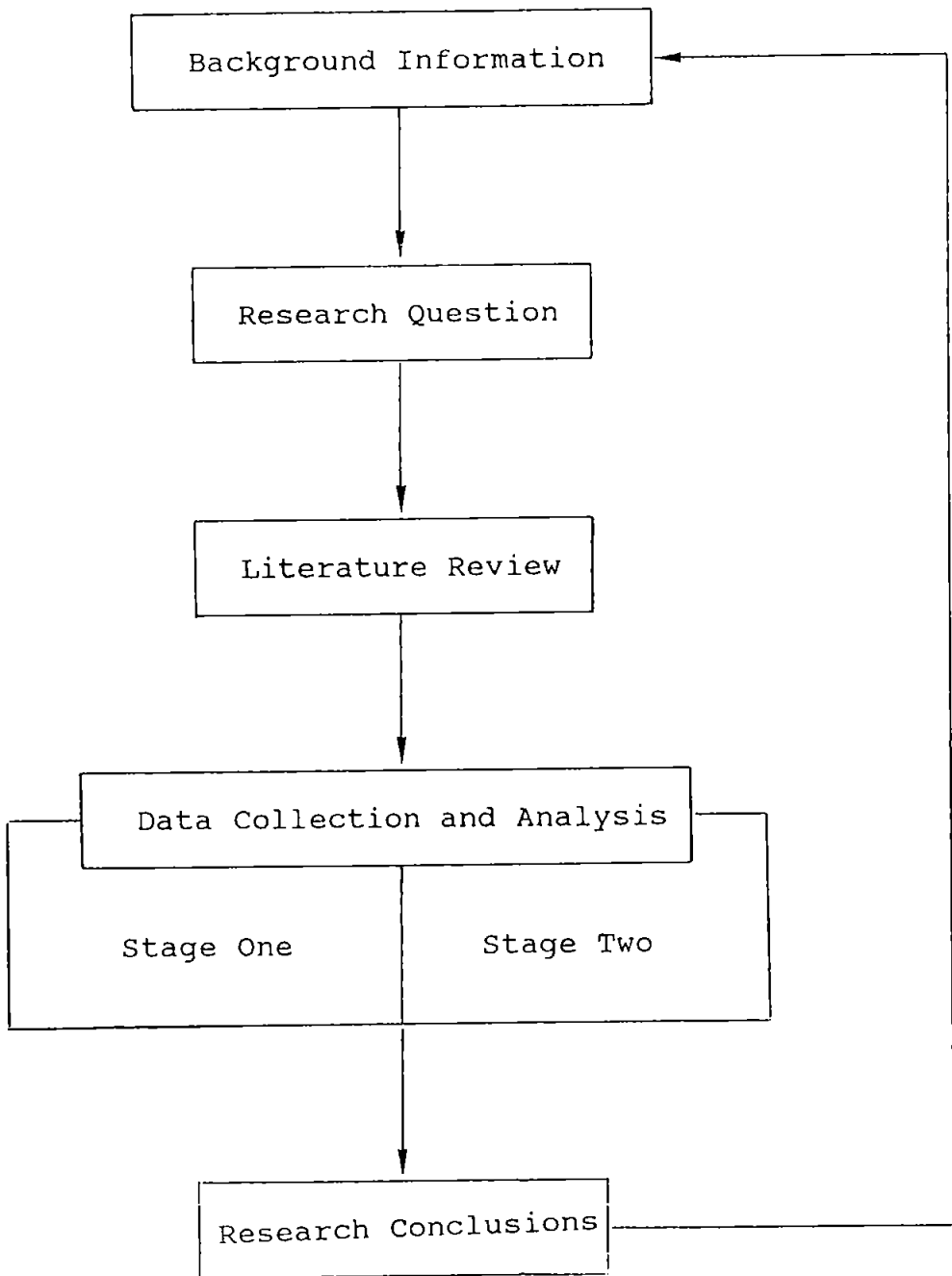
3.3 Background Information & Research Question

During the past two decades the personal financial institutions have witnessed dramatic changes within their markets. Banks, building societies and insurance companies were all suddenly faced with a new and very different market, a market with which they had little experience. In particular the building societies, were exposed for the first time to the threat of open competition.

It was this scenario which provided the stimulus for the research conducted. The new financial market raised a number of questions: How would societies react to the changes within their markets ? What new strategies would societies adopt ? Would societies adopt the correct strategies ? What strategies were appropriate to the new market ?

The research question was thus formulated:

"What marketing strategies should building societies pursue in the current personal financial services market?".

3.4 Literature Review

Literature both central and relating to the research area was reviewed in an attempt to provide insights into the research question. The search for information was however restricted to published, secondary sources of data as most independent research was largely unavailable due to prohibitive pricing or agreements of confidentiality.

Within the available literature, generally there was a dearth of information relating specifically to the area of study. Data concerning the consumer essentially described saving activities, i.e. the type of accounts held by consumers (e.g. BMRB Housing and Savings Survey 1986; NOP Financial Research Survey 1984; and Social Trends 1983), few studies investigated those factors influencing behaviour, e.g. why a specific society was chosen (BSA 1986a is one notable exception). In addition, whilst there was a plethora of literature detailing the activities of building societies in the industry journals (i.e. Building Societies Gazette) and Building Society Association publications (e.g. Building Societies Bulletin), few studies were available which reported upon the relationship between building society strategies and consumer behaviour.

The review thus drew upon literature available in related areas, e.g. retail sector. Six further questions were formulated to provide a framework with which to structure the review (see Fig 3.2):

1. What strategies have societies previously adopted ?

2. What strategic alternatives are available to societies?

3. What strategies should building societies pursue?

4. What will be the response of consumers to changes in building society strategy?

5. Can image be used to identify the appropriate strategies?

6. What are the weaknesses of image research?

The following represent the major points to arise from the review:

1. Service industries are an important and growing sector of the U . K . and many world economies. Despite this importance they have, until recently, received relatively little attention from marketing academics and practitioners. Hence many gaps remain in the available literature. Whilst marketing theories and techniques developed in consumer marketing are applicable to service products, it is generally recognized that the degree and emphasis

Figure 3.2

The Literature Review

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┌────────────────────────────────────────────────────────┐
│                  LITERATURE REVIEW                       │
└────────────────────────────────────────────────────────┘
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What strategies have societies previously adopted ?

Societies pursued differing strategies in response to environmental changes. Previous strategies were generally supply driven and thus inappropriate to the current market.

What strategic options are available to societies ?

Three strategic options are available to societies: Focus; Differentiation; and Cost Leadership (Porter 1980).

What strategies should societies pursue ?

Few studies consider all the strategic options available to societies. Previous studies provide little guidance, failing to consider the appropriateness of strategies to individual societies or considering the response of consumers

What will be the response of consumers to changes in building society strategy ?

Previous studies have generally described consumer behaviour, few have investigated the motivations behind this behaviour. Hence, the response of consumers to changes in building society strategies is unknown.

Can image be used to identify the appropriate strategies ?

Image research has attempted to explain consumer choice behaviour. The BDH model formally states relationships between strategy, image and consumer behaviour. Thus image may be used to identify appropriate strategies.

What are the weaknesses of image research ?

Previous studies have been seriously weakened by a number of methodological weaknesses, e.g. choice and measurement of attributes. Future studies must overcome these problems.

of their application will vary according to the nature of different products. It is thus necessary to consider the marketing activities of each organisation individually and not transfer the research findings from one sector, e.g. banking, to that of another, e.g. building societies.

2. The U.K. personal financial services sector has in the past received relatively little attention. Whilst some early studies were conducted, the majority focused upon the U.S. market (see for example, Davies 1974), and their findings became inappropriate following rapid changes in world financial markets. Whilst deregulation of the personal finance markets renewed interest in this area, subsequent studies failed to provide adequate guidance to building societies who were attempting to re-work their strategies in response to the changes. Generally the studies failed to consider all strategic options available to societies; evaluate the appropriateness of different strategies to the current market and individual societies; and neglected to consider consumer response to changing building society strategies.

3. Within the building society sector relatively

little is known about the consumer. Traditionally the marketing strategies of societies were supply rather than demand driven, hence consumer research received relatively little attention. Research was generally restricted to descriptive studies (i.e. type of accounts held), rather than to motivational studies (i.e. reasons for consumer choice of society). Whilst more recently attempts have been made to understand consumer choice behaviour there exists some disagreement as to which factors influence consumer behaviour. Previous studies have generally suggested that consumers choose societies on the basis of location and/or interest rates. More recently factors such as reputation and friendliness, i.e. attributes of image, have been suggested as determinants of consumer choice behaviour. Currently, relatively little is known about the nature, composition and use of building society image to enable this disagreement to be resolved. Yet at a time when societies are facing great uncertainty within their markets precise knowledge of this nature would appear to be vital in the formulation of building society marketing strategies.

4. Image research has sought to explain consumer choice behaviour: why consumers select one retail

establishment in preference to another ? Previous studies have concentrated upon the retail sector, the concepts and methodologies of which were transferred to other service sectors. Relatively few studies have however considered the image of personal finance institutions. In the U.K., those studies that are available concentrate upon image at an industry level (i.e. building societies v banks) rather than at an individual institutional level (e.g. Halifax v Leeds). These studies thus provide little insight into how consumers choose between different building societies.

5. Despite the plethora of retail image research, few advances have been made in the understanding of the image concept. Studies conducted in both the retail and service sectors have suffered serious drawbacks due to weaknesses concerning image definition, terminology and measurement. Future studies must therefore overcome these weaknesses whilst also seeking to answer their own research questions.

The findings of the literature review thus supported the need for the research to be conducted, i.e. to identify the strategies appropriate to building societies in the current personal financial services market. The following aims of the research were thus identified:

1. Determine the composition and structure of building society image with respect to consumer perceptions;

2. Assess the use, by consumers, of the image construct, i.e., consumer perceptions and choice behaviour;

3. Construct a model of building society image;

4. Identify the strategies appropriate to building societies in the current personal financial market;

5. Evaluate the contribution of image to the selection and formulation of building society marketing strategies.

3.5 Data Collection and Analysis

3.5.1. Data Collection

Data collection was designed to fall into two distinct, but complementary, stages of research as detailed in Figs 3.3

and 3.4. Research conducted at each stage was determined by the theoretical framework, the Berkowitz et al model (1978). The model conceptualizes image research as involving three variables:

strategy - image - behaviour.

Building society strategy and consumer behaviour constituted the focus of Stage One of the research, and building society image (as perceived and used by the consumer), Stage Two.

Research conducted at each stage incorporated both qualitative and quantitative methods and involved representatives from both the consumer and building society populations. Whilst the qualitative research was concerned with generating an understanding of the situation, deciding upon the questions to be asked; the quantitative research sought to obtain answers to these questions by describing the extent or frequency of key aspects (Riley and Palmer 1976).

Stage One of the data collection plan was largely exploratory (see Fig. 3.3), the aim of which was to provide fundamental information on the current personal financial services market both from an industry and consumer perspective. Whilst literature relating to the research

Figure 3.3

Data Collection and Analysis: Stage One

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                        ┌─────────────────────────┐
                        │   STAGE     ONE         │
                        └─────────────────────────┘
                                    │
                                    ▼
┌───────────────────────────────────────────────────────────────┐
│                  STAGE   ONE   QUESTIONS                        │
│                                                                 │
│  CONSUMER                      INDUSTRY                         │
│                                                                 │
│  - What are consumers' views   - What is the response of        │
│    of societies ?                societies to recent            │
│  - Are consumers aware of        changes in the personal        │
│    the changes taking place      financial services            │
│    within the personal           sector ?                      │
│    finance market. What are    - What effect will these         │
│    their views of these          changes have upon the         │
│    changes ?                      nature of building            │
│  - What type of financial         societies and the            │
│    behaviour are consumers        building society industry?   │
│    currently engaged in?                                        │
└───────────────────────────────────────────────────────────────┘
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┌──────────────────────────────┐    ┌──────────────────────────────┐
│   Group     Discussions      │    │ Indepth Interviews:  Phase  1 │
│                              │    │                              │
│ Unstructured  taped interviews│    │ Semi - structured  interviews│
│ conducted with  four  groups of│   │ conducted with  the  marketing│
│ consumers.                   │    │ managers  of   six  building │
│ The aim was to provide insights│   │ societies.                   │
│ into  the  current  personal │    │ The aim was  to  establish   │
│ financial  services  market, to│   │ the  response  of  societies │
│ identify  terminology used  and│   │ to   changes  within   the   │
│ the  general  attitudes  and │    │ personal  financial  services│
│ perceptions  of  consumers   │    │ market.                      │
│ towards  building societies and│   │                              │
│ savings.                     │    │                              │
└──────────────────────────────┘    └──────────────────────────────┘
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┌──────────────────────────────┐
│  Personal  Savings  Survey   │
│                              │
│ Mail survey to 2000 individuals│
│ randomly drawn from the  sample│
│ area.                        │
│ The aim was to  assess consumer│
│ attitudes  and  behaviour with│
│ respect to  building  societies│
│ and savings.                 │
└──────────────────────────────┘
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┌───────────────────────────────────────────────────────────────┐
│                  STAGE    ONE    FINDINGS                       │
│                                                                 │
│  CONSUMER                      INDUSTRY                         │
│                                                                 │
│  - More financially  active    - Most   societies   have       │
│    and   willing  to  move       diversified,      further     │
│    funds                         expansion  in the  number     │
│  - Aware that societies are      of   services   expected      │
│    changing,  diversifying     - Societies  are  aware  of     │
│    and   becoming   more         their   favourable  image     │
│    competitive                 - Societies  are  concerned     │
│  - Have  favourable  images      about   the   possible        │
│    of societies,  vis-a-vis      negative  effects changes     │
│    other        financial        in  strategy   may  have      │
│    institutions.                 on   their   image  and       │
│                                  consequently    consumer      │
│                                  behaviour.                    │
└───────────────────────────────────────────────────────────────┘
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area was available, rapid changes within the financial sector had eroded its applicability. It was thus considered necessary to establish basic information relating to the current market. Research first focused upon consumers. Group discussions were conducted to develop ideas on, and provide insights into the savings market and the building society industry from a consumer perspective. Key aspects of behaviour and attitudes identified during the discussions were further investigated in a highly structured consumer mail survey (the Personal Savings Survey). Exploratory research conducted within the building society sector aimed to gain an understanding of the societies' views and reactions to changes within the personal financial services industry. In-depth interviews were conducted with building society marketing managers to obtain this information.

All data emerging from Stage One of the research were combined, subsequent analysis identified those issues requiring further attention in Stage Two of the research.

In **Stage Two** the focus of the research was upon building society image (see Fig 3.4). In-depth interviews were conducted with samples of both consumers and building societies to investigate the composition of building society image (i.e. image attributes). Data emerging from

Figure 3.4

Data Collection and Analysis: Stage Two

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┌──────────────────────┐
│   STAGE    TWO       │
└──────────────────────┘
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STAGES TWO QUESTIONS

CONSUMER	INDUSTRY
- What is building society image, i.e. its structure and composition ? - How do consumers use image to differentiate and choose between societies ? - What is the image of an ideal building society ?	- What do societies understand by image ? - What are societies perceptions of consumer use of image ? - What attributes of image do societies believe consumers consider important in choice decisions ?

In-Depth In-Home Interviews

Semi - structured interviews were conducted with 33 consumers.
The aim was to identify the attributes used by consumers to construct building society image.
The Repertory Grid was used to elicit the image attributes.

In-Depth Interview : Phase II

Semi - structured interviews were conducted with the marketing managers of 12 building societies.
The aim was to determine building societies' understanding and use of the image construct.

Building Society Survey

Mailed survey to 492 respondents of the Personal Savings Survey.
The aim was to identify consumers ' use of image attributes in their perceptions and choice behaviour.

Image Model

Using Factor Analytical techniques the composition and structure of building society image was identified. Image was found to be composed of 26 attributes and 8 dimensions.

the consumer interviews were used in the following survey, the Building Society Survey.

3.5.1.1   Research Techniques Employed

a) Interviews

The interview is a research technique comprising a variety of differing methods which can be classified according to the degree of structuring (Richardson, Dohrenwend and Klein 1965). All interviews can be placed on a continuum between structured and unstructured. No interview, however, is totally unstructured as the interviewer appraises the meaning of emerging data and uses the resulting insights to phrase questions that will further develop the implications of these data (Walker 1985).

The interview technique was employed in the study to collect exploratory data. Specifically, the unstructured and semi-structured methods (group discussions and in-depth interviews), were utilised. These methods were selected for their flexibility, allowing new and unexpected information arising during the interviews to be easily accommodated. Whilst the use of a more structured technique (e.g. mail survey), would enable a larger sample over a wide geographical area to be covered, the technique is

inflexible and thus inappropriate for exploratory research. The study, at this stage, had not established which factors were to be measured, thoughts and ideas first required clarifying before structured methods could be employed.

The interview technique does, however, have weaknesses. One of the major drawbacks associated with the technique is that of interviewer bias (Collins 1980; Rice 1929; Chisnall 1986). Andrews (1974) identified 5 sources of bias:

1. Voice inflection - this implies the interviewer's own approval or disapproval;

2. Disdain for respondent - this may be shown, for example, by overdressing in a poor neighbourhood;

3. Suggesting or implying an answer to an open-ended question;

4. Conversation about the interviewer's own problems;

5. The interviewer's voluntary expression of his/her opinion about the product/question involved.

In any interview situation there will always be some degree of bias, intended or unintended due to the necessary

interaction between interviewee and interviewer. The potential for bias varies according to the level of interaction and hence the interview method selected. For example, in group discussions interaction is minimal as interviewees are encouraged to discuss items amongst themselves, whereas in in-depth interviews the potential for bias is greater due to the high level of interaction. Awareness of the possible sources of bias does however enable the interviewer to take steps to minimise it. Within the in-depth interviews conducted in this study, conversation on the subject area focused upon the interviewees' views and opinions, inputs from the interviewer were restricted, where possible, to simple probes asking the interviewee to expand on statements.

GROUP DISCUSSIONS

Group discussions were classified by Kinnear and Taylor (1979) as an 'unstructured-direct' interview method. The unstructured element reflects the fact that questions are broadly based and that answers provided by the respondents are 'uncontrolled' and based on their own perspectives and perceptions (Fahad 1986). Questions are used to direct the flow of the discussion rather than to elicit specific information. Unlike other interviewing techniques, group discussions encourage individuals to express their views

through interaction with, and stimulation from, other group members. The technique is thus particularly suitable for research in the personal financial services sector where interest in, and knowledge of the subject matter, is limited (Preddy 1989).

A total of four group discussions were conducted, each lasting between 55 and 70 minutes. A simple list of four questions (see Appendix 3.2) were used to chart the course of the interviews. Using the funnel technique, questions were arranged with the discussion beginning on a broad level (e.g. savings in general) and gradually narrowing through progressively more restricted channels to a final specific line of enquiry (e.g. specific building societies). Each question was used to direct the flow of the discussion rather than to elicit specific answers. All answers were recorded on a check-list and the proceedings taped.

PERSONAL IN-DEPTH INTERVIEWS

Personal in-depth interviews were conducted with representatives from both the building society and consumer sectors. All interviews were semi-structured in nature and used broad, open ended questions.

(i) Consumer In-Depth Interviews

A total of 33 in-home, in-depth interviews were conducted
with consumers. Each interview lasted between 50 and 80
minutes. Using a semi-structured plan the image of three
different institutions were investigated: retail stores;
banks; and building societies. Firstly, interviewees were
invited to freely discuss their favourite store, or one
they visited frequently. Secondly, the interviewee's
attention was directed towards banks, both banks in
general and those at which an account was held.
Finally, the interviewee was invited to discuss building
societies. The three phases of the interview were designed
to direct and focus the interviewees' thoughts.
Interviewees were first encouraged to focus on general
'everyday' shopping, then 'shopping' at a bank, and finally
'shopping' at a building society. This approach was used,
because unlike general shopping which is usually conducted
on a weekly basis, most consumers visit their society
approximately once every three months (BSA 1983).
Statements made with respect to stores/banks were
recorded on a pre-determined check-list of attributes
(see Appendix 3.9 a) drawn from the literature
(Lindquist 1974; Hansen and Deutscher 1975-76; Martineau
1958). Interviewees discussed building societies with
the aid of Kelly's Repertory Grid (1955).

The Repertory Grid is a technique particularly suited to image research as it is concerned with an individual's perceptions of the world. As such the technique has previously been applied in a number of image studies (e.g. Harrison and Sarre 1971; Hudson 1974; Riley and Palmer 1976). In essence the Repertory Grid is a way of producing a person's mental map on a topic (Smith 1986) thus openly revealing the ways in which he/she perceives reality. According to Kelly (1955), mental maps consist of elements and constructs. The **elements** are the objects of our thoughts (the building society) and the **constructs** (image attributes), the qualities the elements possess which are used to differentiate among the elements.

The grid used in this study was composed of 26 societies (the elements), 24 of which had branches/agencies in the sample area, the remaining two were hypothetical (see Appendix 3.9 b for a full list of societies used). Due to the large number of societies each interviewee was instructed to discard those least familiar to him at the outset. The societies remaining were thus those with which the interviewee had some knowledge.

Attributes were elicited from the interviewees using the diadic method, i.e. by randomly presenting two societies at a time (Smith 1986). Whilst the triadic method (i.e.

three elements) is most common (e.g. Kelly 1955, Hudson 1974, Coshall 1984, Smith and Harbisher 1989), this approach was considered too challenging for interviewees due to their relatively low level of knowledge and experience of building societies. Each interviewee produced his own set of attributes using the grid. Interviewees were however, also encouraged to freely discuss their own societies. This combination of approaches produced two sets of data: attributes used to differentiate between societies; and attributes used to describe the respondents own society.

(ii) Industry In-Depth Interviews

Interviews were conducted with building society marketing managers at two different stages of data collection.

Phase One interviews were conducted with six building societies (see Appendix 3.14) and focused upon societies' views of changes within the personal financial services sector and their marketing strategies in response to these changes. The interviews were semi-structured, a simple list of questions (see Appendix 3.15) were formulated to chart their course. All interviews comprised the following three sections:

Section 1   was concerned with background details of the
            society. This question served two purposes:
            to act as a simple introduction to the
            interview; and to classify the society (e.g.
            by size).

Section 2   focused upon the changes taking place within
            the personal financial services sector.
            Question 2 was concerned with current
            environmental changes (legislation ;
            competition; and technology) whilst Question
            3 attempted to identify changes in the
            consumer market.

Section 3   attempted to identify the response of the
            society to the changes identified. Question
            4 asked societies to indicate their response
            to changes within the consumer market.
            Questions 5 to 8 aimed to identify the
            society's strategies in response to the
            environmental changes. Due to the sensitivity
            of this information, background data relating
            to the marketing activities of the society
            were also collected at this stage.

Phase Two   interviews were conducted with twelve building
societies   (see Appendix 3.17) and focused upon building

society image, its structure and use. Interview questions
fell into four subject areas, ordered in compliance with
the funnel technique:

Section 1   considered   image   at   a   general   level.
             Question 1 asked interviewees to   define   the
             term   "image"   in   a   marketing context, this
             served   both   as   an   introduction   to   the
             interview and defined the terms of reference.
             Questions 2a   and   2b considered the image of
             the building   society   industry: what was its
             image; how had it changed?

Section 2   focused   upon the image of   the interviewee's
             building   society.   Whilst   Question   3a
             attempted to identify the present   image,   3b
             to 3e   inclusive considered   changes in image
             and   thus   reflected   its   dynamic   nature.
             Question 4   aimed   to establish the nature of
             any image research   conducted by the society.
             Finally,   Question 5   looked at the ways in
             which the society   communicated its image to
             the consumer.

Section 3   was   used   to   elicit   image   attributes.
             Interviewees   were asked   to identify ways in
             which societies differed in Question 6a using

the Repertory Grid (diadic method). Question 6b was used to identify the attributes on which societies were considered to differ most, i.e. the salient attributes.

Section 4 considered the consumers' view of societies. Question 7 asked societies to indicate the differences they thought the consumer perceived between societies. Question 8 aimed to identify those attributes believed to be considered important by consumers when choosing a building society for various uses (investment, mortgage, other services).

Appendix 3.18 contains a full list of the interview question areas.

b) Mail Surveys

The mail survey technique was employed in both Stage One and Two of data collection (see Fig 3.2). The technique allows information to be collected from a large number of individuals, spread over a wide geographical area. The mail survey was thus used to further investigate the findings from the qualitative research as its highly structured form

produces quantitative data open to rigourous statistical analysis.

The major criticism of the mail survey lies with the response rate. Whilst numerous studies report high response rates in excess of 90 % (e.g. Baur 1947; Scott 1961; Gray 1957), it is equally possible for surveys to achieve lower rates of 10 % (Oliver 1986). Consumer mail surveys concerned with financial services frequently receive low response rates (e.g. Taylor and Bengiel 1984 received 25.9 %; Laroche and Manning 1985 obtained 32 %). This level of response can be attributed to the respondents' limited interest in the subject matter (Jobber 1986). As response rates are a potential source of bias, a low response "may destroy the randomness of the sample and thereby the representativeness and reliability of the survey" (Erdos 1974), it is prudent to attempt to minimise non-response. The mail surveys of this study were designed with this objective and thus followed recommended best practice. For example:

- covering letters used personal salutation and were individually signed (Dillman et al 1984; Erdos 1974);

- the speed and ease with which the questionnaire could be completed was emphasized, and

confidentiality assured (see cover letters Appendix 3.4 and 3.10);

- all letters were mailed to respondents first class emphasizing importance and encouraging prompt reply (Dillman et al 1984);

- free-post reply envelopes were enclosed with each questionnaire (Whitley 1985);

- questionnaires were printed (Scott 1961) and questions were laid out spaciously in a vertical answer format (Dillman et al 1984);

- the name of the sponsoring institution, "Plymouth Polytechnic" (now Polytechnic South West), was used thus identifying the research as independent of any building society (Filipello, Berg and Webb 1958);

- questionnaires were pre - tested to resolve ambiguities in the wording of the questions and instructions and revisions made in the questionnaire design;

- follow-up questionnaires were used to stimulate response (Whitley 1985);

he number of follow-ups and their timing is a subject which has received much debate (Scott 1961). In this study decisions were largely determined by the research constraints. Whilst cost constraints restricted the number of follow-ups to one, time constraints determined the short time elapse of one week between the initial and second mailing. Both time and cost constraints determined the number of non-respondents contacted. Whilst all non-respondents of the Building Society Survey received a follow-up, only 10% of non-respondents of the larger Personal Savings Survey received a follow-up.

THE PERSONAL SAVINGS SURVEY (P.S.S.)

The Personal Savings Survey attempted to assess the attitudes and behaviour of consumers relating to building societies and savings. All questions appearing on the questionnaire were closed. Closed type questions are more specific than open, and therefore more apt to communicate the same frame of reference to all respondents (Converse and Presser 1986). A Likert-type scale, ranging from "Strongly Agree" to "Strongly Disagree", was used for questions attempting to measure attitudes.

The questionnaire comprised 17 questions (see Appendix 3.6), the following provides a brief summary of those asked:

Question 1 identified whether or not the respondent held a building society account. Respondents not holding an account were filtered to Question 9.

Question 2 asked respondents to indicate the type(s) of building society account(s) they held. Four account types were specified, an opportunity was however provided for respondents to specify any other account types used by them.

Questions 3 and 4 were intended to identify whether or not respondents held multiple accounts at one, or more than one society.

Question 5 examined which issues the respondent considered important when choosing a building society account. Eleven issues were listed, but there was an opportunity for respondents to name other important issues.

Question 6 investigated which issue was considered most important.

Question 7 explored the respondent's use of money withdrawn from their building society during the previous six months. Seven uses were specified and an opportunity was provided for respondents to state other uses.

Question 8 asked the respondent to indicate which of the above uses was the most usual activity.

Question 9 was used to assess respondents' attitudes towards, and perceptions of, building societies using seven statements.

Question 10 was aimed at evaluating respondents' attitudes towards saving using a battery of 6 statements.

Question 11 examined the methods used by respondents for saving, investing and banking purposes. Twelve methods were specified, but there were opportunities for respondents to mention other methods used.

Questions 12 to 17 inclusive were concerned with respondent classification. Question 12 asked respondents to indicate their age. Question

13 enquired about respondent's sex. Respondents were required to state their marital status in Question 14. Question 15 attempted to identify respondent's gross annual salary. Question 16 was devoted to determining the age at which the respondent completed his / her full-time education. Finally, Question 17 enquired about the occupation of the head of household.

BUILDING SOCIETY SURVEY (B.S.S)

The Building Society Survey investigated consumer perceptions and use of building society image using the 27 attributes identified in the consumer in-depth interviews. Each attribute was presented in one of two forms, either bi-polar (e.g. warm/cold atmosphere) or unidirectional (e.g. friendly/ unfriendly). Attributes were arranged in 5 groups, "a" to "e". Group "a" was concerned with general descriptions of building societies (e.g. size, amount of advertising), group "b" enquired about the branches of the society (e.g. location, atmosphere), group "c" focused upon the staff (e.g. friendliness, helpfulness), group "d" was concerned with service (e.g. waiting time, speed of decisions), and finally group "e" considered the society's products (e.g. range, interest rates). Answers were

recorded by respondents on a five point scale by ringing the appropriate answer. All questions, using this scale, were preceded by instructions and an example showing respondents how to record their answers (see Appendix 3.12). The following provides a brief summary of the questions asked:

Question 1   identified whether or not the respondent held a building society account. Respondents not holding an account were filtered to Question 4.

Question 2   asked respondents to name the society at which they held their account. Respondents holding accounts at more than one society were directed to name the one society they visited most often.

Questions 3a to 3e   asked respondents to describe the society identified in Question 2 using the attributes listed.

Question 4   asked respondents to name a society with which they were familiar.

Questions 5a to 5e asked respondents to describe the society chosen using the 27 attributes

listed. Question 5f examined whether or not the respondent had ever used the society.

(A number of respondents experienced difficulties with Questions 4 and 5 during the pilot stage. Many were unable to name, and reluctant to describe, a society with which they had little or no experience. Respondents were therefore directed to think of a society known to them from advertising, high street branches or the experiences of family and friends. This society was then rated on each attribute according to the respondents knowledge or impressions of that society.)

Question 6a to 6e asked respondents to describe their ideal building society using the 27 attributes listed.

Question 7a to 7e aimed to determine the importance respondents ascribed to each attribute when choosing a building society. Each attribute was broken down into 2 parts, respondents were therefore asked to indicate the importance of 54 separate "items" on a scale of 1 to 5, whereby 1 was very important and 5 very unimportant.

Question 8 was an open - ended question inviting

respondents to add further information concerning building societies if they wished.

3.5.1.2 Identification of the Research Participants

a) The Consumer Sample

The research population was defined as both building society members and non-members. Research constraints (i.e. time and costs) however limited the study to the Plymouth and surrounding area. Secondary sources (i.e. Euromonitor 1985), however indicated that individuals residing in the research area (i.e. the South-West) were more financially active (i.e. more likely to be savers, borrowers, have bank accounts and be insured) than the U.K. average. This suggested that the generalizability of the findings would be limited. A comparison of consumer behaviour across different regions (BSA 1986 a) however revealed consumers of the South-West to be more active than consumers of the north (e.g.Yorkshire/Humberside, North-West) but less active than those of the South-East. Thus the resulting data, although not representative of the U.K., would provide valuable insights into the views and behaviour of consumers not only in the sample area, but would also provide an indication of the views and behaviour of the U.K. consumer as a whole.

Four consumer samples were identified, all comprising of individuals residing in the research area:

THE CONVENIENCE SAMPLE

The convenience sample was used to identify 20 individuals (see Appendix 3.1), who were invited to take part in one of four group discussions conducted at the exploratory stage of data collection. The convenience sample is particularly suitable to exploratory research as it enables interviewees to be identified quickly and is administratively inexpensive.

Interviewees were drawn from the sponsoring institution: Polytechnic South West (formerly Plymouth Polytechnic) and placed into groups of five (see Appendix 3.1). The group size was chosen to avoid placing too much responsibility upon participants or inhibiting the participation of introverted members (Weiers 1984). Interviewees of a similar nature (e.g. age / sex / occupation / building society usage) were placed in the same group to avoid interactions and conflicts amongst members on issues not relevant to the study objectives (Kinnear and Taylor 1979). Attempts were made to have diversity across the groups with

respect to age, sex and social class (occupation based), thus taking account of variations within the population.

The convenience method is a non-random sampling technique, as such samples drawn using this approach may not be representative of the population from which they were drawn. This weakness may be compounded where sample sizes are small. Whilst attempts were made to have diversity across the groups chosen, it must be recognized that some degree of bias may exist due to the small sample size. As the research was at this stage exploratory, the aim of which was to develop insights into general perceptions of the personal financial market which would be subsequently explored in detail using random samples, the size and nature of the sample identified was considered appropriate.

THE RANDOM SAMPLE

The random sample was used to identify 2000 individuals who were invited to take part in the first mail survey: the Personal Savings Survey. This survey was conducted in 1986/7 and investigated the attitudes and behaviour of consumers with respect to their personal savings.

Figure 3.5

Identification of the Sample Area for Consumer Research

1. Sutton

2. Drake

3. Devonport

4. West Devon

5. South Hams

6. Caradon
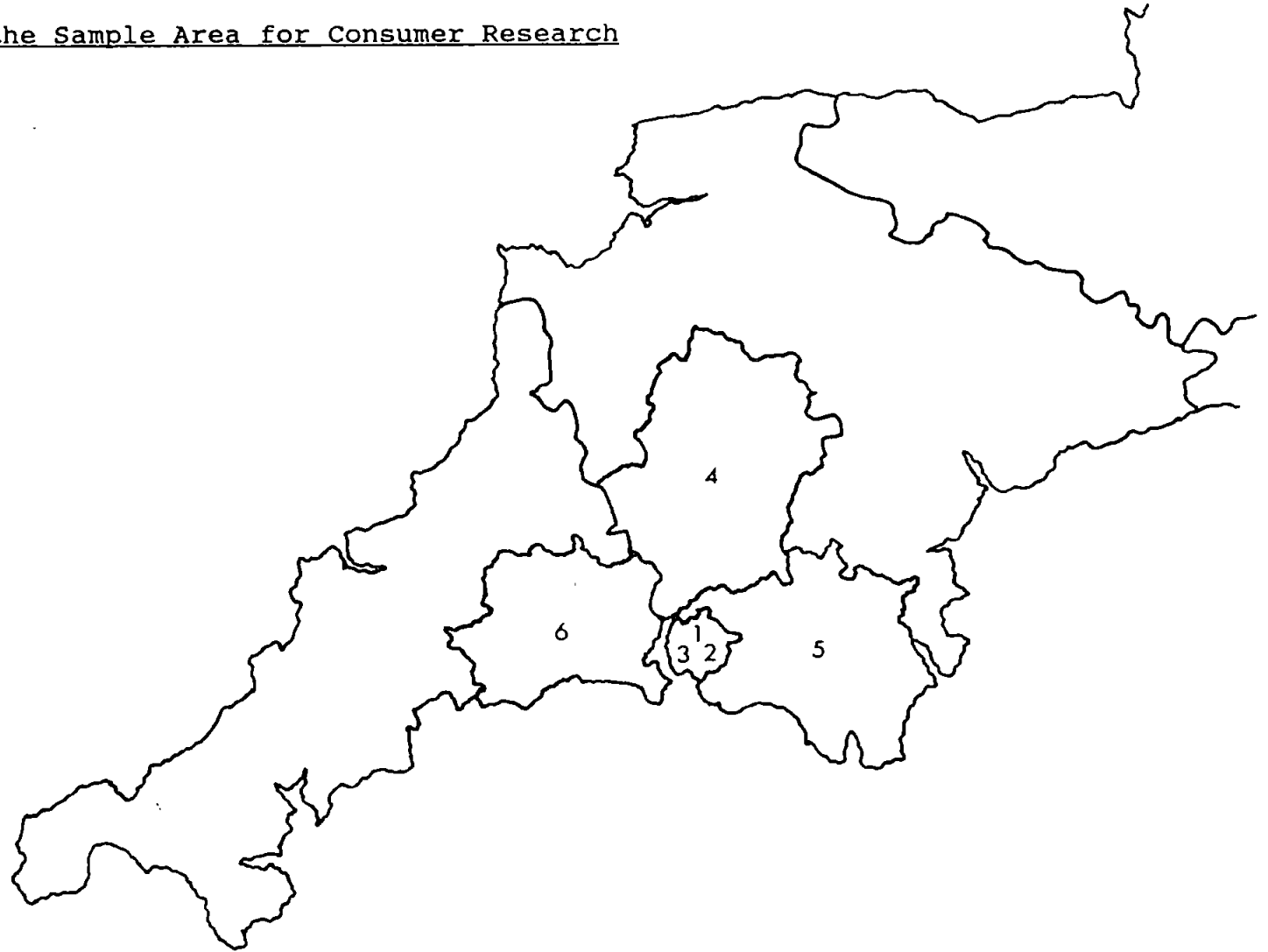
The sample was drawn from the frame (the Electoral Register), using random numbers computer generated by Minitab (a Mainframe statistical package). The sample area was defined by six parliamentary constituencies: Sutton; Drake; Devonport; South Hams: West Devon; and Caradon (see Fig 3.5). The research area thus included parts of both Devon and Cornwall, a total population of 380,000 (OPCS 1984). Random numbers were generated for each ward. The number of individuals drawn from each ward was determined by the ward size. Thus the probability of any individual being chosen from the research area was directly proportional to the population of the ward in which the said individual resided.

Sample size was calculated using the normal approximation based upon market breakdown of building society account and non-account holders (see Appendix 3.3). It was estimated that 383 valid responses were required to obtain a representative sample. Response to a survey of this nature (i.e. requesting sensitive information; concerning a subject of limited interest; and without an incentive offered for completion) was however expected to be low, estimated at approximately 20 %. To achieve a response rate of 383 it was thus necessary to set a sample size of 2000.

The frame, the Electoral Register catalogues all adults eligible to vote in government elections and as such provides one of the few comprehensive lists freely available to all members of the public. The use of the Register as a sampling frame has been well documented (see for example, Gray, Gorlett and Frankland 1950; Gray and Gee 1967; Gray 1971). Its suitability is however dependent upon the specific nature and requirements of each study. Yates (1953) suggests five criteria on which to evaluate a sampling frame:

- **Adequacy**: the sample frame should cover the population to be surveyed and it should do this adequately related to the purpose of the survey;

- **Completeness**: the frame should include all those units of the population that should be included;

- **Duplication**: each unit should appear once only, multiple entries can result in bias;

- **Accuracy**: many sampling lists contain "non-existent" units owing to the dynamic nature of these populations; and

- **Convenience**: accessibility of the list and suitability of its arrangement for the purpose of

sampling.

The Electoral Register was found to provide a suitable
sampling frame for the study on the basis of the above
criteria. As all adults[1] are required by law to register,
the frame provides a complete list of both building society
members and non-members. The frame is however produced
yearly with respect to a qualifying date, and is not
revised during its life. Non-existent units, e.g. due to
death/change of house, will therefore remain within the
frame. In addition, previous studies have found that whilst
a number of individuals eligible to register fail to do so,
others are registered twice. The level at which these
deficiencies occur is however relatively low, estimated at
2.9% and 0.6% respectively (Gray and Gee 1967). The
Electoral Register thus provides a readily available frame
which was found to be appropriate for this study.

THE SIMPLE RANDOM SAMPLE

The simple random sample was used to identify those
individuals who were invited by mail to take part in in-
home in-depth interviews (see Appendix 3.7 for an example

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1   All British subjects are under a legal capacity to be
    registered as parliamentary electors, exceptions are:
    persons of unsound mind; felons undergoing a sentence of
    imprisonment of more than one year; certain persons
    convicted of corrupt or illegal practices; and Peers.

f the letter of invitation). Initially 60 individuals were drawn from the frame using random numbers. The aim was to identify over 30 individuals who were willing to participate in the interviews. Following an initial low response, two further samples were drawn from the frame, 80 and 90 individuals respectively, thus a total of 230 individuals were drawn in three waves. Respondents of the Personal Savings Survey (excluding those unwilling or unable to participate in the research) provided the frame for the simple random sample. Random numbers were again computer generated and individuals were drawn from the whole sample, irrespective of the ward in which they resided.

THE INCLUSIVE SAMPLE

The inclusive sample was used to identify those individuals who were invited to participate in the second mail survey, the Building Society Survey (B.S.S.). The sample consisted of all respondents to the P.S.S., a total of 492 individuals. The B.S.S. focused upon the image of building societies and was conducted in 1988.

Repeated use of one sample of individuals (i.e. respondents of the P.S.S.) permitted the construction of a database in which classification data concerning respondents could be

ored and recalled (i.e. demographics, savings behaviour). his approach is however vulnerable to the interactive esting effect, whereby respondents become atypical lements 1983). Within the study research was conducted ver a three year period and the majority of respondents articipated in only two pieces of differing research., ence this effect would be minimal. However, the advantages o be gained from this approach are many: information can e cross-referenced, data collection can be minimised dding to (rather than duplicating basic information, e.g. ge/sex/income), and time and costs involved in stablishing new samples avoided.

b) The Industry Samples

The population for the industry sample was defined as all societies operating within the U.K. building society industry. The Building Societies Yearbook (BSA 1986b) provided the frame, this lists all societies (both members and non-members of the Building Societies Association), a total of 151 members. Whilst the Yearbook is produced annually, due to the dynamic nature of the building society sector (e.g. merger of societies), the frame required periodic revision. Revisions were made using information from the monthly trade journal, the Building Societies Gazette. Three samples were drawn from the frame.

SAMPLE ONE

Societies were selected to take part in in-depth, exploratory interviews in Stage One of the research. The sample was essentially a convenience sample, societies were selected according to the location of their head office. Two regions were selected due to their close proximity to the research area, thus minimising travel time and costs. Attempts were however made to ensure that the societies identified were representative of the building society industry. Size of society (asset based) was the criteria used. The two regions identified were the South West (e.g. Somerset, Dorset and Avon); and the West Midlands (e.g. Staffordshire) (Standard Regions 1987). In total, fourteen societies were identified, six of which agreed to take part in the research (for a full list of participating societies see Appendix 3.14).

All societies agreeing to participate in Phase One interviews were medium (i.e. assets of £100m to £499m) and large (assets over £500m) sized. Attempts made to interview the smaller societies were unsuccessful. The smaller societies refused to participate as they did not have a clear marketing strategy (e.g. Teachers) and/or lacked a marketing department (e.g. Hanley Economic). The resulting

sample was thus not representative of the building society industry with respect to size. Whilst this bias could affect the generalizability of the findings, the aim of the Phase One interviews was to develop an understanding of the building society industry and to consider general issues. As all interviewees held titles such as Assistant General Manager, Head of Marketing and Manager, Market Research and had considerable experience of the building society industry, the sample was considered suitable for this phase of research.

SAMPLE TWO

The second sample of societies was used in the consumer in-home interviews conducted in Stage Two of the research. The aim was to identify all societies with which individuals residing in the sample area would be aware. All societies with branches located in the South West sample area (Fig 3.5) were thus selected. Societies were drawn from the Building Societies Yearbook (1986b). However, as the frame was produced two years earlier, the presence of each society in the sample area was verified using local directories (Yellow Pages 1987; Thomson Local Directory 1987-88). A total of twenty-four societies were identified (see Appendix 3.9 b).

SAMPLE THREE

The 24 societies identified in SAMPLE TWO (above) provided the frame from which the third and final sample of building societies were drawn. Selection of the societies was based upon consumer awareness, i.e. societies recognized by more than half of the interviewees participating in the in-home interviews. Twelve societies were identified and invited to take part in Phase Two in-depth interviews. The societies selected were generally the large, national societies with which consumers were familiar (see Appendix 3.17), thus creating a bias in the sample. This bias was however reduced when two societies (Nationwide Anglia and Alliance and Leicester), declined to participate in the research and were subsequently replaced at random by two of the remaining, smaller, societies (Chelsea and Portsmouth). Contact was made with the marketing departments of each society selected, all individuals taking part in the research held senior positions.

3.5.2 Data Analysis

Selection of the appropriate technique(s) for data analysis is largely dependent upon the nature of the data and population from which the data is obtained. Quantitative

ata readily lends itself to rigourous statistical
analysis, however the analysis of qualitative data is
relatively subjective (Weiers 1984).

Analysis of the quantitative data (i.e. data from the PSS
and BSS) was conducted using the Statistical Package for
the Social Sciences (SPSS-X). This package contains a wide
range of statistical procedures (see for example Norousis
1988).

The majority of data analysis was conducted using cross-
tabulations to identify relationships between different
variables, e.g. age and building society usage. The
significance of the relationships identified were tested
using the chi-square test.

Analysis of the Personal Savings Survey also involved the
use of the one-sample chi-square test. This was applied to
questions involving Likert-type scales. The technique tests
the distribution of observed frequencies against the
expected frequencies across cells, hence the application is
often referred to as a goodness-of-fit test (Willemsen
1974).

Analysis of the data from the Building Society Survey also
involved the use of factor analysis. Factor analysis both
reduces data and aids interpretation. The technique was

used to examine the inter-relationships amongst the attributes of image and thus determine the underlying structure. Full discussion of the specific method used can be found in Chapter Five.

Analysis of qualitative data involves attempts to identify common themes and variations or "patterns" within the data. Analysis is relatively subjective, hence different researchers may reach dissimilar conclusions based on the same set of interview data (Criggs 1987). To reduce subjectivity in the analysis of qualitative data it is necessary to construct a framework for analysis. However, as the objective of the exploratory research was to encourage new and unexpected information, it was necessary to incorporate a framework which would not restrict data collection. The questions used to direct the interviews were identified as a suitable framework for data analysis. Information was thus grouped according to the question themes. The use of check-lists and grids to record answers also provided an additional framework.

3.6 Research Conclusions

The Research Conclusions represent the final component in the Research Plan, the cumulation of the research. As such

the conclusions provide the answer to the Research Question.

The Research Conclusions are formulated by combining the information flowing from Stages One and Two, Data collection and Analysis and relating these findings to the knowledge gleaned from the Literature review. A full description of the techniques used, and the conclusions reached from this research can be found in Chapter Six.

3.7 Summary

This chapter sought to explain the methodology conceived and the research techniques employed to collect and analyse data for this study. **Firstly,** an overview of the research process, the research plan (Fig. 3.1) was presented. **Secondly,** background information relating to the formulation of the reseach question was provided, thus establishing its importance. **Thirdly,** the literature review, its nature, source and limitations, were considered followed by a report of the salients points to emerge. **Fourthly,** the techniques of data collection and data analysis were considered and the rationale for their selection presented. The results of the data collection and analysis provides the focus of the following chapters.

Finally, the methods used to establish the Research

Conclusions were presented.

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4. THE ATTRIBUTES OF BUILDING SOCIETY IMAGE

4.1 Introduction

Despite the recent focus of marketers upon those institutions which comprise the personal financial services market, previous chapters have demonstrated the existence of several gaps within the available literature. In this, and the following chapters, attempts will be made to close a number of these gaps relating to building societies using the research findings. In particular this chapter will report upon the current activities of building societies and their consumers (thus taking account of recent market changes); and identify the nature of consumer perceptions of building societies (i.e. the composition of building society image).

Within this chapter findings from Stage One and parts of Stage Two data collection are presented (see Fig 3.2 and 3.3) in five sections. Firstly, in **section one** data from exploratory research conducted with consumers is considered. The aim of this research was to provide an understanding of the current personal financial services market, and to clarify ideas for subsequent research. Key aspects of consumer behaviour and attitudes emerging during

the discussions were pursued in the Personal Savings Survey, the results of which are detailed in **section two.**

The research findings presented in sections one and two provide insights into the personal finance market from a consumer perspective. In contrast **section three** provides an industrial perspective reporting upon the interviews conducted with building society marketing managers.

The following sections report upon the findings of research conducted during Stage Two of data collection which aimed to investigate the image construct, i.e. identify the attributes of building society image. **Section four** identifies the attributes used by consumers to construct building society image. whilst in **section five** the attributes elicited from consumers are contrasted with those building societies suggest are used by consumers.

4.2. Consumer Group Discussions

An exploratory qualitative study was undertaken to develop ideas on, and provide insights into, the general savings market and building society industry from a consumer perspective. Specifically, four group discussions investigated the attitudes and behaviour of consumers, both building society account and non-account holders. (Appendix

.1. contains, as an example, the transcription of one of the group discussion conducted.)

The salient points to emerge from the discussions were as follows:

4.2.1. Consumer Knowledge and Awareness

The knowledge and awareness of consumers with respect to financial institutions and their services varied in accordance with the interviewees' experience. Most interviewees were well versed with, and actively discussed, those services traditionally provided by banks (e.g. current accounts) and building societies (e.g. deposit/ordinary accounts and mortgages), services which were familiar. In contrast, whilst most interviewees were aware of the new services (e.g. building society current accounts), few had actual experience and hence these services were less well understood.

Whilst the majority of interviewees were aware of recent and current developments in the personal finance market, depth of knowledge was limited to specific areas. For example, most interviewees were quite knowledgeable with respect to the "free banking" introduced by the Midland Bank, and recent share issues (e.g. British Telecom), both

of which had received substantial media coverage. However, only a small number of interviewees knew of the proposed changes in pension legislation (the White Paper proposing the removal of much of the pension provision from the State was currently before Parliament).

4.2.2. Saving and the Consumer

All groups reported saving for a variety of reasons, these were classified into two groups: Safety Orientated and Goal Orientated. The majority of interviewees considered saving a "necessary" activity for protection against "uncertainty" and "unexpected occurrences" , it provided a "safety net" and gave "a sense of security". Saving was used as a buffer against debt:

> "I save mainly because I would rather not get into debt when a big bill comes in. I know I can always borrow, but I would rather not have to."
> (Group four)

Interviewees also saved for a specific goal: a "large" or "essential" purchase (e.g. holiday or deposit for a house):

> "I'd like to have a little bit of money put away as a safety net - I agree with that. I'd only then save if there was a specific purpose."
> (Group four)

> "You need to save up for large items, the largest item you can buy is a house, and you need some

savings to put down a deposit for a house."
<div align="right">(Group three)</div>

Within the groups interviewed a number of interviewees held differing views. Saving was also perceived as a "sacrifice", an unattractive alternative to spending:

> "I think you should strike a balance - how much you want to save at the moment and by saving that.......
> how much am I losing, losing in fun. You are here once and its a very expensive thing to think of your future."
<div align="right">(Group Two)</div>

Another stated:

> "If you have got surplus money then save it, if you haven't got that surplus money to play about with then you are wasting your time with savings"
<div align="right">(Group One)</div>

Reasons, both Goal and Safety orientated, provided by interviewees to explain why they saved were cast into attitudinal statements and included in the subsequent mail survey.

4.2.3. Consumer Views of Changes Amongst Financial Institutions

Interviewees were aware of changes within the personal financial services market. Differences between financial institutions were perceived as small, banks and building

<div align="center">157</div>

ocieties were becoming "very much alike". One interviewee
sked :

> "Isn't there a possibility of all these building
> societies becoming banks?"
>
> (Group one)

Interviewees both supported and opposed the changes taking
place within the building society sector. On the positive
side societies were seen as becoming "more flexible in
their attitudes.... far less rigid than they used to be" .
Building societies were also expected to provide a wider
range of products and services and thus give the consumer
more choice:

> "Its nice to have the maximum choice because every -
> ones views are different. People have different
> incomes and they want to use their money in
> different ways. Its like if you go out to buy a tin
> of beans, you like to have a wide range of shops to
> go to. You might want something slightly different.
> Its got to be good for the consumer."
>
> (Group three)

On the negative side interviewees believed the changes
would be "detrimental" to the market. When asked whether
competition was good, one interviewee replied:

> "You'd think so short term, but in the long term I
> think not, because they are developing a market and
> once they have cornered that market they will put
> up the price and restrict their services."
>
> (Group one)

Although, financial institutions were becoming "alike" interviewees still distinguished between banks and building societies. Building societies were considered to offer the investor a superior service, with higher interest rates and a more friendly atmosphere. However, interviewees with building society mortgages held less favourable views. Societies were seen to be quite aggressive, for example, "pushing policies on you" when cross-selling (i.e. house insurance with mortgages). Also mortgagors reported feeling powerless:

> "They have got you on such a shoe - string (sic) really, haven't they? There's nothing you can do. They put the interest rate up if they want to, you just have to comply."
>
> (Group one)

Banks were perceived less favourably, largely the result of charges incurred on current accounts:

> "I think they use people when they charge bank charges, things like that. I think its an insult when you see the profits that they bring in"
>
> (Group one)

Other interviewees shared this view, banks' profits were described as "ridiculously high" and the banks were seen to be making "big killings" from consumers.

4.2.4. Choice of Building Society

The financial behaviour of respondents was found to be influenced by a number of factors. The following were reported as influencing choice of building society and building society account:-

~ Parental Influence - many interviewees had chosen societies (and banks) used by their parents.

~ Convenience - in terms of the number and location of building society branches. Interviewees wished to have easy access to their investments.

~ Access - interviewees did not wish to have investments " tied up " . The number and availability of cash point machines (ATM' s), the existence of withdrawal penalties and convenient branch opening times were all, therefore, considered important factors.

~ Interest Rates - interviewees wanted high returns on investments and low rates on loans (e.g. mortgages). Most interviewees claimed to be aware of interest rates when choosing an account, but did not continue to monitor comparative rates.

~ Specific Goal - interviewees wanted to save for large, expensive items, e.g. holidays, video.

~ Mortgage Availability - interviewees invested in a building society to enable them to purchase a house. Saving was conducted to amass funds for a deposit and to improve their chances when applying for a mortgage.

Factors used by the interviewees to explain choice of building society were also included in the subsequent mail survey.

4.2.5. Review of Findings

The aim of the group discussions was to develop ideas on and provide insights into the savings market, with particular reference to building societies. The sample of consumers participating in the group discussions was however relatively small, i.e. 20 interviewees. It was thus impossible to gauge the strength or importance of attitudes and behaviour with any degree of statistical confidence. Key themes emerging from the discussions therefore required further investigation using samples which were

statistically valid. The results of the group discussions thus provided the basis for the Personal Savings Survey.

The main findings of the discussions can be summarised as :

1. Saving - interviewees both agreed and disagreed with saving. Those disagreeing saw saving as a sacrifice, only acceptable where surplus funds existed. Respondents agreeing with saving, saved for a variety of reasons which were classified as "Safety" and "Goal" Orientated.

2. Building Societies - many interviewees perceived societies as superior to banks with respect to friendliness, interest rates and service. The societies were however seen to be changing, becoming more like banks. Interviewees saw this change both positively (i.e. more flexible, more services) and negatively (i.e. increased prices).

3. Consumer Choice Behaviour - a variety of factors influenced choice of building society and building society account: parental influence, interest rates, access, locational convenience and safety.

These findings were pursued in the Personal Savings Survey, the results of which are presented in the following section.

4.3 Personal Savings Survey (P.S.S.)

The Personal Savings Survey attempted to assess the attitudes and behaviour of consumers relating to building societies and general savings. Prior to the presentation of the survey findings, the participants of the survey are identified.

4.3.1 Survey Response

To obtain a representative sample of building society account and non-account holders, 383 valid responses were required (calculated using the normal approximation). In total the P.S.S. received 583 responses (29 %) of which 469 (23 %) were usable. Whilst the response rate may be considered low, it compares well with those obtained in previous studies of consumer financial activities. For example, Taylor and Bengiel (1984) obtained a 25.9 % response and Laroche and Manning (1985), 32 %.

In total 124 (6 %) of all questionnaires returned were unusable for the following reasons:

Table 4.1

Reasons for Unusable Returns

Reason	Number
Returned by Post Office	41
Unable to code reply	32
Respondent uninterested	25
Returned blank	8
Unable (due to age, sickness)	8
Deceased	7
Defaced	2
Total Invalid	124

Two factors specific to the study may have contributed to the relatively high number of unusable responses received:

1. The Electoral Register suffers drawbacks as a sampling frame. The addresses it contains are often vague or incomplete (Gray 1971) and it is

compiled once a year with respect to a qualifying date (revisions are not made during the interim).

2. The sensitive nature of the subject matter under enquiry. The survey requested information concerning the financial activities of individuals, a sensitive area even when confidentiality is assured.

Despite these factors the number of usable responses (469) exceeded the target (383). Whilst the sample was thus deemed to be representative of building society account and non-account holders, studies were conducted to test this assumption, details of which can be found below.

4.3.2 Profile of Respondents

Respondents were profiled according to population characteristics and savings behaviour (see Tables 4.2 and 4.4). The majority of respondents (55 %) fell within the 18 - 44 years age group. Slightly more men (53 %) than women replied, and 68 % of all respondents were married.

Social gradings were based upon the occupation of the head of household, accordingly 15 % were classified as AB, 40 % as C1, 29 % as C2 and 17 % DE.

Table 4.2

Respondent Demographics: Contrast with Local and National Data

a) Age of Respondents (%)

Age	PSS 1986/7	Devon 1981	S.West 1981	Gt Britain 1983
18 - 24	15.2	16.1~	16.1~	16.0~
25 - 34	20.6	16.1	17.1	19.3
35 - 44	19.5	14.4	15.2	)
45 - 54	14.5	)	)	) 33.8)
55 - 64	12.4	) 24.5)	) 24.8)	15.9
65 plus	17.6	28.9	26.0	15.0

Source OPCS 1981 and AGB 1983

(~ figures include individuals aged 16-18 years)

b) Marital Status (%)

Status	PSS 1986/7	Devon 1981
Single	20.1	21.3
Married	68.3	64.6
Divorced	4.7	3.7
Separated	0.7	)
Widowed	6.3	) 10.5)

Source OPCS 1981

c) Socio-Economic Groupings (%)

Grouping	PSS 1986/7	TSW 1984	Gt Britain 1984
AB	14.7	14	12.3
C1	39.5	21	25.7
C2	29.0	29	27.3
DE	17.1	36	34.7

Source AGB/BARB 1984

Table 4.3

P.S.S. Respondents by Population Characteristics (%)

	Total (460)	Respondents 1st Mailing (433)	Respondents 2nd Mailing (27)	X^2
Age				
18 - 24	15.2	15.0	18.5	
25 - 34	20.6	20.1	29.6	
35 - 44	19.5	19.2	25.9	
45 - 54	14.5	15.0	7.4	
55 - 64	12.4	12.5	11.1	
65 plus	17.6	18.2	7.4	n/s
Sex				
Male	52.6	52.7	51.9	
Female	47.4	47.3	48.1	n/s
Marital Status				
Single	20.1	19.6	25.9	
Married	68.3	68.6	63.0	
Divorced	4.7	4.6	7.4	
Separated	0.7	0.7		
Widowed	6.3	6.5	3.7	n/s
Gross Salary				
Under £6,000	50.7	49.9	63.0	
£6,000 to £6,999	8.9	9.2	3.7	
£7,000 to £8,999	11.5	11.5	11.1	
£9,000 to £10,999	10.2	10.9		
£11,000 to £14,999	9.4	8.8	18.5	
£15,000 plus	4.8	4.8	3.7	n/s
Education Completed				
16 and under	58.3	57.7	66.7	
17 - 18	25.2	25.4	22.2	
19 - 22	9.3	9.5	7.4	
23 plus	4.6	4.8		
still studying	2.6	2.5	3.7	n/s
Socio-Economic Grouping				
AB	14.7	12.5	8.3	
C1	39.5	32.6	33.4	
C2	29.0	23.6	33.4	
DE	17.1	13.6	25.0	n/s

(significance 0.05)

Table 4.4

Market Penetration of Financial Services

	P.S.S 1986/7	BMRB S.W. 1986	NOP T.S.W 1984	BMRB G.B. 1986	NOP G.B. 1984/5
BUILDING SOCIETY					
Any Account	75.9	67	58.8	64	
Deposit Account	68	67[1]		61[1]	51
High Interest Account	47.5				15
Current/Cheque	4.9	5		6	
BANK					
Any Account	84.9				
Deposit Account	36.1	25[2]	38.5	24[2]	32
Cheque Account	80	70[3]	75	70[3]	66
OTHER					
Unit/Invest Trusts	13.5	6[4]	5	6[4]	
Stocks/Shares	25	15[5]	7	13[5]	
Premium Bonds	39.8	41	47.1	36	
National Savings Bank	18.5		15.5		
Nat. Savings Certificates	8.9	7	11.5	8	
Trustee Savings Bank	14.5	11		12	
Save As You Earn	4.6	5		2	
Life Assurance	53				
Private Pension	18.1				66

Notes

1. all deposit accounts: ordinary and high interest
2. other bank account earning interest
3. combination of current accounts with cheque book earning interest and bank accounts with cheque books not earning interest
4. unit trusts only
5. shares only

Table 4.5

P.S.S. Respondents by Savings Behaviour (%)

	Total (460)	Respondents 1st mailing (433)	Respondents 2nd mailing (27)	x^2
BUILDING SOCIETY				
Any Account	75.9	76.4	66.7	ns
Deposit Account	68	68.3	61.1	ns
High Interest Account	47.5	48.3	33.3	ns
Current/Cheque	4.9	4.5	11.1	ns
Mortgage	24.4	25.7	22.2	ns
BANK				
Any Account	84.9	85.5	77.8	signif
Deposit Account	36.1	37.2	18.5	ns
Cheque Account	80	79.9	81.5	ns
OTHERS				
Unit/Invest Trusts	13.5	14.1	3.7	ns
Stocks/Shares	25	26.3	3.7	signif
Premium Bonds	39.8	40.2	33.3	ns
National Savings Bank	18.5	17.8	29.6	ns
Nat. Savings Certificates	8.9	8.8	11.1	ns
Trustee Savings Bank	14.5	15	7.4	ns
Save As You Earn	4.6	4.8		
Life Assurance	53	52.4	63	ns
Private Pension	18.1	18.5	11.1	ns

(significant at 0.05)

th respect to savings behaviour, 76 % of all respondents ld a building society account, 85 % had an account with a nk, and a further 25 % held stocks or shares.

3.3.Representativeness of P.S.S. Respondents

establish the representativeness of P.S.S. respondents o studies were conducted to identify possible response as. Firstly, respondents were classified according to ether they responded to the first or second questionnaire iling. Data obtained for each group was compared and ignificant differences identified using the chi-square test see Table 4.3 and 4.5). Secondly, respondent profiles were ontrasted with national and local data (see Table 4.2 and .4). However, as information relating directly to the ample area was unavailable, data describing the population f Devon, South West and the Television South West (T.S.W.) reas were utilised. In addition, OPCS (1981) data was used or comparisons on age, sex and marital status. AGB/BARB 1984) data provided information on socio-economic groupings s.e.g's).

sing the above data sources respondents of the Personal avings Survey were found to be generally younger, more ighly educated and of a higher status (s.e.g.) than the

population of Devon, the South-West and Great Britain. For example, 39.5% of P.S.S. respondents were classified as C1's and 17 % as DE's, whereas studies of the TSW area found 21 %, C1 and 36 % DE (see Table 4.2c). Also, with respect to education, whilst 42 % of P.S.S. respondents continued their education over the age of sixteen, Fothergill and Vincent (1985) found that only 21 % of those in Devon continued their education beyond the statutory leaving age.

Differences in the nature of P.S.S. respondents were attributed to the survey instrument, the mail survey. Previous studies have identified differences between respondents and non-respondents according to education (e.g. Baur 1947; Frazen and Lazarfeld 1945) and s.e.g. (Sirken, Pifer and Brown 1960). In the P.S.S. a comparison of respondents replying to the first and second mailings identified differences between the two groups. For example, whilst 42 % of those responding to the first mailing continued their education beyond the statutory age, only 33 % of those responding to the second mailing did so. In addition, whilst 16.5 % of respondents replying to the first mailing were classified as DE, this increased to 25 % of those replying to the second mailing. The differences identified were not however found to be statistically significant (see Table 4.3).

Respondents of the P.S.S. were found to be more financially active than the populous of the South West and Great Britain with the market penetration of most financial institutions, i.e. banks (e.g. Trustee Savings Bank, National Savings Bank) and building societies relatively high. For example, 76 % of P.S.S. respondents held a building society account (any), almost 10 % higher than the South West populous (BMRB 1986) and almost 20 % more than those residing in the T.S.W. area (NOP 1984) (see Table 4.5). The differences may be attributed to the subject matter under enquiry: personal savings. Scott (1967), in his review of studies using the mail survey technique, found "a response bias in favour of interest in the subject of the survey, or characteristics which appear to imply such interest" in several studies (see for example Franzen and Lazarfeld 1959 and Toops 1926). A comparison of the savings behaviour between those responding to the first and second mailings appear to support Scott (op cit). Fewer respondents replying to the second P.S.S. mailing held building society accounts, in addition significant differences were also found with respect to bank accounts (any) and stocks and shares. Although, a higher proportion of respondents to the second mailing were found to hold National Savings Bank accounts (29.6 % compared with 17.8 %), National Savings Certificates (11.1 % compared to 8.8 %) and Life Assurance (63 % and 52.4 %), these differences were not found to be statistically significant.

Having considered the profile (and possible bias) of the survey respondents, the following sections will consider the findings of the Personal Savings Survey.

4.3.4 Consumer Behaviour

Whilst previous studies found the South-West populous to be more financially active than the U.K. average (e.g. Euromonitor 1985, BSA 1986), respondents of the P.S.S. were more active than those reported in South-West studies. A comparison of the financial behaviour of P.S.S. respondents (1986/7) with those of N.O.P (1984 for the T.S.W. area) and BMRB (1986, South-West) reveal marked differences (see Table 4.4). For example, whilst 75.9 % of P.S.S. respondents held building society accounts, only 67 % of BMRB and 58.8 % N.O.P. respondents held such accounts. P.S.S. respondents also held more multiple accounts (i.e. accounts in more than one society). In comparisons with the U.K. average 14 % of respondents held multiple accounts in 1979, and 24 % in 1983 (BSA 1979, 1983), 31 % of P.S.S. respondents held multiple accounts. P.S.S. respondents were also more financially sophisticated than the U.K. average, making greater use of investment mediums with potentially greater returns, i.e. high interest accounts, unit/investment trusts and stocks/shares.

As the studies reported extend over a three year period (1984 to 1987) it is suggested that the differences in behaviour indicate that consumers are becoming both more financially active and sophisticated.

4.3.5. Consumer Use of Building Society Withdrawals

Building Society consumer behaviour was classified by Doyle and Newbold (1976) who suggested a simplistic segmentation in which three types of investor exist. The "saver" deposits amounts regularly with a building society until some savings objective is achieved; the "banker" uses the society essentially as a bank; and finally, the "investor" responds consistently and decisively with respect to interest rate differentials.

The P.S.S. attempted to estimate the relative size of the three market segments. The classifications devised by Doyle and Newbold were broken down by specific behaviour. The "savers" comprised of respondents who made no withdrawal or withdrew sums for a specific purchase; the "bankers" were those who used the sums for general spending or paying specific bills; finally, the "investors" transferred sums to either another building society account, other building society or different financial institution.   Respondents

indicated the use to which they put sums withdrawn from their building society account, the results are presented in Table 4.6. Two time periods were considered. Table 4.6 a) reports upon the respondents usual activity (single response) and Table 4.6 b) concerns the respondents activity during the previous six months (multiple response).

Table 4.6

Segmentation of Building Society Consumers

a) MOST USUAL ACTIVITY   b) USE IN LAST 6 MONTHS

Saver	57 %	Saver	66 %
Banker	33 %	Banker	53 %
Investor	10 %	Investor	34%

During both periods the activity of most respondents was indicative of a "saver", i.e. most respondents withdrew money for a specific purchase or made no withdrawal. Fewer respondents made withdrawals for banking activities or investments. It is perhaps interesting to note that

although the latter activities, banking and investing were not reported as the respondents usual activity, many more respondents had engaged in these activities during the previous six months. For example, whilst only 10 % of respondents usually withdrew sums for "investment" purposes, 34 % had engaged in such activities during the previous six months.

The findings presented in Table 4.6 suggest that the majority of consumers engage in more than one "type" of behaviour, i.e. many respondents used withdrawals for not one, but several purposes. Indeed, recent changes within the personal financial services market may have encouraged such activities. For example, the high profile flotation of nationalised industries by the government (British Gas, November 1986) and private concerns (Trustee Savings Bank September 1986) may have encouraged respondents to withdraw sums for investment purposes.

4.3.6 Choice of Building Society Account

The P.S.S. attempted to assess the recent changes and current nature of the consumer market. In order to make these assessments respondents were first required to indicate those issues they considered important when choosing a building society account, the results were then

contrasted with those of earlier surveys (conducted by the British Market Research Bureau: BSA 1983, 1986) to identify changes.

Respondents in all surveys attached most and least importance to the same issues, i.e. good interest rate and account opened by relatives respectively (see Table 4.7). Differences were, however, identified with respect to those issues concerning the building society mortgage and access to money.

The issue "Better chance of a mortgage" decreased in importance. Whilst, 43 % of respondents indicated that a mortgage was important in account choice in 1983 (BMRB), this had fallen to 38% in 1986 (BMRB) and to 33 % in 1986/7 (P.S.S.). As only 20 % of P.S.S. respondents possessed a building society mortgage and the majority of people in the U.K. (78%) expect to be home owners by 1993 (BMRB survey commissioned by BSA 1983b) the importance of this issue was expected to be higher. The mortgage market itself has, however, experienced great change. Traditionally the market was under-supplied with funds, partly the result of the internal cartel operated by the Building Societies Associated. However, during the early 1980s, domestic banks established themselves in this sector, followed by foreign banks (e.g. the Bank of Kuwait) and new sources (e.g. the Mortgage Corporation). As a direct consequence funds

Table 4.7

Issues Considered Important by Consumers when Choosing a Building Society Account

	PSS 1986/7		BMRB 1986		BMRB 1983	
	%	rank	%	rank	%	rank
Good interest rate	81	(1)	56	(1)	55	(1)
Better chance of mortgage	33	(8)	38	(2)	43	(2)
Easy to withdraw	64	(2)	35	(4)	37	(3)
Interest paid net of tax	38	(5)	23	(6)	26	(5)
Safe way of saving	51	(3)	38	(2)	36	(4)
Easy way to invest	35	(7)	26	(5)	25	(6)
Branch location	46	(4)	22	(7)	19	(7)
Branch opening hours	36	(6)	20	(8)	19	(8)
Friend/relative suggested	5	(10)	14	(10)	14	(10)
Wanted to save	23	(9)	18	(9)	15	(9)
Account opened by relatives	3	(11)	4	(11)	6	(11)

Source BSA 1983, 1986a
Note - BMRB used personal in-home interviews conducted
       nationally with account and non-account holders.

available increased and mortgages became relatively easy to obtain.

Issues relating to access also increased in importance, i.e. ease of withdrawal, branch location and opening hours. During 1986 accessibility featured highly in most building society (and bank) advertisements. Products which emphasised access were extensively promoted, these included accounts with cash cards allowing 18 hour access (e.g. Halifax Hard Cash) and liquid accounts (e.g. Leeds Liquid Gold) which permits easy withdrawal with minimal interest penalties. Advertising of this nature serves to increase awareness of such factors.

The findings would thus appear to suggest that choice of building society account is both varied and complex, changing according to market activities, e.g. the supply of funds within the mortgage market and advertising messages.

4.3.7. Consumer Attitudes

Consumer attitudes towards building societies and saving were assessed according to the respondents' reaction to attitudinal statements. Responses were recorded on a five part Likert-type scale ranging from 'Strongly Agree' to 'Strongly Disagree".

Consumer Attitudes Towards Saving

During consumer group discussions interviewees were found
to save for a variety of reasons, many had a specific goal
(e.g. holiday) whilst others saved for security (see
section 4.2.2). Most respondents (89 %) of the Personal
Savings Survey agreed with the general statement "Saving
is necessary for many reasons", however whilst saving gave
85 % of respondents a sense of security only 11 % saved
for a specific purchase. Respondents who disagreed most
with the statement "I only save if there is a specific
purpose e.g. video, holiday etc." were generally more
financially active. Significant differences were found
between users and non-users of several financial products
and services (e.g. building society account (any), bank
account (any), unit/investment trusts and stocks/shares
(see Appendix 4.2).

Although saving was considered important, it was not a
priority. Whilst 63 % of respondents did not think saving
was a sacrifice, only 26 % agreed with the statement "I
give priority to saving" . Respondents agreeing with the
latter statement were more financially active. Statistical
differences were found between respondents with
unit/investment trusts, stocks and shares, and building
society accounts and those without. Financially active
respondents also disagreed more and agreed less with the

Table 4.8

Response to Savings Attitude Statements (%)

	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
Saving gives me a sense of security	33	52	12	3	0
Saving is necessary for many reasons	28	61	9	3	0
Saving is a sacrifice as the money could be spent on other things	3	18	16	54	9
I only save if there is a specific purpose, e.g. video, holiday etc..	1	10	13	61	16
I give priority to savings	6	20	33	37	5
I would only save if I had a surplus of money	7	34	17	35	7

statement " I would only save if I had a surplus of money"
than other respondents.

Consumer Attitudes Towards Building Societies

Consumers were found to be aware of changes within the
building society market. In the Personal Savings Survey
the majority of respondents agreed that societies had
changed (74 % of respondents agreed with the statement
"Building Societies are becoming more like banks), but
societies were also seen to have retained their
traditional image of safety and friendliness. Whilst 89 %
of respondents agreed that societies were safe and secure
(27 % strongly agreed), fewer respondents, 58 % agreed
with the statement "Building societies are friendly
places". As societies have attempted to project a friendly
image via various advertising media, the number of
respondents agreeing with the latter statement was
relatively low. Staff/customer contact is however
decreasing, the building society investor is now able to
write cheques and withdraw cash from ATM's without
entering the branch. Significant differences were found
between consumer perceptions of building society
friendliness and respondent age. In particular fewer
respondents under the age of 24 years perceived societies
as friendly (see Appendix 4.3). Previous studies have
repeatedly found ATM users to be younger than non-

users (Pool 1974), hence the experience and perceptions of this group would differ.

Response to the remaining statements was mixed. Although the majority of respondents disagreed, rather than agreed, with the statements "Building societies are becoming too competitive when trying to get our money" and "Building societies are trying to provide too many services", approximately one quarter of all respondents agreed with the statements (26 % and 24 % respectively). Most agreement was however received from building society non-account holders (the difference was significant, see Appendix 4.3). Many respondents did however agree that if building societies were given more scope they would improve their service to customers.

4.3.6. Review of Findings

The aim of the Personal Savings Survey was to assess (statistically) the attitudes and behaviour of consumers with respect to general savings and building societies. The salient points to emerge from the 'Survey were:

1. Behaviour of Consumers - consumers are becoming more financially active and sophisticated. Increasing numbers of consumers hold multiple

Table 4.9

Response to Building Society Attitude Statements (%)

	Strongly Agree	Agree	Neither	Disagree	Strongly Disagree
Building societies are safe, secure places to keep money	27	62	10	1	0
Building societies are becoming too competitive when trying to get our money	5	21	43	27	4
Building societies are friendly places	9	49	38	3	1
Building societies make money for the people who save with them	13	61	18	8	0
If building societies were given more scope they would improve their service to customers	7	66	18	8	1
Building societies are trying to provide too many services	5	19	37	38	2
Building societies are becoming more like banks	13	61	17	9	0

accounts within one society and across several. More consumers have building society high interest "gold accounts", taking advantage of interest rate differentials. Shares and unit trusts have also received unprecedented interest from the small investor.

2. Consumers and Saving - most consumers consider saving important, but not a priority. Respondents agreed that saving was conducted for many reasons, perhaps most important of which was for safety. Relatively few respondents save for a specific purchase.

3. Building Societies - societies have a favourable image, perceived as safe and friendly. Consumers were aware that societies were changing, introducing new services and becoming more competitive.

Having considered the attitudes and behaviour of consumers within the current personal financial market, the following section focuses upon the building societies themselves, their response to a changing market.

<u>4.4. Building Society In-depth Interviews (Phase I)</u>

In-depth interviews were conducted with the marketing
managers of six building societies, the aim of which was to
develop an understanding of the current building society
industry. Interviews focused upon societies' views of
changes within the personal financial services sector and
their marketing strategies in response to these changes.
(An example of one interview conducted during Phase I can
be found in Appendix 4.4.) The main themes to emerge from
the interviews were as follows:

<u>4.4.1. The Goals and Marketing Strategies of Societies</u>

In response to changes within the personal financial
services market all societies interviewed had reviewed
their strategies. Growth, the traditional goal of building
societies had been replaced with, or accompanied by,
profitability. In addition, marketing had become
increasingly important in the face of growing competition.
Societies were adopting a "retail perspective":

> "the traditional building society would sit and wait
> for the business to come to them, now there is a
> switch of emphasis, a change in attitude, the
> societies must start to sell."
>
> (Britannia Building Society)

The response of societies to the imminent Building Societies Act was mixed. Whilst all societies had requested, or were planning to request, their members' permission to introduce all/some of the new services outlined in the Act, not all societies would utilise these powers. The smaller societies (e.g. Portsmouth, Wessex) wished to remain traditional building societies 'striving to improve and do better on what it already does'. Members' permission was sought as a "safety net" to provide flexibility in readiness for future market needs, as most societies recognized that diversification may be necessary.

> "If potential members are not joining the
> Portsmouth, as other societies are providing the
> services they require, then the society will look
> closely at these services, although the Portsmouth
> does not really want to provide them"
>
> (Portsmouth Building Society)

The larger societies interviewed (e.g. Britannia, Bristol and West) had already diversified. For example, the Bristol and West had established links with Laing and Cruikshank who provided share and investment services in the society's branches. Whilst the larger societies expected to continue to diversify, change would be gradual. Societies would 'remain basically the same, a building society' (Britannia Building Society). Most changes were expected to take place amongst the very large societies (e.g. Abbey National). One society observed:

"All but the largest societies are going to tread very carefully, they will consider their moves very, very cautiously."

(Bristol and West Building Society)

Most societies expressed concern over the possible effects of diversification, not only for the individual societies introducing the new services, but also for the building society industry as a whole. How would diversification affect consumer perceptions of societies and consequently consumer behaviour?

4.4.2. Consumer Perceptions of Building Societies

All societies interviewed referred to the favourable image of building societies, one of "security", "profit" (i.e. a guaranteed return) and "friendliness". Concern was, however, expressed that this positive image may be lost or tarnished following the societies' pursuit of diversification strategies:

"The industry is aware that it has maintained its good image. There is a need to preserve this asset, the friendly image. It could be easily lost if the societies head off in the wrong direction."

(Portman Building Society)

Societies believed that consumers held a less favourable image of those institutions providing other financial

products (e.g. insurance) and associated services (e.g. estate agency). The societies were concerned that the provision of such products and services by individual societies would tarnish the image of all societies.

> "The societies do have a good image, one of the best in the financial services sector........ In other areas the image is not so good, estate agents have one of the worst images, the societies do not want to be tarnished with this image when they diversify into new areas."
>
> (Britannia Building Society)

Many societies also believed that the new services would be of "inferior" quality, "second rate" as societies lack the necessary expertise in the new areas. In addition many of the new services were high risk areas in contrast to the traditional services provided by building societies. One interviewee observed:

> "A lot of people still like the security and traditional aspect of building societies. At the recent AGM one or two members expressed concern about the new powers available to societies: how safe are societies if they are lending unsecured?"
>
> (Portsmouth Building Society)

Societies had observed changes taking place in their image, changes which were expected to continue. The changes were both positive and negative. Whilst societies had become more efficient they were also perceived to be less friendly. What was unknown was how their image would

continue to change in the future and what effect this would
have upon consumer behaviour.

4.4.3   Changes within the Consumer Market

Most societies reported upon changes they observed within
the consumer market. The consumer was described as "more
questioning",   "more   financially   aware"   and   "more
sophisticated".   The   proliferation   of   consumer   money
programmes (e.g. Money Spinner, Channel Four TV) and the
increasing number of personal finance pages in local,
national and the popular press (e.g. Mirror) had increased
consumer awareness of investment alternatives. In addition,
the extensively publicised launch of a number of successful
share flotations (e.g. T.S.B, Sept. 86; and British Gas, Nov.
86) familiarised consumers with the Stock market. The high
returns of a bull market (pre Oct 1987) changed consumers'
attitudes towards risk.   The consumer market was described
by one society as:

> "(there is) a greater awareness of finance amongst
> the public. Funds are now being moved at a lower
> level as investors are conscious of the alternatives.
> Investors will speculate, they are interested in
> shares, unit trusts and PEP's. People are more
> prepared to take a risk"

>   (Staffordshire Building Society)

However, the basic needs and wants of consumers were
believed, by societies, to have remained unchanged:

"Fundamentally the consumer wants the same things,
i.e. a mortgage and a safe home for savings."

(Britannia Building Society)

"People still want security, still want simplicity
in savings"

(Bristol and West Building Society)

4.4.4 Review of Findings

The aim of the interviews was to develop an understanding
of the current building society industry, focusing upon the
response of building societies to changes within the
personal financial services market. The findings of the
interviews can be summarised as follows:

1. Building Society Marketing Strategies - the
   majority of societies had received their members'
   approval to implement all (or most) of the services
   outlined in the Act. Many societies (particularly
   the larger societies), had diversified and would
   continue to add new services to their portfolios.
   Growth in the number and range of services offered
   by societies was thus expected to continue in
   response to increasing competition.

2. Building Society Perceptions of Consumer Behaviour -
   consumers were seen as becoming more financially
   active and sophisticated. Increasingly consumers
   were aware of interest rates and investment
   alternatives. This behaviour was attributed to the
   growing coverage of personal finances on television
   and in the popular press. Shares and unit trusts
   received unprecedented interest from the small
   investor, this activity was attributed to the false
   security created by the pre October 1987 "bull"
   market.

3. Image of Building Societies - societies were aware
   of their favourable image, vis - a - vis other
   financial (and related) institutions. Societies
   were however concerned about the possible negative
   effects further diversification could have upon
   their image and consequently consumer behaviour.

In-depth interviews with building society marketing
managers constituted the final part of the Stage One data
collection. Before proceeding to Stage Two the salient
points to emerge from the findings presented so far will be
restated as these provide the base upon which subsequent
research was formulated.

.5. Review of Stage One Findings

tage One aimed to provide insights into, and develop ideas
on, the personal financial services sector both from a
consumer and industry perspective. The salient points
emerging from this stage were as follows:

1. Consumer Behaviour - consumers were found to be
    more financially active and sophisticated.
    Consumers were willing to move funds at lower
    levels to take advantage of interest rate
    differentials and were more prepared to invest in
    areas traditionally associated with risk.
    Increasing numbers of consumers held building
    society gold accounts , multiple accounts and
    invested in stocks/shares.

2. Building Society Strategies - many societies were
    found to be reviewing their strategies in response
    to changes within the personal financial services
    market. Growth was accompanied or replaced by
    profit as the goal of societies. Many societies had
    diversified and were expected to continue to do so
    as most had requested (or were about to ask) for
    their member's approval to introduce all (or most
    of) the new services available to them under the

Building Societies Act (1986).

3. Building Society Image - traditionally societies
   had a favourable image, vis-a-vis other financial
   institutions. Societies were perceived as friendly,
   safe and offering a guaranteed return, attributes
   closely linked to the nature of societies.
   Societies were however changing, adding new
   products to their portfolios. Further
   diversification was expected following the
   enactment of the 1986 Building Societies Act.
   Societies expressed concern about the possible
   negative effect strategy changes (i.e. conversion
   to plc, entrance into high risk areas) would have
   on the image of all societies and consumer behaviour.

The findings of this stage of research thus supported image
as the vehicle through which to study the possible response
of consumers (i.e changes in consumer perceptions and
subsequent behaviour), to changes in building society
strategies. This stage of research did however raise the
question: What is building society image? Attempts made to
answer this question are detailed in the following section.

.6. Consumer In-Depth Interviews

n-depth interviews were conducted with 33 consumers, the
im of which was to determine the attributes used by
consumers to construct building society image. (Examples of
the interviews conducted with consumers can be found in
Appendix 4.5.) The emphasis was upon consumer determination
to ensure that the attributes identified were relevant in
consumer perceptions.

4.6.1 Social and Demographic Profile of Interviewees

The majority of interviewees (18) fell within the age group
25-44 years. 27 interviewees were married. There was a
balance between the sexes: 17 males and 16 females. Social
gradings were based on the occupation of the head of
household: 8 classified as AB, 19 as C1, 4 as C2 and 1, DE.

4.6.2. The Variety and Content of Attributes Elicited

Attributes elicited during interviews with consumers are
presented in Tables 4.10 and 4.11. Table 4.10 lists those
attributes which emerged using the repertory grid: these
differentiate between societies. Table 4.11 provides a

summary of the attributes used by the interviewee when freely discussing his/her own society. The focus of both tables is upon the variety and content of attributes elicited. Similar attributes, or those having similar meanings, were grouped together. For example, Attribute B "Amount of Advertising" (Table 4.10) included: big/small advertiser, advertise/not advertise, seen/not seen advertisement, advertise/not advertise on television. As the process was dependent upon subjective groupings, a full list of the attributes elicited and their classification is contained in Appendix 4.6.

4.6.3. Attributes Used to Differentiate Societies

The attributes used by interviewees to differentiate between societies (Table 4.10) generally related to observations of building societies: high street presence (e.g. size and location of branches); and advertising, particularly television (e.g. the amount and its content from which knowledge of the societies outlook, range of services, etc. is gained).

The attributes most frequently used (Attribute A "Size of Society" and B "Amount of Advertising" mentioned by 25 and 22 interviewees respectively) were generally based upon a limited knowledge of societies. For example, Attribute B,

Table 4.10

The Variety and Frequency of Attributes Used to

Differentiate Between Societies

Letter	Attribute	No. using the attribute (maximum 33)
A	Size of Society	25
B	Amount of Advertising	22
C	Spread (national/local)	11
D	Convenient Location	7
E	Familiarity	6
F	Outlook (modern/traditional)	6
G	Number of Branches	5
H	Size of Branches	5
I	Links with Estate Agents	4
J	Provision of Cash Machines	3
K	Range of Services	3
L	Similarity with Banks	2
M	Merger with Other Societies	2
N	Flexibility of Policies	2

differentiates societies on the basis of how much advertising societies have conducted. Whilst the majority of interviewees were able to classify societies on this basis, few were able to remember the content of the advertisements.

Further investigation of the attributes elicited identified "associations", i.e. additional attributes associated with those used. The associations emerged following the use of probes, for example, the interviewee was asked why he/she had chosen a society with a specific attribute, e.g. a small society. Interviewees held most associations for Attribute A "Size of Society" (see Fig. 4.1).

A large society was considered financially sound, it was associated with larger assets and competent management, thus it had the ability to resist take-overs and survive a collapse in the housing market. The large society was also associated with a wider range of services, greater efficiency and a better chance of getting a mortgage. In contrast the smaller societies were associated with a limited range of services, but a more personal service. Associations were not found to exist for societies which were medium sized.

Figure 4.1

Attributes Associated with Attribute A: Size of Society


```
                              ┌─────────────────────────┐
                              │ Financial Soundness (7) │
                              └─────────────────────────┘

                              ┌─────────────────────────┐
                              │ Range of Services (5)   │
                              └─────────────────────────┘

  ┌──────────┐                ┌────────────────────────────────┐
  │  Size    │                │ Chance of getting a Mortgage (5)│
  │   of     │                └────────────────────────────────┘
  │ Society  │                ┌─────────────────┐
  │          │                │ Efficiency (4)  │
  │  (25)    │                └─────────────────┘
  └──────────┘                ┌─────────────────────┐
                              │ Interest rates (2)  │
                              └─────────────────────┘

                              ┌─────────────────────────┐
                              │ Personal Service (2)    │
                              └─────────────────────────┘
```
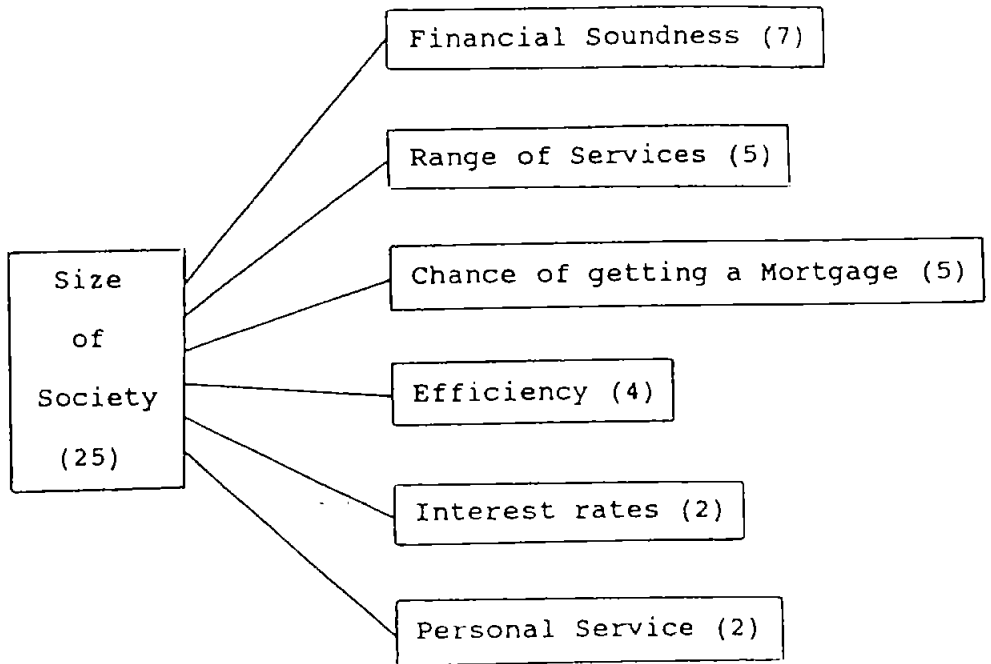
interviewees also held associations with Attribute B
"Amount of Advertising", these associations were however
weak by comparison, references occurring a small number of
times. A higher level of advertising was associated with
the prosperity of the society and higher rates of interest
for the investor.

Similarities between the attributes which form the
associations and those used by the interviewee to describe
his/her own society were found (see Table 4.11).

Attributes receiving relatively few mentions generally
involved a higher level of knowledge of societies. Those
attributes mentioned by 4 or fewer interviewees contained
specific reference to the activities of building
societies, e.g. links with estate agents, provision of
cash machines etc.. These attributes were used by those
interviewees who had extensive experience of societies -
solicitors and financial consultants.

4.6.4. Attributes Used to Describe Interviewee's Own
       Society

The attributes used to describe the interviewees' own
society (Table 4.11) differed from those used to
differentiate between societies. Generally the attributes

Table 4.11

The Variety and Frequency of Attributes Used to Describe Societies

Number	Attribute	No. using attribute (maximum 33)
1	Financial Soundness	17
2	Convenience of Location	17
3	Interest Rates (deposits)	16
4	Helpfulness of Staff	13
5	Range of Services	11
6	Flexibility on Mortgages/Loans	11
7	Efficiency	11
8	Similar to Banks	10
9	Interest Rates (loan)	10
10	Friendliness of Staff	9
11	Waiting time to be Served	9
12	Personal Service	8
13	Reputation	6
14	Recommendation by friends/family	6
15	Architecture/features	5
16	Access to Money	5
17	Satisfaction with Society	5
18	Staff Knowledge	4
19	Formality of Atmosphere	4
20	Computer System	4
21	Aggressiveness in Selling	4
22	Layout	3
23	Advertising	3
24	Sales Promotion	2
25	Courteous Staff	2
26	Cleanliness of Branch	2
27	Young Staff	2
28	Institution's Outlook	2
29	Up-Market/Not Up-Market	2

escribing societies related to aspects of personal xperience (e.g. friendliness of staff, waiting time to be erved) and observations specific to their own branch of ociety (e.g. cleanliness and architectural features).

Financial soundness was one of the most frequently mentioned attributes, used by 17 interviewees. This frequency was expected due to the low-risk associated with building societies (a factor highlighted following the extensive media coverage of the stock market "crash" in the October previous to the study). Interviewees referred to the non-speculative nature of societies, investments with societies were seen as safe and secure. Financial soundness also emerged in other attributes, for example reputation of the society was mentioned by 6 interviewees (a well known society with a good reputation was considered financially sound).

Convenience of location was also frequently mentioned (17 interviewees). This attribute has traditionally been associated with the choice decision, i.e. consumers were believed to choose their financial institution on the basis of location (see for example, BSA 1983). Interviewees expressed their preference for a society which had a branch near, or conveniently located to their home or place of work.

rice, also a factor associated with choice decisions (see or example, Wright and Watkins 1986), was expressed both ith respect to deposits and loans (particularly ortgages). The interest rates on deposits received most entions (16), compared to the interest rates on loans 10). A possible explanation for this could be the higher umber of interviewees holding deposit accounts (29) in contrast to those with a building society mortgage (10). Also, interest rates on deposit accounts have featured prominently in building society advertisements, particularly with respect to the higher rate or "gold" accounts. Mortgage rates, in contrast, have until very recently taken a lower profile, the availability of a mortgage was previously the dominant message.

Relatively few mentions were made with respect to the society itself, e.g. the physical exterior and interior. Only 5 interviewees made reference to the societies' architecture/ features and these were diverse, almost idiosyncratic. Individual references were made to the "striking exterior", window displays and "green plants". Only 3 interviewees mentioned the layout of the society, and 2, the cleanliness. Both layout and cleanliness have featured more prominently in previous studies of retail stores (e.g Hudson 1974) , and indeed during the earlier phases of the in-depth interviews consumers used such attributes to describe their own supermarkets.

References to the staff of building societies occurred in a variety of forms: helpfulness (13); friendliness (9); staff knowledge (4); age (2); and courtesy (2). In aggregate, 20 interviewees mentioned one or more attributes relating to staff. This group forms the most frequently used attribute reflecting the important role of staff in a service industry.

4.6.5. Review of Findings

In-depth interviews were conducted to identify the attributes used by consumers to construct building society image. The approach used to collect data also permitted an initial investigation of the behaviour - image relationship, linkage (3) of the Berkowitz et al model (1978). The resulting data supports this link. The attributes used to describe the interviewee's own society generally differ from those used to differentiate societies with which the interviewee had limited experience. The differences were both in the nature and number of attributes. The attributes used to differentiate societies relate to observations (e.g. high street presence, advertising), those used to describe the interviewees own society generally refer to personal experience (e.g.inter-action with staff, internal procedures). A larger number of

attributes are used to describe the interviewee's own society. The image of the interviewees own society is more detailed and vivid than that of societies with which they have had limited experience. Stell and Fisk (1986) suggest that due to the characteristics of services, the consumer may have to experience or consume the service in order to form vivid images. Acito and Anderson (1979) also suggested that each experience reinforces the image held by the consumer making it more vivid. The finding of this research would appear to support suggestions that experience reinforces image.

Whilst interviewees were found to use different attributes to construct image according to experience, the resulting constructs are comparable due to the existence of a secondary set of attributes: associations. Associations are those attributes linked or associated with the attributes used to differentiate societies. The attributes which form the associations are those the interviewees uses to describe his/her own society.

Having identified the attributes used by consumers to construct building society image, attempts were made to investigate building society perceptions of image·

.7. Building Society In-Depth Interviews (Phase II)

In-depth interviews were conducted with the marketing managers of twelve building societies to investigate their understanding of image, i.e. what is image and how is it used by consumers (Appendix 4.7 contains an example of one of the interviews conducted).

Each interviewee was requested to identify those attributes they considered consumers would use to differentiate between societies and those which were important in choice of society. Attributes were grouped according to the techniques outlined earlier, i.e. similar attributes or those with similar meaning were grouped together (see section 4.5.2). All attributes elicited are contained in Table 4.12

4.7.1. Attributes Used to Differentiate Between Societies

Whilst the majority of societies thought most consumers could only differentiate between societies on the basis of size (7 interviewees), consumers who were financially aware were also believed to be able to differentiate societies according to product range and rates of interest. One society observed:

Table 4.12

Attributes Used By Consumers : Elicited From Building Society Marketing Managers

	Leeds	National & Prov.	Halifax	Bradford & Bingley	Abbey National	Woolwich	Britannia	Bristol & West	Chelten. & Glouc	West of England	Chelsea	Ports- mouth
Size of Society	•		•	•		•	•	•				•
Amount of Advtg	x	o								•		
National/Local								•				•
Convenient Location	•	x	o		o		o	•	o		o	•
Not/Well Known		•	o						o			•
Modern/Traditional	o	•				•					•	•
Range of Services				•	•	•			x	•	•	
Financial Soundness	o					o	•	o		o	o	•
Interest Rates	•	x							•	o	x	
Helpfulness of Staff										•		
Efficiency						•	o	o				
Friendliness of Staff	o					•	o			•		•
Waiting Time to be Served							o					
Personal Service							o			•		
Recommendation	•	x	o		o							
Architectural Features	o											
Staff Knowledge	o											
Computers					o							
Branch Layout	o											
Aggressiveness in Selling	.							•			•	•

Key • = used by consumers to differentiate between societies   x = both important to consumers and used to differentiate
     o = important to consumers when choosing a society   between societies

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"I think the main differences are probably in the
range of products and services that the societies
are offering. Although, having said that, I think a
lot of consumers are quite unaware of the range of
products and services....... those that are aware, I
think that is how they differentiate."
(Abbey National Building Society)

Another stated:

"I don't think that the majority are rate sensitive,
they don't see a different rate at different
building societies. Its only when you get the
'planner' type that they will change for a 0.25 %
and they will look around for differences."
(Leeds Building Society)

There was however some disagreement as to the extent with
which consumers were able to differentiate. Whilst, some
societies believed consumers saw few differences (e.g.
Leeds, Britannia), others disagreed. The Cheltenham and
Gloucester thought consumers perceived societies as "very
similar types of organisation" which "people lump
together". Greater differences were however expected to be
perceived in the future as societies diversify into
different areas. Alternatively, the Portsmouth believed
consumers perceived a "great deal of difference between
societies" (see Table 4.12).

4.7.2. Attributes Important in Choice of Society

Building societies considered many attributes to be
important in consumer choice behaviour. Convenient

ocation of building society branches was the most
requently mentioned (6 interviewees) and was also
onsidered to be the most important attribute to consumers:

> "A branch which is convenient is the overwhelming
> reason for choice. All other things only come in
> when they (the societies) are equally convenient."
> (Bradford and Bingley Building Society)

inancial soundness was also frequently mentioned (5
interviewees). Whilst all societies were thought to be
considered financially sound by consumers this attribute
would have increased in importance following the Stock
market "crash" in the previous October (1987).

Attributes traditionally reported as important to consumers
when choosing a building society were also elicited. For
example convenient location (6), interest rates (3) and
recommendation (3), have been identified in previous
studies, e.g. BSA (1986).

A comparison of the attributes elicited from building
society marketing managers (Table 4.12) with those emerging
from the consumer interviewees (Table 4.10 and 4.11)
revealed similarities. A number of attributes were elicited
from both groups of interviewees, e.g. convenient location,
size, financial soundness, however, the variety of
attributes elicited from the consumer was wider than those
identified by the building societies. Whilst building
societies had an understanding of consumer perceptions of

societies, their image construct was simplistic and failed to appreciate the complexities of the consumer construct.

4.7.3. Review of Findings

The aim of the in-depth interviews was to identify consumer use of image as perceived by building society marketing managers. Two sets of attributes were identified: firstly, attributes thought to be used by consumers to differentiate between societies; and secondly, attributes considered important to consumers when choosing a society. Attributes emerging from the building society interviews were contrasted with those elicited from consumers, similarities and differences noted.

4.8 Summary

This chapter reported upon the findings from research conducted during Stage One and parts of Stage Two of data collection. The chapter thus falls loosely into two parts.

Sections **one** to **three** reported upon the current activities of building societies and their consumers, thus taking account of recent market developments. The information provided from this stage of research was largely

contextual, providing insights into a variety of activities. Many changes were identified within the building society market. In particular, whilst building societies were seen to be adopting a 'retail perspective', setting profitability as their goal and beginning to become marketing orientated, consumers were becoming more sophisticated and less loyal, willing to move their funds to take advantage of interest rate differentials.

Sections four and five focused specifically upon building society image, i.e. consumer perceptions. Two sets of image attributes were identified, those used by consumers to differentiate between societies and those used to describe societies. 'Associations', attributes providing links between the two attribute sets were also identified. The attributes elicited from consumers provide the starting point for the next chapter which reports upon consumer use of attributes both within their perceptions and as a determinant upon their behaviour.

CHAPTER FIVE

A MODEL OF BUILDING SOCIETY IMAGE

5. A MODEL OF BUILDING SOCIETY IMAGE

5.1 Introduction

As a representation of reality, a model of any object must illustrate both the structure and composition of that object. In the preceding chapter (Chapter 4), the composition of building society image (i.e. image attributes), was identified. The structure of image (i.e. the inter-relationships between the attributes), however, remained essentially unknown. It is thus the primary aim of this chapter to identify the structure of building society image and thereby complete the image model.

The findings presented in this chapter are drawn solely from research conducted in Stage Two of the data collection plan, i.e. consumer in-depth interviews and the Building Society Survey (see Fig. 3.4, page 118).

The chapter is arranged in four parts. In part one the attributes of building society image identified in the previous chapter are re-assessed. A comprehensive set of attributes and respective dimensions are identified providing the composition and structure of the hypothesized model of building society image.

In part two, consumer use of the hypothetical model of building society image is assessed. Specifically the role of

the image attributes in consumer perceptions and choice behaviour is analysed using findings from the Building Society Survey.

In part **three** the structure and composition of the hypothetical model are tested using factor analytical techniques and adjustments made. Finally, in part **four**, relationships between different market segments and the image dimensions are investigated.

5.2. Identification of Image Attributes

All attributes elicited from consumers during the in-depth interviews (i.e. attributes used to describe and differentiate between societies), were pooled and re-grouped. Similar attributes or those with similar meanings were grouped together to produce a comprehensive list. From the pool attributes were selected for inclusion in the Building Society Survey (B.S.S.) according to the following attribute selection criteria:

1. Frequency of Use - attributes used by six or more interviewees were retained, thereby discarding idiosyncratic attributes.

2. Consumer Language - attributes were selected to reflect the language most frequently used and

thereby familiar to interviewees.

3. Scaling Requirements - attributes accommodating a Likert-type scale were retained in their original form, those requiring Yes / No responses were recast.

The attribute selection procedure identified 27 unique attributes (see Figure 5.1).

In an attempt to identify the underlying structure of building society image, the 27 attributes were aggregated into groups: the proposed "dimensions" of image.

Attributes can be grouped using either statistical (e.g. factor analytical techniques) or non-statistical methods (see for example, Lindquist 1974-75). Whilst many previous image studies have used statistical methods to identify the dimensions of image (see for example, Marks 1976) this technique was clearly inappropriate at this stage of research. Whereas statistical analysis requires a structured format, the attributes of building society image were generated from semi-structured, in-depth interviews to encourage attribute elicitation. Attributes were therefore placed into logical groups according to content and context. For example, D2: Security, comprises the attributes 'Safe/Risky Place' and 'Small/Large Society', the former was a content classification (i.e. safety and security having a

Figure 5.1

Hypothesized Model of Building Society Image

D1 CONSUMER FOCUS	Flexible/Inflexible to Customer Needs Personal/Impersonal Service Helpful/Unhelpful Staff Understand/Not Understand People's Financial Needs
D2 CONGENIALITY	Formal/Informal Atmosphere Friendly/Unfriendly Staff Small/Large Branches
D3 CONVENIENCE	Many/Few Branches Conveniently/Inconveniently Located Long/Short Waiting Time Quick/Slow Decisions (e.g. mortgages)
D4 DYNAMISM	Like/Not Like a Bank Rapidly/Slowly Changing
D5 MODERNISM	Modern/Traditional Society Old, Established Society/New Society
D6 SECURITY	Safe/Risky Place Small/Large Society
D7 CREDIBILITY	Large/Small Advertiser Well/Not Well known Competent/Incompetent Staff Aggressive/Non-Aggressive Selling
D8 MERCHANDISE	Wide/Narrow Range of Products Good/Poor Interest Rate Up to date/Traditional Products
D9 QUALITY	Up Market/Not Up Market Good Service/Poor Service

direct link), and the latter, contextual (size was used by interviewees to explain why a society was considered secure). A full list of all attributes and their respective groupings can be found in Appendix 5.1.

The classification procedure identified nine dimensions of building society image (see Fig. 5.1), defined as follows:

1. **CONSUMER FOCUS** - involves understanding and accommodating the needs of individual customers, e.g. providing helpful staff and being flexible to the needs of customers.

2. **CONGENIALITY** - means creating an environment in which the consumer feels at ease. Contributing to congeniality are friendly staff and an informal atmosphere.

3. **CONVENIENCE** - involves ensuring that all the societies' arrangements promote ease and comfort or save trouble for the consumer, e.g. quick decisions on mortgages and conveniently located branches.

4. **DYNAMISM** - concerns the rate of change within the society, the speed with which new (and innovative) products are introduced and technological advances (e.g. ATM's and EFTPOS) are adopted.

5. **MODERNISM** - concerns the nature of the society, for example, the retention of the traditional 'building society' identity or the adoption of a new and modern identity. Contributing to modernism are the design of branches, the nature of advertising and the name of the society.

6. **SECURITY** - is the freedom from danger and risk. It involves the size of the society (large/small) and the geographical spread (national/local). A sense of security was determined by the consumers' perceptions of the societies' asset reserves. Large, national societies were perceived as secure relative to the smaller, local societies.

7. **CREDIBILITY** - involves the reputation of the society for inspiring trust and confidence. The amount of advertising conducted, the level of aggression used to sell services and the familiarity of the society's name all contribute to credibility.

8. **MERCHANDISE** - means the nature and range of products/services. For example, the price of the service (interest rates) and the range of products available.

9. **QUALITY** - the standards imposed by the society at all levels. Contributing to quality are the

standards   of   service   and   branch   cleanliness.

Together the attributes and dimensions identified represent
a hypothesized model of building society image depicting its
composition (attributes) and structure (dimensions). It
should however be noted that the model is not meant to
suggest that the dimensions are non-overlapping or indeed
that they may not be combined to produce a smaller set. The
findings from this exploratory research merely serve to
provide a foundation upon which to base further
investigation.

5.3. The Building Society Survey (B.S.S.)

The Building Society Survey attempted to investigate
consumer use of the attributes of building society image.
The Survey focused upon the role of image attributes in
consumer perceptions and choice behaviour. The questionnaire
fell into four parts, each respondent was thus required to :

a)   describe the image of a society with which they
     held an account;

b)   describe the image of any one society (to be
     selected by the respondent);

c)   describe the image of their ideal society; and

d)   rate the importance of each image attribute in
     choice of society.

An example of the full questionnaire can be found in
Appendix 3.12.

The Building Society Survey was mailed to almost 500 adults
residing in the sample area (see Fig. 3.5). All individuals
receiving a questionnaire had responded to the earlier mail
survey,   the   Personal   Saving   Survey.   Data   collection
requirements were therefore minimised as classification data
relating to each potential respondent (i.e. age, sex,
savings behaviour), was held in a database to be retrieved
during analysis of the B.S.S. data.

5.3.1. Survey Response

Questionnaires were mailed to 492 individuals, 287 responses
were   received   representing   a   response   rate   of   59   %.
Unfortunately,   89   questionnaires   (19   %)   were   returned
unusable for the following reasons:

Table 5.1

Reasons for Unusable Returns

Returned by Post Office	38
Returned Blank	6
Unable to Code Reply	19
Unable (due to age/sickness)	8
Not Interested	11
Deceased	7
TOTAL	89

Three factors specific to the study may have contributed to the relatively high number of unusable returns:

1. Time Elapse - a period in excess of two years had elapsed since respondents had participated in the first mail survey, the P.S.S.. In the interim many respondents may have changed address. Whilst a small number of questionnaires were forwarded to new addresses the majority were returned by the Post Office.

2. Population Profile - the South West populous has a relatively high proportion of residents over retirement age (Euromonitor 1985), thus increasing

the likelihood of questionnaires being returned blank due to age/sickness/death.

3. Questionnaire Length - the B.S.S. questionnaire was presented in an eight page booklet (twice the length of the P.S.S), the perceived time involved in its completion may have deterred many potential respondents.

Despite the relatively high number of unusable returns, the B.S.S. received 198 (40 %) questionnaires which were used in the subsequent analysis. Studies were conducted to test the representativeness of the survey participations with respect to local and national population data.

5.3.2. Profile of B.S.S. Respondents

Comparisons of B.S.S. respondents with the local and national population revealed several differences (see Tables 5.2 and 5.3). Respondents were younger, more highly educated and skewed towards the upper socio-economic groups. In addition B.S.S. respondents were found to be more financially active than their local and national counterparts. Such differences have previously been identified as common to mail surveys (see, for example, Scott 1961) and represent a possible source of bias. To minimise the effects of any such bias, survey results will be presented (where appropriate), both in aggregated and non

Table 5.2

Respondent Demographics: Contrast with Local and National Data

a) Age of Respondents (%)

Age	B.S.S. 1988/9	Devon 1981	S.West 1981	Gt. Britain 1983
18 - 24	11.7	16.1 *	16.1 *	16.0 *
25 - 34	21.3	16.1	17.1	19.3
35 - 44	20.2	14.4	15.2	)
45 - 54	16.0	)	)	) 33.8
55 - 64		) 24.5	) 24.8	) 15.9
65 plus	17.6	28.9	26.0	15.0

Note * figures include 16 - 18 year olds.
Source OPCS 1981 and AGB 1983

b) Education Completed (%)

Education Completed	B.S.S. 1988/89	Devon 1985
16 or Under	55	79
Over 16	45	21

Source : Fothergill and Vincent 1985

c) Socio-Economic Groupings (%)

S.E.G	B.S.S. 1986/7	T.S.W. 1984	Gt. Britain 1984
AB	14	14	12
C1	41	21	26
C2	29	29	27
DE	16	36	35

Source: AGB/BARB 1984

Table 5.3

Market Penetration of Financial Services (%)

	B.S.S 1988/9	BMRB S.W. 1986	NOP T.S.W 1984	BMRB G.B. 1986	NOP G.B. 1984/5
BUILDING SOCIETY					
Any Account	87.8	67	58.8	64	
Deposit Account	71.5	67[1]		61[1]	51
High Interest Account	47.7				15
Current/Cheque	5.3	5		6	
BANK					
Any Account	85.6				
Deposit Account	30.9	25[2]	38.5	24[2]	32
Cheque Account	81.9	70[3]	75	70[3]	66
OTHER					
Unit/Invest Trusts	15.4	6[4]	5	6[4]	
Stocks/Shares	28.7	15[5]	7	13[5]	
Premium Bonds	39.4	41	47.1	36	
National Savings Bank	21.3		15.5		
Nat. Savings Certificates	10.1	7	11.5	8	
Trustee Savings Bank	9.6	11		12	
Save As You Earn	4.3	5		2	
Life Assurance	56.9				
Private Pension	18.1				66

Notes

1. all deposit accounts: ordinary and high interest
2. other bank account earning interest
3. combination of current accounts with cheque book earning interest and bank accounts with cheque books not earning interest
4. unit trusts only
5. shares only

aggregated form thereby highlighting differences related to financial behaviour and demographics. Presentation of the data in this manner will permit the response of various populations to be extrapolated.

5.3.3 Image Profile of An Ideal Society

Utilising the 27 image attributes, all respondents were invited to provide image profiles for the following 3 types of society: an ideal society; a society in which an account was held (where appropriate); and a society of the respondents choosing. Image profiles produced by individual respondents for each type of society were aggregated to produce an image score. An illustration of the resulting profiles are presented in Figures 5.2 to 5.4. Note that in preparing all figures the attributes were re-arranged, all favourable attributes were listed to the left of the table.

Image profiles for an ideal society were requested from all respondents. The purpose of this request was to determine the most favoured aspect of those attributes where this could not be pre-determined. For example, whilst consumer preference for Helpful as opposed to Unhelpful staff could be pre-determined, consumer preference for a Modern or Traditional society was unknown. Elicitation of an image profile for the consumer's ideal society was also necessary to permit a comparison with the image profiles of named societies and thus identify any deficiencies in the images

of the named societies. Consumer's perceptions of the ideal and named societies were measured on a numeric scale ranging from 1 to 5.

The image profile of the ideal society is depicted in Figure 5.2. (A breakdown of responses can be found in Appendix 5.2). The profile produced by consumers is indicative of a service based, financial institution. Consider, for example, the image scores for those attributes relating to service (i.e. A15, Helpful Staff; A22, Understanding; A21, Flexible to Consumer Needs; and A18, Personal Service; A16, Friendly Staff) which reveal consumer preference for a Consumer Focused and Congenial society. Convenience, i.e. an ideal society promoting ease, comfort and saving trouble for the consumer was also preferred by the consumer (see for example, A11, Many Branches; A12, Convenient Location; A19, Short Waiting Times; and A20 Quick Decisions). Significant differences in consumer preferences were, however, found for several Convenience attributes according to a variety of demographic variables. For example, female respondents preferred a society which was more conveniently located than their male counterparts, and the ideal society of AB respondents had a shorter waiting time than C1 and C2 equivalents (see Appendix 5.3).

Consumer scoring of attributes contributing to Security were characteristic of a financial institution. Note for example, the rating of A8, A Safe Place to Invest, and the scoring of attributes indicative of safety. For example, a Large

Figure 5.2
Image Profile of an Ideal Society

	0	1	2	3	4	
Large Society						Small Society
Large Advertiser						Small Advertiser
Old, Established						New Society
Like a Bank						Not Like a Bank
Modern						Traditional
Rapid Changing						Slowly Changing
Well Known						Not Well Known
Safe Place						Risky Place
Upmarket						Not Upmarket
Small Branches						Large Branches
Many Branches						Few Branches
Convenient Location						Inconvenient Location
Informal Atmosphere						Formal Atmosphere
Warm Atmosphere						Cold Atmosphere
Helpful Staff						Unhelpful Staff
Friendly Staff						Unfriendly Staff
Competent Staff						Incompetent Staff
Personal Service						Impersonal Service
Short Waiting Time						Long Waiting Time
Quick Decisions						Slow Decisions
Flexible						Inflexible
Understanding						Not Understanding
Non Aggressive						Aggressive Selling
Good Service						Poor Service
Good Interest Rates						Poor Interest Rates
Wide Product Range						Narrow Range
Up to Date Products						Traditional Products

Ideal Society

Society, associated with financial soundness (Robson 1988a), was desired by 57 % of respondents and a Well Known (A7), Old Established (A3) society (indicators of credibility and possibly stability), was preferred by 78 % and 70 % of respondents.

The potential response of consumers to attributes comprising the dimensions Dynamism and Modernism was uncertain, support could be argued for each aspect of the attributes. Many of the resulting scores revealed that consumers views are mixed, see for example A5 and A4 where only slightly more respondents described their ideal society as Modern (51 %) and Bank-Like (54 %). The majority of consumers did however agree on A6, few respondents perceived their ideal society as one undergoing Rapid Changes (37 %). Rapid changes could possibly be perceived as a threat to a society's stability and security. Significant differences (X^2) were however found to exist according to respondent age. Whilst the ideal society of 54 % of the 18-24s was rapidly changing, only 21 % of the 55-64s desired a rapidly changing society (see Appendix 5.3). Such findings have obvious implications for market segmentation, in particular the nature and content of promotion used to attract different age groups.

Few differences were identified between the profiles of ideal societies produced by account and non-account holders. Statistical analysis (X^2 testing) identified significant differences on only four of the image attributes (see Table 5.4).

Table 5.4.

Ideal Society: Preference Differences of Account and Non-Account Holders

No.	Society Account	Attribute	1	2	3	4	5	Attribute	X^2	Sig.
A27	Yes	Up to Date Products	51	24	20	5	1	Traditional Products	16.53	.00
	No	Up to Date Products	46	29	8	4	13	Traditional Products		
A26	Yes	Wide Product Range	50	25	22	3	0	Narrow Product Range	9.60	.05
	No	Wide Product Range	54	29	8	4	4	Narrow Product Range		
A16	Yes	Helpful Staff	88	8	2	2	0	Unhelpful Staff	9.14	.06
	No	Helpful Staff	83	8	0	8	0	Unhelpful Staff		
A 7	Yes	Well Known	43	35	21	1	0	Not Well Known	6.23	.10
	No	Well Known	83	8	13	8	0	Not Well Known		

Generally, the ideal society of non-account holders was described as less Well Known, 8% of non-account holders preferred a society which was Not Well Known compared with 1% account holders. Account holders expressed a preference for more Helpful Staff than non account holders (96 % compared with 91%). With respect to the products of an ideal society, non-account holders wanted a society with a Wider Range of Products (83 % compared with 75 %) but with more Traditional Products (17 % compared with 6 %) than their account holding counterparts.

Image profiles produced by respondents to describe their ideal society can be used to evaluate the perceived image of actual societies. Image "deficiencies" i.e. gaps between the perceived image of an actual society and an ideal society identify areas in which societies need to concentrate their marketing efforts. In the following section, image profiles produced for a sample of societies are contrasted with the profile of an ideal society and thus image deficiencies identified.

5.3.4 Image Profiles of Individual Societies

Image profiles, produced by all respondents (account and non-account holders), were aggregated to provide an image "score" for individuals societies. An illustration of the profiles produced for a sample of eight societies (most

frequently selected by respondents) are presented in Figures 5.3 and 5.4. For convenience, the sample has been divided into two groups, Figure 5.3 depicts the image of the larger societies (size as perceived by the respondent), and Figure 5.4, the smaller societies.

In a comparison of the images of individual societies with the profile produced for an ideal society, differences or "image deficiencies" can be clearly observed. The major image deficiencies (i.e. differences in excess of one scale point) centre on the service and policies of societies. All societies were found to be deficient on A21: Flexibility to Customer Needs; and A19: Short Waiting Time. Other attributes on which deficiencies can be observed across several societies are A25: Good Interest Rates; A24: Good Service; A22: Understand Customer Needs; and A18: Personal Service. The implications of these findings would appear to be clear, societies need to become more consumer focused. It is perhaps interesting to note that the image of many societies, e.g. Nationwide Anglia and Abbey National, were deficient on attributes relating to the quality of staff and service despite the recent introduction of large scale staff training schemes (Crofts 1988). Whilst the adoption of such schemes may improve the image of societies amongst consumers currently using the society, most consumers pay infrequent visits (the majority visit once every three months or less: BSA 1983), it is therefore necessary to communicate such schemes to a wider audience using, for example, promotional activities.

Figure 5.3
Image Profiles of Larger Societies

Left		Right
Large Society		Small Society
Large Advertiser		Small Advertiser
Old, Established		New Society
Like a Bank		Not Like a Bank
Modern		Traditional
Rapid Changing		Slowly Changing
Well Known		Not Well Known
Safe Place		Risky Place
Upmarket		Not Upmarket
Small Branches		Large Branches
Many Branches		Few Branches
Convenient Location		Inconvenient Location
Informal Atmosphere		Formal Atmosphere
Warm Atmosphere		Cold Atmosphere
Helpful Staff		Unhelpful Staff
Friendly Staff		Unfriendly Staff
Competent Staff		Incompetent Staff
Personal Service		Impersonal Service
Short Waiting Time		Long Waiting Time
Quick Decisions		Slow Decisions
Flexible		Inflexible
Understanding		Not Understanding
Non Aggressive		Aggressive Selling
Good Service		Poor Service
Good Interest Rates		Poor Interest Rates
Wide Product Range		Narrow Range
Up to Date Products		Traditional Products

Ideal   Alliance &   Halifax   Nationwide   Abbey National
          Leicester   Anglia

Figure 5.4
Image Profiles of smaller Societies

	0	1	2	3	4	
Large Society						Small Society
Large Advertiser						Small Advertiser
Old, Established						New Society
Like a Bank						Not Like a Bank
Modern						Traditional
Rapid Changing						Slowly Changing
Well Known						Not Well Known
Safe Place						Risky Place
Upmarket						Not Upmarket
Small Branches						Large Branches
Many Branches						Few Branches
Convenient Location						Inconvenient Location
Informal Atmosphere						Formal Atmosphere
Warm Atmosphere						Cold Atmosphere
Helpful Staff						Unhelpful Staff
Friendly Staff						Unfriendly Staff
Competent Staff						Incompetent Staff
Personal Service						Impersonal Service
Short Waiting Time						Long Waiting Time
Quick Decisions						Slow Decisions
Flexible						Inflexible
Understanding						Not Understanding
Non Aggressive						Aggressive Selling
Good Service						Poor Service
Good Interest Rates						Poor Interest Rates
Wide Product Range						Narrow Range
Up to Date Products						Traditional Products

Ideal Society   Bristol & West   Cheltenham & Gloucester

National & Provincial   Bradford & Bingley

A visual comparison of the image profiles produced for each of the eight societies identified few differences. The largest differences in perceived image exist for attributes A1: Size of Society (range of 1.62); A2: Amount of Advertising (range of 1.54); and A23: Non/Aggressive Selling (range 1.64). Generally, it could be concluded from a visual interpretation that the images of the eight societies are fairly homogeneous, the majority of differences extending over less than one scale point. Statistical analysis of the data did however identify several attributes upon which the image of societies differed significantly (X^2). Table 5.5 identifies the attributes upon which societies were found to differ according to building society usage.

The attributes of building society image appear to fall into two distinct groups: salient and non-salient. Salient attributes are those attributes upon which differences in the image of societies were found to be statistically significant. Non-salient attributes, those upon which differences were not perceived.

Salient and non-salient attributes differ in nature. Salient attributes are more general in nature. For example, A11 (Many/Few Branches) and A12 (In/Convenient Branch Location) relate to observations of societies, the presence and position of building society branches in the high street. Such attributes are based upon a limited knowledge of societies. Whilst, A3 Old, Established/New Society would

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Table 5.5

~~~lding Society Image Profiles: Significant Differences Between Account and Non Account Holders (X^2)

	All Respondents (n=197)	Account Holders (n=173)	Non Account Holders (n=24)
Small/Large Society	*** 195.67	** 181.42	
Large/Small Advertiser	*** 99.99	*** 97.65	
Old/New Society	*** 97.60	* 83.52	** 42.54
Like/Not Like a Bank	* 87.47	** 84.99	
Rapid/Slow Changing	*** 96.40	*** 94.03	
Well/Not Well Known	*** 168.19	*** 156.46	*** 49.18
Safe/Risky to Invest	*** 118.02	*** 107.85	*** 45.49
Up Market/Not Up Market			** 37.19
Small/Large Branches	*** 100.49	*** 96.19	
Many/Few Branches	*** 113.20	*** 105.79	* 46.65
In/Convenient Location	*** 111.69	*** 109.53	* 33.69
In/Formal Atmosphere	** 88.85	*** 92.37	
Quick/Slow Decisions			** 42.83
Non/Aggressive Selling			* 34.19
Wide/Narrow Product Range	** 88.99	* 80.76	
Up to date/Traditional Products	*** 120.00	** 132.83	

Significance levels: * = 1 %, ** = 5 %, *** = 10 %

appear, _prima_ _facie_, to suggest a knowledge of societies, earlier research (consumer in-depth interviews), found the attribute Old/New to be related to society name. A "new" society was often the result of a merger between (sometimes old, established) societies producing a new and unfamiliar name. Both account and non-account holders were able to differentiate societies using salient attributes.

The work of Nelson (1974) would appear to suggest that salient attributes are "Search" attributes, i.e. they involve qualities that can be evaluated before purchase/consumption of the service. In contrast, non-salient attributes are "Experience" attributes and can only be evaluated following purchase/ consumption. The non-salient attributes identified support this classification as they require a higher level of knowledge and were usually experience related, e.g. A15: Helpfulness of Staff and A14: Warm/Cold Atmosphere. Account and non-account holders were generally found to be unable to differentiate between societies on the basis of "Experience" attributes. Exceptions to this were few, e.g. non-account holders were found to differentiate on A20: Quick/Slow Decisions and A23: Non/Aggressive Selling. It is suggested that such respondents were exposed to additional information which allowed them to evaluate societies without direct experience. For example, Quick decisions (e.g. on mortgages) and non-aggressive selling were messages which featured in advertising conducted at the time of the B.S.S. survey. Many societies promoted mortgages (both in the press

and on t.v.) whereby decisions with respect to the availability of funds were made within 24 hours (e.g. Abbey National), whilst other societies (e.g. Alliance and Leicester), used advertising to communicate their "soft-sell" approach in which the consumer was encouraged to leave the building society branch without opening an account. Advertising of this nature would enable consumers to differentiate between societies on, what would appear to be, "Experience" attributes.

The breakdown of the attributes of building society image into salient and non-salient provides an important differentiation identifying the attributes by which consumers can evaluate societies before use. Societies must therefore be aware of their own image, and that of their competitors with respect to the salient attributes. Whilst consumers are generally unable to distinguish between societies on the non-salient attributes, such attributes may provide the opportunity for societies to create differences. For example, the Bradford and Bingley Building Society would appear to have pursued such a strategy, promoting an image of being "traditional and old fashioned". This strategy has resulted in a high level of awareness for the society, higher than any other society of a comparable size[2].

The profiles produced by respondents for the eight societies were aggregated to produce image profiles representing the

2 Source: In-Depth Interview with Mr. Tretheway, Bradford & Bingley Building Society.

larger and smaller society (see Figure 5.5). The aim of this analysis was to identify the existence of differences related to size. It should however be noted that whilst the smaller societies were classified as such by respondents, they are by industry standards relatively large (e.g. Bradford & Bingley rank 8th and Bristol and West rank 12th out of over 100 societies). Consumers perceived these societies as relatively small because of their limited knowledge and awareness. As the aim was to identify size associations, it is the consumers perceptions of building society size and not reality which are important.

In the previous chapter (Chapter 4) research conducted with consumers (in-depth interviews) suggested the existence of size "associations". Image profiles produced for the larger and smaller society would appear to support these associations. In particular the smaller society is perceived as providing a more personal service and operating through smaller branches (also associated with personal service). In contrast the larger societies, by being perceived as more bank-like, are less friendly (National Consumer Council 1980). Larger societies were also perceived to be more aggressive in their selling.

Evidence was also found to support the association between size and range of services as suggested by consumers during the earlier in-depth interviews. The smaller societies were associated with a more narrow range of services than their larger counterparts.

Figure 5.5
Image Profiles of Larger and Smaller Societies

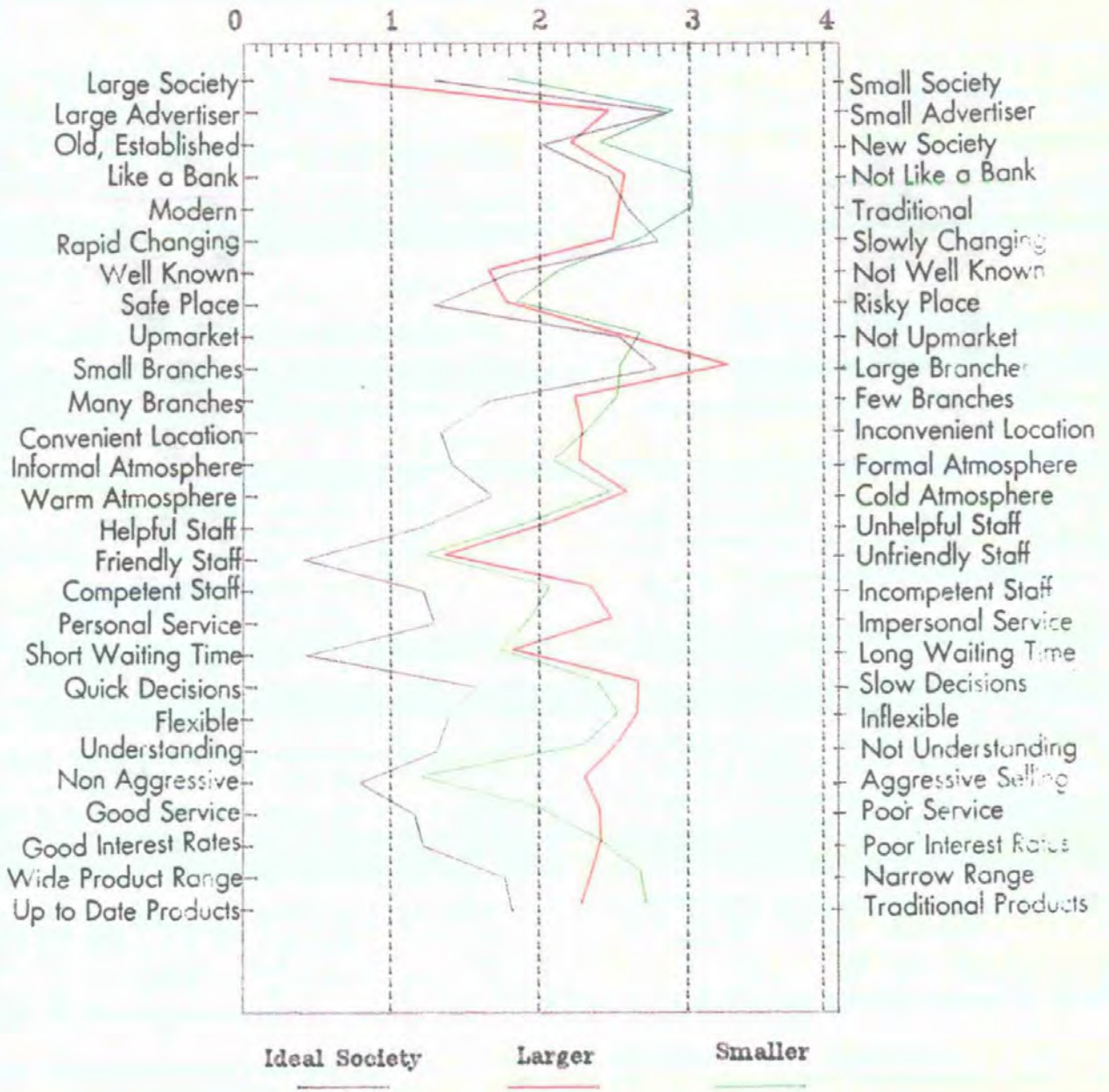| Left Label		Right Label
Large Society		Small Society
Large Advertiser		Small Advertiser
Old, Established		New Society
Like a Bank		Not Like a Bank
Modern		Traditional
Rapid Changing		Slowly Changing
Well Known		Not Well Known
Safe Place		Risky Place
Upmarket		Not Upmarket
Small Branches		Large Branches
Many Branches		Few Branches
Convenient Location		Inconvenient Location
Informal Atmosphere		Formal Atmosphere
Warm Atmosphere		Cold Atmosphere
Helpful Staff		Unhelpful Staff
Friendly Staff		Unfriendly Staff
Competent Staff		Incompetent Staff
Personal Service		Impersonal Service
Short Waiting Time		Long Waiting Time
Quick Decisions		Slow Decisions
Flexible		Inflexible
Understanding		Not Understanding
Non Aggressive		Aggressive Selling
Good Service		Poor Service
Good Interest Rates		Poor Interest Rates
Wide Product Range		Narrow Range
Up to Date Products		Traditional Products

Ideal Society   Larger   Smaller

Image profiles for the Larger and Smaller societies provide
support for the Size Associations. Whilst the Smaller societies
were perceived as more personal with fewer services the Larger
societies were perceived as more bank-like and less friendly.

Many of the differences identified between the larger and smaller societies were marginal, e.g. Safety. It is however interesting to observe that it is smaller society whose image profile most closely approximates that of the ideal society. This finding would appear to have significant implications for those smaller societies considering merging activities. Whilst growth may achieve economies of scale (although this itself has been questioned, see Watkins and Wright 1986), it could also result in the removal of positive associations of size for the smaller society.

Having identified the attributes upon which consumer groups were found to differentiate between societies, consideration will now be given to the importance of each attribute in consumer choice behaviour.

5.3.5 Importance of Image Attributes

In the above analysis all attributes were assumed to be of equal importance. Previous studies have, however, shown that some attributes are considered to be more important by consumers than others (e.g. Hansen and Deutscher 1975-76; Taylor and Bengiel 1984). In an attempt to identify the "important" attributes of building society image, respondents were asked to rate all attributes in their

choice of society. Each attribute was broken down into two parts (e.g. A1: Large Society and Small Society), respondents were therefore required to rate the importance of 52 separate "items". Results were aggregated and mean importance scores calculated for each attribute. In Table 5.6. the mean scores for all respondents are presented for each attribute and respective items.

In previous studies of consumer choice behaviour, interest rates and branch location were reported to be the most important factors (e.g. Taylor and Bengiel 1984; BSA 1986a; Nottingham Evening Post 1986). Whilst in the B.S.S., both interest rates (A25) and branch location (A12) were found to rank high according to their overall mean importance scores (3rd and 4th respectively), respondents rated Flexibility to Customer Needs (A21) and Safety (A8) as most important (1st and 2nd respectfully, Table 5.6). The importance of safety is consistent with the nature of the products available from building societies, i.e. a deposit account offers a safe place for savings and a mortgage provides the finance with which to purchase a family home, thus safety could be expected to be rated as important. In addition, flexibility featured prominently in both building society and bank advertising during 1988. For example, the Midland Bank extensively promoted its Vector account, an account appearing to be tailor made for the needs of the individual. Advertising of this nature not only attracts customers but also raises general awareness of such factors.

Table 5.6

Mean Importance Scores of Individual Image Attributes
(n=198)

No	Ideal Item	Score (*)	Non Ideal Item	Score (*)	Attribute Score (**)	Attribute Rank
1	Large Society	2.59	Small Society	3.22	5.81	23
2	Large Advertiser	2.92	Small Advertiser	3.12	6.04	25
3	Old, Established	2.30	New Society	3.31	5.61	19
4	Like a Bank	2.63	Not Like a Bank	3.46	6.09	27
5	Modern	2.53	Traditional	2.90	5.43	17
6	Rapidly Changing	2.45	Slowly Changing	3.18	5.63	20
7	Well Known	2.20	Not Well Known	3.46	5.66	22
8	Safe Place	1.13	Risky Place	2.55	3.68	2
9	Up Market	2.77	Not Up Market	3.28	6.05	26
10	Small Branch	2.81	Large Branch	2.71	5.52	18
11	Many Branches	2.59	Few Branches	3.23	5.82	24
12	Convenient Location	1.32	Inconvenient Location	2.86	4.18	4
13	Informal Atmosphere	2.44	Formal Atmosphere	3.19	5.63	20
14	Warm Atmosphere	1.64	Cold Atmosphere	3.44	5.08	15
15	Helpful Staff	1.22	Unhelpful Staff	3.09	4.31	7
16	Friendly Staff	1.44	Unfriendly Staff	3.12	4.56	10
17	Competent Staff	1.17	Incompetent Staff	3.03	4.20	5
18	Personal Service	1.36	Impersonal Service	3.29	4.65	11
19	Short Wait Time	1.63	Long Wait Time	2.80	4.43	8
20	Quick Decisions	1.65	Slow Decisions	3.04	4.69	13
21	Flexible	1.57	Inflexible	3.14	3.14	1
22	Understanding	1.45	Not Understanding	3.02	4.47	9
23	Non Aggressive	2.33	Aggressive Selling	2.33	4.66	12
24	Good Service	1.21	Poor Service	2.99	4.20	5
25	Good Interest Rates	1.25	Poor Interest Rate	2.92	4.17	3
26	Wide Product Range	2.04	Narrow Product Range	3.30	5.34	16
27	Up to date Products	1.92	Traditional Products	2.78	4.70	14

 * Score = 1 to 5 whereby 1= very important and 5 = very unimportant
 ** Score = 1 to 10 whereby 1 = very important and 10 = very unimportant

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The findings of earlier studies, conducted in the U.S.A., support the importance of safety and flexibility in choice of financial institution. Marshall (1986) found consumers placed most importance upon an institutions "strong financial condition", and on being "responsive - service oriented". In addition, Marshall found respondents placed great importance on having "quality people throughout the organisation", a finding echoed by the Building Society Survey. The majority of B.S.S. respondents rated attributes concerned with the staff and service of building societies as important: Competent Staff (A17); Good/Poor Service (A24) and Helpful Staff (A15) were all rated highly. As separate items, Competency, Good Service and Helpful Staff were all considered very important in choice of society (item rankings were 2nd, 3rd and 4th).

Such findings emphasise the importance of the interaction between building society personnel and consumers, and thus have implications for those building societies actively reducing this contact, e.g. by the promotion of ATM's (cash machines) as a means of conducting business with their consumers.

Whilst, the performance of individual societies on image attributes has previously been considered in Section 5.3.4, it is interesting to briefly reconsider their performance on those attributes rated important by consumers. Focusing upon the ten most important attributes of consumer choice, all were identified as attributes upon which the image of

one or more societies was deficient. For example, all (eight) societies were perceived to be deficient by more than one scale point on (A21), Flexibility to Customers and A19, Waiting Time. In addition, four or more societies were found to be perceived as less than ideal on the attributes: A25, Interest Rates; A12, Convenient Location; A17, Competent Staff; A24, Good/Poor Service; A15, Helpful Staff; A22, Understanding; and A16, Friendliness of Staff. Few differences were however identified in the images of actual and ideal societies on those attributes which were considered unimportant to respondents e.g. Size of Society (A1); Well Known (A7) and Bank Like (A4). Deficiencies on those attributes rated important by respondents provide opportunities for individual societies to improve their image beyond that of their competitors. For example, by focusing their attention upon consumer waiting time within branches, or staff competency, the society will be projecting an image which more closely corresponds with that used by consumers in choice selection.

Whilst identification of the attributes considered important by consumers in choice behaviour provides a valuable insight into consumer behaviour, by itself this criterion is lacking. Consider, for example, the attributes A8: Safe/Risky Place and A21:Flexible/Inflexible to Customer Needs, both attributes were rated as important, however whilst both account and non-account holders may perceive all societies as equally safe, societies may be seen to differ according to their flexibility. Thus flexibility of a

society would be used as a basis for selection and societies would benefit from the promotion of this feature. Attributes which are rated both important by consumers **and** used to differentiate between societies are considered in the following section.

5.3.6 Identification of Determinant Attributes

Determinant attributes are defined as those attributes which lead to a consumer's choice of a product or service since they determine preference and purchase behaviour (Alpert 1971). Determinant attribute analysis is thus the process by which the importance of an attribute is combined with the perceived similarity or dis-similarity of different objects, (e.g. building societies), on that attribute. Attributes judged both high in importance and ability to differentiate are selected as determinant.

In previous studies (Anderson and Fulcher 1976; Gwin and Lindgren 1986) dis-similarity and importance were measured on scales, mean scores calculated and the multiplicative product produced the determinant attribute score. For example, Gwin and Lindgren (1986) employed a scale ranging from 1 (very unimportant and very similar), to 5 (very important and very different). The possible range of determinant attribute scores were thus 1 to 25, whereby the higher the score, the more influential the attribute in consumer choice.

Factors specific to this study, i.e. consumer's limited knowledge of the building society sector (demonstrated in consumer group discussions and in-depth interviews) demanded adjustments to the standard approach (above). Measures of similarity/dis-similarity were thus calculated using the image profiles produced by respondents for individual societies. The image profiles were aggregated and mean scores calculated. Differences in image across societies were identified by contrasting the image of each society with the mean score and calculating the standard deviation. All standard deviations were multiplied by five (5) to ensure that equal weighting was given to Importance and Similarity/Dis-similarity Scores.

Similarity/Dis-similarity scores were multiplied by the Mean Importance Scores to produce Determinant Attribute Scores. All Mean Important Scores were inverted to ensure that a high score was equivalent to importance and a low score unimportance. However, note the rankings of the attributes remained unchanged. A list of the scores and respective rankings are presented in Table 5.7.

The Determinant Attribute Scores suggest that consumers select societies on the basis of the service provided, i.e. A24: Good/Poor Service and A23: Non/Aggressive Selling obtained the highest scores. In addition, attributes directly concerned with the staff of societies rank amongst

Table 5.7

Attributes Ranked by Determinant Attribute Score

Attributes rated highly in both importance and ability to
differentiate are the Determinant Attributes, i.e. attributes
influencing consumer choice decisions.

No	Attribute	Mean Importance Score	Similarity Difference Score	Determinant Attribute	Rank
24	Good/Poor Service	2.90	1.75	5.08	1
23	Non/Aggressive Selling	2.67	1.90	5.07	2
10	Small/Large Branches	2.24	2.10	4.70	3
2	Lge/Small Advertiser	1.98	2.35	4.65	4
15	Un/Helpful Staff	2.85	1.60	4.56	5
5	Modern/Traditional	2.29	1.95	4.47	6
18	Im/Personal Service	2.68	1.65	4.42	7
27	Up to Date/Traditional	2.65	1.55	4.11	8
17	In/Competent Staff	2.90	1.40	4.06	9
16	Un/Friendly Staff	2.72	1.40	3.81	10
8	Safe/Risky Place	3.16	1.15	3.63	11
19	Short/Long Waiting Time	2.79	1.30	3.63	12
12	In/Convenient Location	2.91	1.20	3.49	13
7	Well/Not Well Known	2.17	1.60	3.47	14
11	Many/Few Branches	2.09	1.65	3.45	15
20	Quick/Slow Decisions	2.66	1.25	3.33	16
3	Old/New Society	2.20	1.50	3.30	17
1	Small/Large Society	2.10	1.55	3.26	18
4	Bank/Not Bank Like	1.96	1.60	3.14	19
14	Warm/Cold Atmosphere	2.46	1.20	2.95	20
25	Good/Poor Int. Rates	2.92	1.00	2.92	21
6	Rapid/Slowly Changing	2.19	1.30	2.85	22
13	In/Formal Atmosphere	2.19	1.25	2.74	23
21	In/Flexible to Consumer	3.43	0.70	2.40	24
26	Wide/Narrow Range	2.33	0.95	2.21	25
22	Not/Understand Needs	2.77	0.75	2.08	26
9	Up market/Not Up market	1.98	0.70	1.39	27

the top ten determinant attributes, e.g. A15, Helpful Staff (ranked 5th); A17, Competent Staff (ranked 9th); and A16, Friendly Staff (ranked 10th). Such attributes are however, experience dependent, i.e., the performance of societies on these attributes can only be discerned after purchase/consumption of the service. The findings presented here would thus suggest that consumers are utilising additional sources of information in their choice decisions. Two sources of information are suggested by Stell and Fisk (1986): word of mouth; and promotional. Building societies therefore need to focus both on the quality of service they are providing to current consumers (word of mouth) and the message conveyed in promotional material (e.g. advertisements).

A number of attributes ranking high in Importance received low rankings in the above table (Table 5.7). For example, whilst A21, Flexibility and A8, Safe/Risky Place were rated as the most important attributes, but few respondents were able to identify differences between societies with regard to these attributes, and hence low Determinant Attributes rankings were obtained (i.e. 24th and 11th respectively). This change highlights the importance of combining importance and similarity as a means of determining those attributes most influential in consumer choice decisions.

5.3.7 Dimensions of Building Society Image

A principal component analysis, using **VARIMAX** rotation, was performed to examine the inter-relationships amongst the image attributes and thus identify the dimensions of building society image. The analysis was conducted for building society account holders only. The nature of the survey data would not permit a separate analysis of the non-account holders as the number of image attributes exceeded the number of non-account holders and was thus statistically invalid.

Principal component analysis is a factor analytic technique, the fundamental goal of which is to create an "orderly simplification" of the data (Burt 1940). Factor analysis interprets each variable, re-describing the inter-relationships and identifying a simple underlying structure, the factors. To aid analysis the factor matrix was rotated using Varimax rotation. Rotation maximises the variance within each factor (the dimensions of image) and thus produces factors which are characterised by large loadings on relatively few variables. A comparison of the factor matrices before and after rotation (see Appendix 5.4 a) and b)) highlight the benefits of rotation. For example, Factor 1 originally loaded on 18 attributes, this was reduced to 12 following rotation. Note in particular the loadings of attributes A2, A7 and A16 which were substantially reduced,

and A23, A18 and A25 which were maximised thereby reducing ambiguity within the matrix.

Using Kaiser's (1959) criterion[3] eight dimensions of image were identified, together explaining 67 % of variance (see Table 5.8). The dimensions were interpreted by observing the attribute loadings on each dimension and inferring what the attributes had in common that was not shared by the attributes not defined on that dimension. Only those attributes with absolute factor loadings in excess of +/-0.5 were included in the analysis.

Previous studies reporting upon the use of factor analysis commonly use one of two cut-off levels, i.e., +/- 0.3 (Child 1979; Willemsen 1974), and +/-0.5 (Marks 1976; Mukherjee 1965). As factor loadings indicate the correlation between attributes and dimensions, hence the greater the loading, the stronger the relationship between the respective dimension and attribute (Zeller and Carmines 1980), +/-0.5 was selected to ensure that only those attributes possessing a strong relationship with the dimension were included. All attributes with loadings below the cut-off level (i.e. A4, Not/Bank Like; A9, Not/Up-Market; and A19, Short/Long Wait Time), were discarded.

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3 Kaiser's Criterion states that only those factors having latent roots greater than 1 are considered common factors.

Table 5.8

Attributes of Building Society Image: Factor Matrix (Varimax Rotated)

Number	Attribute	D1	D2	D3	D4	D5	D6	D7	D8	Communality
A24	Good/Poor Service	0.80								0.75
A15	Un/Helpful Staff	0.80								0.70
A16	Un/Friendly Staff	-0.77								0.72
A17	In/Competent Staff	0.74								0.69
A18	Im/Personal Staff	0.74								0.69
A14	Warm/Cold Atmosphere	0.70								0.60
A22	Not/Understand	0.56			0.56					0.68
A27	Up to date/Traditional Products		0.76							0.58
A5	Modern/Traditional		0.76							0.67
A6	Rapid/Slowly Changing		0.74							0.67
A26	Wide/Narrow Range of Products		0.56			0.62				0.79
A7	Well/Not Well Known			0.82						0.78
A3	Old/New Society			0.64						0.58
A2	Large/Small Advertiser			0.58						0.57
A8	Safe/Risky Place to Invest				0.82					0.78
A21	Inflexible/Flexible				0.70					0.77
A20	Quick/Slow Decisions				0.58					0.65
A25	Good/Poor Interest Rates					0.83				0.78
A10	Large/Small Branches						0.85			0.78
A1	Large/Small Society						0.65			0.65
A23	Non/Aggressive Selling							-0.66		0.58
A12	In/Convenient Location							0.61		0.58
A11	Many/Few Branches							0.59		0.68
A13	In/Formal Atmosphere								0.74	0.65
	Eigenvalues	7.05	3.08	1.86	1.43	1.29	1.19	1.14	1.06	18.1
	Percentage Variance	26.1	11.4	6.9	5.3	4.8	4.4	4.2	3.9	67.1

The eight dimensions of building society image and their composition are identified below, for the purposes of analysis attribute loadings are considered in descending order of magnitude.

DIMENSION ONE - the majority of the attributes loading on Dimension One were originally classified as two Dimensions: Consumer Focus (D1) and Congeniality (D2) (see Fig. 5.1), it would therefore appear that the original dimensions have collapsed into one. Although Dimension One loads on a wider range of attributes than originally envisaged, the CONSUMER FOCUS label has been retained as this dimension loads heaviest on Good/Poor Service, of which Congeniality is just a part. Dimension One includes attributes which focus on building society staff (e.g. A15, Helpfulness; A16, Friendliness; and A17, Competence), service (e.g. A24, Good Service; A18, Personal Service) and atmosphere (e.g. A14, Warm Atmosphere) and accounts for 26.1 % of variance.

DIMENSION TWO essentially combines attributes originally classified under the dimensions: Modernism (e.g. A5, Modern/Traditional Society); and Dynamism (e.g. A6, Rapid/Slow Changing). The Dimension also includes A27, Up to Date/Traditional Products, originally classified under Merchandise (D8). It would thus appear that this attribute contributes to the consumer's overall perception of whether a society is up-to-date (modern) or whether the society is traditional. This dimension has been labelled MODERNISM and accounts for 11.4% of variance. (Note that although A26:

Wide/Narrow Range of Products, also loads on this dimension and thus contributes to Modernism, its loading is relatively low at 0.56).

DIMENSION THREE accounts for 6.9 % of variance and loads on attributes essentially concerned with general AWARENESS of the society i.e. A7, Well Known; A3, Old, Established or New Society; and A2, Amount of Advertising. The attributes of awareness were originally classified within the dimension Credibility in conjunction with (A23) Non/Aggressive Selling and (A17) In/Competent Staff. However, alone awareness was considered to be a more appropriate descriptor due to the distribution of the attribute loadings.

DIMENSION FOUR, this Dimension loads heavily on A8, Safety, but also includes attributes concerned with Flexibility (A21), Speed of Decisions (A20), and Understanding (A22). This dimension has been labelled ASSURANCE, it essentially involves inspiring confidence in the consumer, confidence that sums invested are safe and the service provided is of a high standard: flexible and quick.

DIMENSION FIVE loads on attributes concerned with the products and services of the building society, i.e. Interest Rates (A25) and Product Range (A26). This dimension, labelled MERCHANDISE, represents the original dimension D8, it accounts for 4.8 % of variance.

DIMENSION SIX relates to <u>SIZE</u>, it accounts for 4.4 % of variance and includes the attributes: Size of Society (A1) and Size of Branch (A10).

DIMENSION SEVEN accounts for 4.2 % of variance and essentially reflects the original Convenience dimension (D3). The dimension comprises attributes contributing to consumer <u>CONVENIENCE</u>, i.e. arrangements promoting ease and comfort e.g. A12, Convenience of Branch Location and A11, Number of Branches; or saving trouble for the consumer e.g. A23 Non/Aggressive Selling.
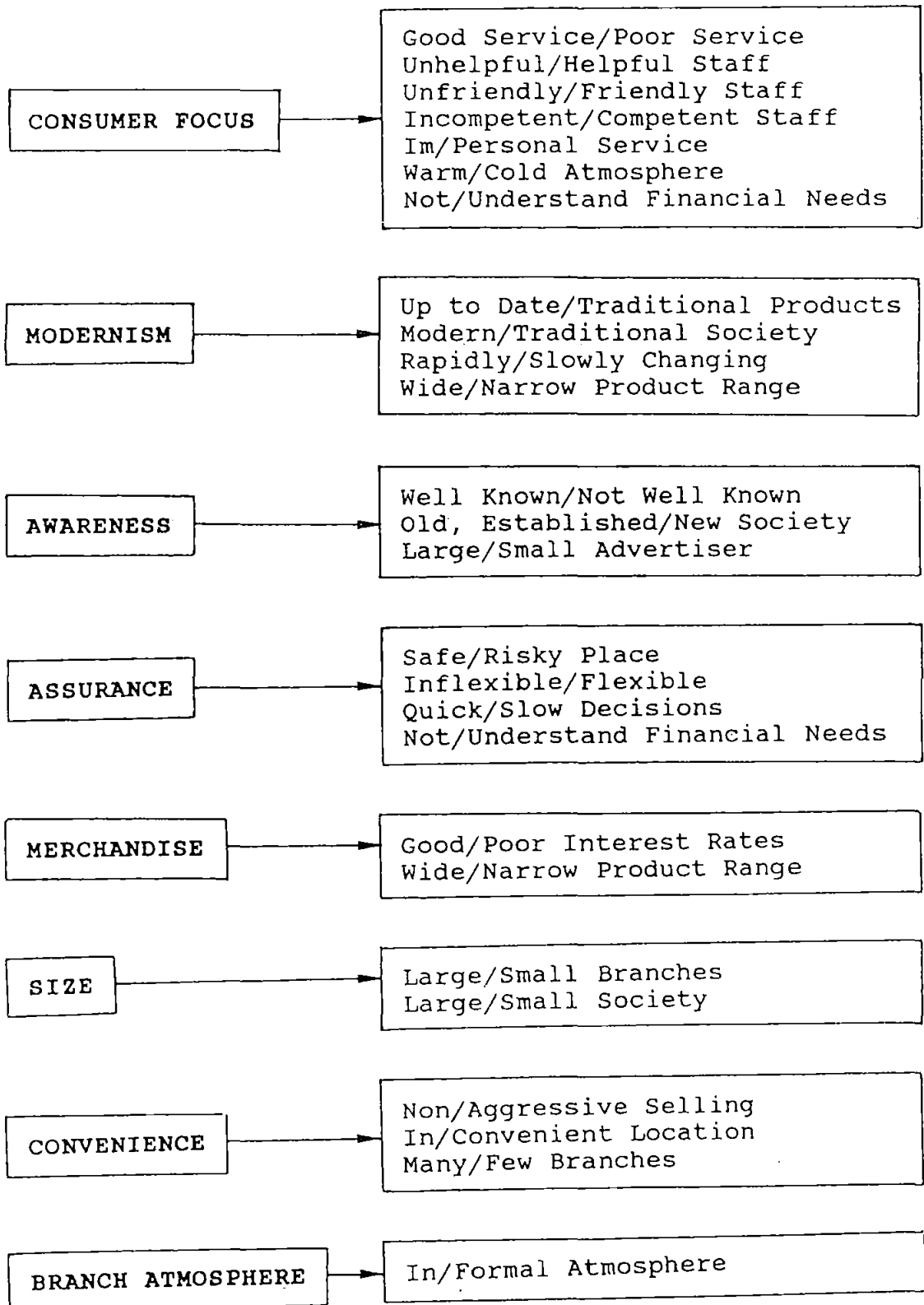
DIMENSION EIGHT loads on one attribute Formality of Atmosphere (A13), it accounts for 3.9 % of variance and was labelled <u>BRANCH ATMOSPHERE</u>.

A comparison of the original nine dimensions (see Fig. 5.1) with those identified using Varimax (Table 5.8) reveals several discrepancies. Whilst a number of the proposed dimensions of building society image have retained their structure, the highest loadings of a few attributes were not on the factors to which they were originally assigned and therefore re-assignment of those attributes was necessary.

The eight dimensions and respective attributes together define building society image, a model of which is illustrated in Figure 5.6. Concise definitions of each dimension are as follows:

Figure 5.6

A Model of Building Society Image

| CONSUMER FOCUS | → | Good Service/Poor Service
Unhelpful/Helpful Staff
Unfriendly/Friendly Staff
Incompetent/Competent Staff
Im/Personal Service
Warm/Cold Atmosphere
Not/Understand Financial Needs |

| MODERNISM | → | Up to Date/Traditional Products
Modern/Traditional Society
Rapidly/Slowly Changing
Wide/Narrow Product Range |

| AWARENESS | → | Well Known/Not Well Known
Old, Established/New Society
Large/Small Advertiser |

| ASSURANCE | → | Safe/Risky Place
Inflexible/Flexible
Quick/Slow Decisions
Not/Understand Financial Needs |

| MERCHANDISE | → | Good/Poor Interest Rates
Wide/Narrow Product Range |

| SIZE | → | Large/Small Branches
Large/Small Society |

| CONVENIENCE | → | Non/Aggressive Selling
In/Convenient Location
Many/Few Branches |

| BRANCH ATMOSPHERE | → | In/Formal Atmosphere |

1. **CONSUMER FOCUS** - is understanding and accommodating the needs of each consumer.

2. **MODERNISM** - concerns the pace of change in the society and its services.

3. **AWARENESS** - involves the profile of the society and hence familiarity of its name amongst consumers.

4. **ASSURANCE** - is the confidence inspired in consumers regarding the services and stability of the society.

5. **MERCHANDISE** - the nature and range of products and services available.

6. **SIZE** - involves the physical size in terms of assets and branches.

7. **CONVENIENCE** - involves ease and comfort for the consumer.

8. **BRANCH ATMOSPHERE** - is the formality of the environment created in each branch.

Scores were calculated for each of the eight extracted dimensions and used to replace the original image attributes in a subsequent one-way analysis of variance. The objective of this analysis was to investigate whether the different dimensions, identified in the factor analysis, were

associated with specific consumer characteristics, i.e. savings behaviour. Identification of such associations would indicate those groups of consumers who may be sensitive to specific changes in building society strategies.

The results of the analysis are depicted in Table 5.9 from which clear associations between savings behaviour and image dimensions can be seen (although note that a relationship between the dimension of image and investors in unit/investment trusts was not found). An analysis of the "F" Ratios was conducted using the respective mean factor scores (see Appendix 5.5).

The findings presented in Table 5.9 identify clear associations between respondents (segmented by savings behaviour) and individual image dimensions. Building society account holders are characterised by their use of Dimension One: Consumer Focus. Positive mean scores were found to exist for deposit/ordinary and mortgage account holders. Bank account holders were typified by their use of Dimension 2: Modernism. Note bank current account holders differ in their use of image dimensions from their building society equivalents. Whilst a negative mean factor score was found for building society current/cheque account holders, a positive score was found for bank current account holders on Dimension 2. Bank current account holders were found to have positive associations with three dimensions in total, Dimension 8: Branch Atmosphere; Dimension 2: Modernism; and DImension 4: Assurance. It is interesting to note that

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Table 5.9

The Relationship Between Consumer Savings Behaviour and the

Dimensions of Image (F Ratio)

	Building Society Account				Bank Account			Other Savings and Investments								
	Deposit	High Int	Current	Mortgage	Any	Deposit	Current	Unit/Invest trusts	Stocks Shares	Premium Bonds	National Sav Bank	National Sav Certs	T.S.B. Account	S.A.Y.E	Life policy	Private Pensions
D1 Consumer Focus	2.69 ***	3.16 ***		4.05 ***								3.26 ***		9.03 *		5.69 **
D2 Modernism			7.96 **		5.94 **		5.20 **									
D3 Awareness											3.37 ***					
D4 Assurance				3.50 ***			3.99 **		2.93 ***	3.01 ***	3.41 ***					
D5 Merchandise															4.71 **	
D6 Size																
D7 Convenience						4.23 **									2.70 ***	
D8 Branch Atmosphere							5.18 **			6.13 **	3.62 ***	3.52 ***	4.26 **			6.03 **

Significance levels   * = 0.01   ** = 0.05   *** = 0.10

respondents holding accounts with the Trustee Savings Bank were also found to have positive associations with Dimension 8: Branch Atmosphere, whilst respondents with National Savings Bank accounts focused on Dimension 4: Assurance, combined with Dimension 3: Awareness.

Amongst those respondents saving and investing in alternative mediums, positive mean factor scores were found for respondents holding stocks and shares, and those with premium bonds on Dimension 4: Assurance. Whilst respondents with life policies used Dimension 7: Convenience, those with S.A.Y.E. were found to have positive associations with Dimension 1: Consumer Focus.

The above associations provide invaluable information to building societies, enabling them to increase the effectiveness of their marketing activities. Such information is useful in the design of product appeals, for example, the findings suggest that societies introducing stocks and shares into their portfolios should emphasize flexibility, speed of decisions and safety, i.e. Dimension 4: Assurance. Whilst societies adding insurance products to their services could consider the dimension used by consumers holding life policies, i.e. Dimension 7: Convenience, which includes location (A12), number of branches (A11), and level of aggression used in selling (A23); and Dimension 5: Merchandise, which includes the price (A25), and range of products (A26).

5.4 Summary

The primary aim of this chapter was to construct a model of building society image. Specific focus was upon the use by consumers of the attributes and dimensions defined in the model. **Firstly,** a hypothetical model of Building Society Image was constructed using attributes elicited during consumer in-depth interviews. Attributes used both to describe and differentiate between societies were pooled and re-grouped. The subsequent model defined building society image as comprising 27 attributes and 9 dimensions. Consumer use of this hypothetical model was investigated using the Building Society Survey. **Secondly,** an image profile of consumers' ideal society was constructed. The ideal profile was contrasted with image profiles produced by consumers for a selection of eight societies and image "deficiencies" identified. The major deficiencies were found to centre on the services and policies of societies suggesting a need for societies to become more consumer focused. **Thirdly,** attributes used by consumers to differentiate between societies were identified, i.e. the Salient attributes. Salient attributes were found to be more general in nature than Non-Salient attributes and hence were "Search" attributes. Salient attributes could thus be used by consumers to evaluate a society prior to consumption. It was suggested that Non-Salient attributes may provide the basis upon which societies could differentiate in the future. **Fourthly,** the importance of the different attributes in consumer choice behaviour was evaluated. Whilst previous

research suggested that interest rates and branch location were the most important factors in consumer choice behaviour, B.S.S. respondents rated Flexibility and Safety as the most important attributes. Importance alone was not however deemed to influence consumer choice behaviour, consumers must also be able to differentiate between societies on the basis of that attribute. Hence, **Fifthly,** Determinant Attribute scores were calculated by combining the importance of each attribute with consumer's ability to differentiate between societies. Analysis of the attribute scores suggested that consumers select societies on the basis of the service provided. The findings thus highlighted the benefits of combining importance and similarity as the means of determining those attributes most influential in consumer choice decisions. **Finally,** using the image profiles produced by consumers for all societies the composition and structure of the hypothesized model of building society image was tested using factor analytical techniques. Inaccuracies within the model were identified and adjustments made. The chapter concluded by defining Building Society Image as being composed of 24 attributes, arranged in 8 dimensions, namely: Consumer Focus; Modernism; Awareness; Assurance; Merchandise; Size; Convenience; and Branch Atmosphere.

CHAPTER SIX

CONCLUSION

CONCLUSION

6.1 Introduction

Prior to deregulation societies dominated the narrow markets of personal savings and mortgages. Enactment of the Building Societies Act, 1986, relaxed the restrictions formerly imposed upon societies permitting their access into new markets. Deregulation of the financial markets also however granted access into the savings and mortgage markets to other financial institutions. Thus, whilst many societies wished to re-work their strategies to exploit new opportunities, their own traditional markets had also to be protected from new competitors. The selection, by societies, of appropriate strategies thus became critical to their very survival.

Whilst recent studies have attempted to report upon the strategies most likely to be adopted by societies in response to market change, the studies available provide little guidance. Previous studies suffered two major weaknesses: firstly, they failed to consider the appropriateness of **all** strategic options (i.e. Focus; Differentiation; and Cost Leadership) to **different** building societies (i.e. differences in size and nature), and secondly, they neglected to consider the response of **consumers** to strategic change. The aim of this study was therefore to identify the strategies most appropriate to different building societies from a consumer perspective.

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Image was selected as the vehicle with which to study the likely response of consumers to change.

In this final chapter the research findings will be discussed in terms of the thesis objectives, namely:

1. Determine the composition and structure of the image construct with respect to consumer perceptions;

2. Assess the use, by consumers, of the image construct, i.e., consumer perceptions and choice behaviour;

3. Construct a model of building society image;

4. Identify those strategies appropriate to building societies in the current personal financial market; and

5. Evaluate the contribution of image to the selection and formulation of building society marketing strategies.

For convenience the contents of the chapter can be considered in 3 sections. **Firstly,** attention is focused upon the model of building society image. This section attempts to answer the fundamental question: What is building society image? Image is defined in terms of its

composition (i.e. attributes), and structure (i.e. dimensions). Consideration is also given to consumer use of image and its role in consumer perceptions and choice behaviour.

In the **second** section, the role of image in the selection and formulation of building society marketing strategies is assessed. The appropriateness of each of the three strategy types (Cost Leadership; Focus; and Differentiation), is considered in the light of the research findings. This section is concluded with an evaluation of the contribution of image to the selection and formulation of building society marketing strategies.

Finally, in the **third** section, the implications of the research to both academics and practitioners are discussed and the potential for further research considered.

6.2. Conclusions of the Study

6.2.1. The Model of Building Society Image

6.2.1.1. Composition of Image

A breakdown of image into its component parts permits the analysis of the effects of different variables upon image. Specifically, the effects of strategic change upon

the attributes used in consumer perceptions and choice behaviour can be assessed.

Building society image was defined according to 24 image attributes. The attributes related to many aspects of societies, for example: branches of societies (e.g. number of branches, formality of atmosphere); staff (e.g. helpfulness and friendliness of staff); service (e.g. personal service); products available (e.g. a wide or narrow range); and general attributes (e.g. size of society). Support for many of the image attributes identified in this study has subsequently been provided by Smith and Harbisher (1989).

The attributes of image can be classified into three types: attributes unique to building societies; attributes characteristic of personal financial services; and attributes related to service. An understanding of the differing nature of the attributes used to construct building society image can greatly assist the marketing practitioner.

The attributes unique to building societies are perhaps most important to the marketing practitioner as it these attributes which differentiate societies from other personal financial institutions. Societies have for many years enjoyed a favourable image within the personal financial service sector (National Consumer Council 1983), care must be taken to prevent the erosion of this image

whilst adopting new strategies. The attributes: Friendliness of Staff; Helpfulness of Staff; Warm Atmosphere etc., are unique to societies in the personal financial services sector. In contrast a bank's image is characterised by the attributes: Professional, Business-like and Complicated (Smith and Harbisher 1989). If building societies are to retain their favourable position within the market, consumer perceptions of societies on these attributes must be continually monitored to take account of both changes in strategy and changes in the wider personal financial services environment.

Whilst the primary aim of this research was to identify building society composition, comparisons with image research conducted within the banking and retail sectors has identified several common attributes. Thus whilst the research focuses upon competition from within the building society industry, the effects of competition from non-building society institutions can also be assessed. For example, whilst Smith and Harbisher (1989) identified the attributes Flexibility, Personal Service, Quick Decisions and Formality in their studies of bank image, the service related attributes of Staff Helpfulness and Staff Friendliness were identified in studies of department (Hansen and Deutscher 1977-78) and grocery stores (Hudson 1974). Identification of the attributes common to banks and retail stores is important to the marketing practitioner following deregulation of the personal financial service market (Marks and Spencer and Debenhams

re both recent entrants to the personal financial
ervices sector) as societies must have the ability to
ssess their position vis-a-vis all competitors.

.2.1.2. The Structure of Image

he attributes of building society image do not operate
n isolation, but are inter-related to form the image
onstruct. Two forms of inter-relationships were
dentified: associations and dimensions.

onsumers were found to hold "associations" for several
image attributes, i.e. additional attributes associated
with those used. The general attributes, e.g. Size of
Society and Amount of Advertising had associations with
specific attributes of Staff Friendliness, Interest
Rates, Safety, etc.. The identification of Size
associations highlighted the unique problems of the
medium sized society. Whilst the small society and large
societies had positive associations, consumers did not
hold any associations for the medium sized societies -
their image was unclear.

Dimensions of image describe the arrangement of image
attributes in consumer perceptions. Utilising principal
component analysis the 24 attributes of building society
image were found to be arranged in 8 groups: Consumer

Focus; Modernism; Awareness; Assurance; Merchandise; Size; Convenience; and Branch Atmosphere.

The identification of the dimensions and associations is important to the strategist who can thus predict the secondary effects of strategy change. For example, an increase in society size (perhaps through merger) in an attempt to achieve economies of scale, could also remove many positive associations and damage the society's total image, whilst changes in the number of branches could affect the Convenience Dimension.

6.2.2. Use of the Image Construct

Whilst previous studies suggested that locational convenience and interest rates determined consumer behaviour (e.g. Watkins and Wright 1986), others indicated that these attributes were insufficient, and suggested that a "latent imagery" or "force" influenced consumer choice behaviour (Laidlow 1986; Wasem 1979) .

Research conducted in this study, with representatives of the building society industry, supported the former view (i.e. choice of society was largely based upon locational convenience, interest rates and financial soundness). However, studies conducted with consumers attributed choice behaviour to different factors. Whilst the attributes: Safe/Risky Place to Invest, Good/Poor Interest

Rates and In/Convenient Location were all considered important by consumers (ranking 2nd, 3rd and 4th respectively), importance, by itself, cannot be considered to determine consumer choice behaviour. Consumers must also be able to distinguish between societies on the basis of the attribute. The ability of consumers to differentiate between societies using safety, interest rates and convenient location was low. Attributes found to be rated highly were: Good/Poor Service; and Non Aggressive Selling, it is these attributes, the determinant attributes which influence consumer choice decisions. Such findings have obvious implications for those societies who have previously emphasized interest rates and branching as the means with which to attract new customers.

Consumer use of the image attributes (i.e. in perceptions and choice behaviour), was not homogeneous, but varied according to demographics (age, sex, gross income), and financial behaviour (building society account and non-account holders). A society may therefore have several different images according to the individual perceiving that society. Strategies formulated using the perceptions of the total consumer market would thus be inappropriate to sub-groups of consumers the society is attempting to attract or retain. It is therefore critical that a society identifies clearly which group(s) of consumers are relevant and gains an understanding of their perceptions during the early stages of the strategic process. This

concept is supported by Kunkel and Berry (1968) who recognized that image is dependent upon both the object of the image and the individual perceiving that object.

6.2.3. The Selection of Strategies Appropriate to Building Societies

The importance of consumer perceptions in the choice of building society marketing strategies was demonstrated in Chapter Two. Consumer perceptions of societies were seen to determine the organisation's position within the market, vis-a-vis competitors. Armed with this knowledge societies can formulate their corporate mission, setting the company apart from all others (Abratt 1989) and thus select the appropriate marketing strategies.

Porter (1989) suggests that all organisations have three strategy types from which to select: Differentiation; Focus; and Cost Leadership. Image research has, however, indicated that some strategy types may not be appropriate to all societies. Image "associations", i.e. the attributes associated with the use of other attributes suggest that strategy selection should be based upon society size (see Figure 6.1). The associations suggest that large societies, viewed by the consumer as financially sound and offering a wider range of financial services, should pursue Cost Leadership type strategies such as diversification, whilst the smaller society,

<u>Figure 6.1</u>

<u>Strategy Type by Size of Society Associations</u>

ize of ociety	Image Associations	Strategy Type
mall	- Personal Service - Limited Range of Services - Poor Interest Rates (loans high/savings low)	Focus
Medium	None	Differentiation

Large	- Financial Soundness
	
	- Efficiency
	
	- Wide Range of Services
	
	- Better chance of getting
	  a Mortgage
	
	- Good Interest Rates
	  (loan low/savings high)
		Cost Leadership

perceived as offering a more personal service with higher prices (high rates on loans/low rates on savings), should adopt Focus type strategies. Medium sized societies, however, were found to have no size associations, their image was unclear. This research thus suggested that medium sized societies should pursue Differentiation type strategies.

The size associations are not however rigid guide-lines. Each society must also assess its individual characteristics in order to formulate an appropriate strategy. The image profiles can assist this process as they provide a detailed description of each society's strengths and weaknesses, vis-a-vis competitors. Thus, for example, medium sized societies can identify the ·means with which to differentiate (see section 6.2.3.1, below).

Porter (1989) suggests that all organisation should select one strategy only and avoid getting "stuck in the middle". The findings of the image research support this argument. Due to low levels of consumer knowledge and awareness, building societies must present a clear, consistent strategy. Where consumers are presented with unclear or inconsistent images, confusion will result and the consumer will be unable to assess whether or not the society meets his/her needs and wants.

Having identified the strategy types appropriate to different groups of societies the adoption of specific

strategies by individual societies will now be considered using findings from the image research detailed in previous chapters.

6.2.3.1. Differentiation

The differentiation strategy is based upon uniqueness, as perceived by the consumer, i.e. differentiation of the product, service, and/or organisation. Whilst, amongst current customers differentiation increases brand loyalty and hence reduces price sensitivity and the risk of substitution; amongst potential customers it provides the means with which to select between relatively similar institutions.

Previous research has suggested that differentiation within the personal financial services market has occurred at a category or generic level (i.e. between banks, building societies, insurance companies, etc.), with few differences perceived at an organisational level (Laidlow 1986). In the highly structured market which existed before deregulation, category differentiation was inevitable. Restricted to a narrow range of related products, institutions within each category were seen to be essentially the same.

As a direct result of deregulation, and the expansion of financial institutions into new, non-traditional product

areas, category image became blurred. With the erosion of the dominant category image, financial institutions were presented with the opportunity to develop their own identities, identities which could reflect their individual character and portfolio of services. The findings of this research indicate that consumers have the ability to differentiate between societies and hence the creation of a distinct image at an industry level represents a viable strategy for building societies.

Consumer perceptions of societies according to size indicate that a differentiation strategy is most appropriate to the medium sized societies as their image is less well defined. Pralle (1986) also notes that the medium sized societies are generally too small to convert to Plc status and thus diversify into all areas of personal finance, and too large to become niche players, i.e., focus on one market segment.

Differentiation, however, poses a unique challenge for building societies. As service organisations, the intangible nature of their products means that societies cannot be compared on quality before use (unlike goods). In addition, the features of services can be replicated very quickly by competitors (Median, 1986, suggests that the average lead time for a new financial service product is 3 months). To ensure success, the means of differentiation must therefore have both a real effect

upon customers' choice of society **and** be difficult to replicate.

In the early 1970s many societies attempted to differentiate using television advertising, e.g. "We're with the Woolwich" and "Get the Abbey Habit". Such advertisements increased awareness of societies, but failed to create meaningful differences. More recently the Bradford and Bingley, and the Halifax building societies have successful pursued a strategy of differentiation, the former creating an image of the traditional society and the latter, highlighting its size as the largest society (see Fig. 5.3, page 231 and 5.4, page 232). Amongst the remaining societies differentiation has generally been ignored.

Whilst recent legislation (i.e. Building Societies Act 1986; and Financial Services Act 1986), has provided societies with the opportunity to exploit new differences, their use as a means of differentiation is limited. For example, the Building Societies Act provides societies with the power to convert to Plc status, thus becoming a new type of financial institution. To-date the Abbey National is the only society to pursue this option, although others have received substantial publicity as they decide whether or not to convert (e.g. National & Provincial). Whilst differentiation may be achieved for those societies who are amongst the first to convert,

little recognition will be given to those subsequently converting as the uniqueness is removed.

The polarisation rule of the Financial Services Act also allows societies (and banks) to create differences according to whether or not they become tied or independent agents. To-date, few societies have retained their independent status with respect to insurance. Amongst the top 20 societies, 14 are tied (Independent 21.10.89). Independent status would thus appear to represent a viable means of differentiation, unfortunately few people believe that independent financial advisers exist (Mintel 1991).

Whilst status, both independent or tied and plc or mutual, has been supported as a means of differentiation (see Speed 1989) it fails to meet the basic criteria specified above. Firstly, there is little evidence to suggest that either tied/independent or mutual/plc status has a real effect on consumer choice of society. Indeed, recent research (Independent 21.10.89) suggests that the consumer is unconcerned as to whether his/her society is tied or independent and although the majority of Abbey National members voted in favour of conversion to plc status, no evidence has been published to suggest that mutuality influences consumer choice behaviour. Secondly, both means can be easily replicated. All societies within the building society industry are currently either independent or tied, and by definition are mutual (societies

converting to Plc status are technically banks). Status in either form (tied/independent or mutual) therefore does not strictly provide a unique means with which to differentiate.

In order to identify a unique means with which to differentiate a society the strategist must know the position occupied by the society, vis-a-vis competitors, within the market. Gaps in the market can thus be identified and matched with the consumer's ideal society. Whilst perceptual mapping has traditionally been used to identify an organisations position (Hutton 1989), this approach is based upon 2, possibly 3 attributes. Image profiles report the society's total image across all relevant attributes and can thus more accurately assess the society's position. The analysis of all attributes will also identify any secondary effects resulting from strategic change, for example due to the existence of attribute associations.

Whilst image profiles report the society's total image, equal emphasis should not be placed on all attributes. It is the Determinant Attributes (i.e. attributes which take into account both the importance of the attribute and the individual's ability to differentiate between societies on the basis of that attribute), that have a real effect on consumer choice behaviour. Societies must address these areas if they are to successfully pursue a

differentiation strategy. The top ten determinant attributes were:

Table 6.1.

The Ten Top Determinant Attributes

Attribute	Rank
Large/Small Society	1
Aggressive/Non Aggressive Selling	2
Good/Poor Service	3
Small/Large Branches	4
Large/Small Advertiser	5
Unhelpful/Helpful Staff	6
Modern/Traditional Society	7
Impersonal/Personal Service	8
Up-to-Date/Traditional Products	9
Incompetent/Competent Staff	10

(Refer to Table 5.7 for a full list of attributes)

As mentioned earlier, the attributes ranking 1st: Large/Small society and 7th: Modern/Traditional are currently used by the Halifax and Bradford and Bingley as a means of differentiation. Of the remaining attributes a

number are unsuitable. For example, Large Advertising would result in a high level of awareness but would communicate little to the consumer in itself. It is the message contained in the advertisement which provides the means of differentiation. Also, the existence of Large or Small Branches communicates relatively little to the consumer, although smaller branches were associated with a more friendly atmosphere (consumer in-depth interviews).

Amongst the remaining Determinant Attributes, the majority of those suitable for differentiation are connected with staff and service (i.e., Helpful and Competent Staff; Good and Personal Service; and Non-Aggressive Selling). Societies, banks and insurance companies have however already directed resources into this area to create a consumer focused image. For example, amongst the clearing banks, Barclays introduced its Customer Service Unit; Lloyds, a Customer First Programme; and National Westminster, the Quality Service Programme (Crofts 1988). Within the insurance sector, Cornhill introduced its Customer Care programme; and amongst the building societies Nationwide Anglia; Woolwich and Leeds have all introduced similar programmes.

A study of the image profiles (Figures 5.3, page 231 and 5.4, page 232) produced for individual building societies however identified the failure of these programmes. Attributes connected with service (e.g. Good/Poor Service; Im/Personal Service), were identified as "deficiency

attributes", i.e. consumer perceptions of societies fell notably below (one scale point) that of their ideal society. An analysis of the programmes implemented by societies reveals a number of weaknesses which may have lead to their failure. Firstly, the attributes concerning staff and service are "Experience" attributes, i.e. attributes which cannot be evaluated prior to purchase. Consumer focus programmes must therefore involve extensive promotional activity to persuade new consumers and infrequent users that changes are indeed taking place. Whilst the Nationwide Anglia attempted to communicate their non-aggressive approach to retailing financial products in recent advertising, this message was implied. Building society advertisements must clearly state their message in simple terms.

Secondly, any society adopting a differentiation strategy must ensure that the image is substantiated. Whilst the means of differentiation can be conveyed via advertising and other promotional means, image reflects reality and hence in reality the building society must truly be consumer focused. Societies must address all areas of their business, developing a service culture at every level from customer queries about new services to their failure to meet mortgage repayments.

Thirdly, societies must consider their current image. Research has established that image is "learnt", each exposure (e.g. visit to the society or advertisement),

reinforces the image held making it more vivid. Attempts to dramatically change a society's image could result in consumer confusion as it undermines the collective basis upon which image is formed. Societies should therefore assess their current image profile before selecting a means of differentiation, perhaps developing positive perceptions. For example, the National and Provincial Building Society was perceived by consumers to have a good service, whilst the Alliance and Leicester had the most up-to-date products, such images could be strengthened and used as a basis upon which to formulate a differentiation strategy.

Finally, societies must evaluate the effects of consumer associations upon the means of differentiation selected. Despite the extensive customer care programmes conducted by the larger societies a comparison of the image profiles produced for the larger and smaller societies revealed that respondents generally perceive the smaller societies to be more consumer focused (i.e. providing a superior, more personal service). Larger societies were perceived to be more aggressive in their selling and more bank like, such perceptions are in direct contrast to a consumer focused image. It is suggested that the associations of size exert a strong influence upon consumer perceptions, thus differentiation on the basis of consumer focus attributes may only be a viable strategy to the smaller and medium sized societies.

6.2.3.2. Focus

A focus strategy involves offering a product/service which meets the needs of a specific group of customers. Such groups, or segments, are usually too small or specialized to attract large competitors. However, whilst this strategy is commonly associated with small organisations, larger societies may also adopt a focus strategy by pursuing several, perhaps related, segments.

Previously societies segmented the consumer market by geography, targeting the local areas in which they operated. For example, the West of England Building Society (now merged with the Regency), conducted a series of campaigns to encourage individuals residing in the southern and western parts of England to identify with the West of England as "their" society and thus build consumer loyalty. More recently societies have attempted to segment the market using other factors, e.g. Halifax used age: Little Xtra account for children; and Quest for teenagers. The focus strategy, however, remains relatively undeveloped.

The findings of this study suggest that the building society market can be segmented as consumer needs and wants are not homogeneous. Consumers perceive and select societies according to different image attributes. Whilst many writers suggest that the key to niche marketing is

understanding the consumer's needs (see for example Davidson 1987), this in itself in insufficient. The findings of this research suggest that societies must also understand consumer perceptions of their society and its competitors. It is important to identify how closely the society's profile matches consumer's needs and wants across all relevant attributes. This can be achieved by firstly identifying the consumer's ideal society; secondly, identifying consumer perceptions of the society; and thirdly, identifying consumer perceptions of competitor societies. Only those societies whose image closely approximates that of the ideal (i.e. match the segment's needs and wants), can hope to successfully penetrate this market. Attempts to radically change the society's position within the market will fail as consumers will become confused. Image must gradually change as it is a learnt.

To illustrate the possible strategies available to societies three examples will be illustrated: high net worth individuals; individuals aged 55 plus; and the female sector.

High net worth individuals represent an attractive segment for societies to target. With large disposable incomes, high net worth individuals have greater sums to invest and are comparatively less concerned with liquidity than their lower net worth counterparts. This segment is however highly attractive to all financial institutions. The banks

(e.g. Coutts), insurance companies (e.g. GRE, Select Insurances Portfolio), and credit card companies (e.g. American Express, Gold) have already attempted to penetrate this segment. Few, however, have adopted a focus strategy, targeting this segment to the exclusion of all others.

To-date financial companies have promoted products aimed at high net worth individuals using "ego-enhancement" techniques (e.g. according to the use of names, personal attention, access to the managers etc., see Speed 1989). For example, American Express have emphasized exclusiveness and status. Whilst studies in the U.S. have found that high net worth individuals choose financial institutions on the basis of "ego-enhancement", research in the U.K. suggests that other attributes are also important.

Research conducted within this study found consumers receiving net incomes in excess of £11,000[1] preferred a society with quicker decisions and shorter waiting times than respondents in receipt of smaller incomes (see Appendix 5.3). These findings support earlier research conducted by the Leeds Building Society (Blackburn 1988) where speed was identified as an important factor in choice behaviour for mortgages in the "Yuppie" segment. In addition, analysis of the B.S.S. findings found

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1 Employment Earnings in the South West are below those of the U.K. average (Euromonitor 1985).

individuals investing in stocks and shares (49 % of which were classified AB) had positive correlations with the Dimension, Assurance. Hence, the attributes: speed of decisions; flexibility; understanding; and safety would be particularly appealing to this group.

It could be concluded from the research findings that a society wishing to target high net worth individuals should focus upon the speed and quality of service offered to individuals within this segment. The smaller societies are already suitably positioned to target high net worth individuals. Associations of size suggest that smaller societies provide a more personal service. In addition, a number of societies, e.g. the Chelsea and Regency (now merged with the West of England) were found to be perceived as "up-market" and thus have the image of exclusiveness which may pander to the desire for "ego-enhancement".

The larger, medium sized societies, however occupy positions within the market which suggest that a focus strategy pursuing high net worth individuals would be inappropriate. Analysis of the image profiles produced by consumers for the larger and smaller societies (see Figure 5.5, page 238) demonstrate the perceived inferiority of the larger societies on a number of Assurance attributes. Whilst the research findings indicate that consumer perceptions of societies are learnt and hence can be modified over time (e.g. by use of the marketing mix),

attempts to dramatically change image could confuse the consumer. Societies whose image profiles are greatly deficient on the Assurance attributes would therefore be ill-advised to pursue the high net worth individuals.

As image reflects reality, any society attempting to modify its image to re-position must ensure that all changes are substantiated. Societies wishing to pursue a Focus strategy must therefore concentrate upon the service currently provided to its customers, in particular those falling within the high net worth group. High net worth individuals can be readily identified by an analysis of consumer accounts.

Initially societies may create, in key branches, a separate area devoted to the high net worth consumer. This practice is a feature of many other service industries, for example, estate agents and airlines. Within this area the customer should receive preferential treatment: a quicker and more personal service. It is essential that dedicated staff exclusively service the accounts of the high net worth individual. Such staff would quickly become familiar with the customer's financial position and needs, armed with this knowledge they could provide quick and flexible decisions.

Once the new service is established it can then be communicated to a wider audience. A society has two audiences with which to communicate, current and potential

consumers. Whilst current consumers (those who make frequent visits to the society) will already be aware of the changes taking place, the society will need to communicate the changes to the majority who visit their society only once every three months or less (BSA 1983).

Although speed, flexibility and understanding are "Experience" attributes, consumers can construct an image of societies on the basis of these attributes from additional sources of information. Societies can thus use these "additional sources of information", e.g. advertising, promotions, etc., to communicate their changes to current and potential consumers.

Contact can be made with current consumers by direct mail, for example in the form of a newsletter. Initial newsletters could inform the consumer that he/she has been specially selected, perhaps as a valued customer (to fulfil their desire for ego-enhancement). Subsequent letters could be used to inform the recipient of new products which specifically meet the needs of the target group (e.g. tax advantages) and developments within the society (e.g. improvements in the speed of service).

Communications to potential customers in the high net worth segment can also be conducted using direct mail, perhaps in conjunction with advertising on prime time t.v. and in the quality press to raise awareness. In all communications, the real benefits that the society can

provide to this specific group of consumers must be clearly identified.

Whilst pursuit of the high net worth individuals will involve additional costs, this will be offset in several ways. Firstly, societies may levy premium prices in return for the specialist service provided. Secondly, the opportunities for cross-selling will be increased with the dedicated personnel developing the staff-customer relationship. Thirdly, by reducing the proportion of unprofitable accounts (i.e. by focusing upon the a small number of profitable customers), administration costs will be lowered. Finally, branch numbers may be reduced with closures in areas where few high net worth individuals reside.

Another attractive segment of the consumer market would perhaps be the older members of society, the **55 plus age group**. O'Neill (1987) estimates that this group have £40 billion in disposable income, resulting from paid mortgages and the absence of dependent children. In addition, it is this group which is most likely to benefit from inheritance: housing dissolutions alone were estimated to be worth £6.56 billion (O'Neill 1987).

The image study found that the 55 plus group placed greater importance on a society being traditional and slowly changing in contrast to their younger counterparts

(see Appendix 5.3). Hence the Dimension, Modernism is particularly important to this group.

The smaller societies are already well positioned to adopt a Focus strategy concentrating upon the over 55s. Image profiles produced for the larger and smaller societies (see Figure 5.5, page 238) identified the smaller societies as more traditional and slowly changing. In addition, a number of smaller regional societies are located in the traditional retirement areas and therefore already have a high proportion of 55 plus consumers, e.g. the Wessex and Portman building societies (now merged), located in the Bournemouth area.

Many of the smaller societies have however recently engaged in merger activity. For example, the West of England and Regency; and the Portman and Wessex. Merger activity leads not only to the possible creation of a new and unfamiliar name, but also to a shift in corporate identity for a least one of the participating societies. Hence merger activity results in changes which may erode the traditional image perceived by consumers. The medium sized societies may be able to capitalise upon these changes within the market, whilst also adjusting their own image to that which more closely corresponds to the image of the ideal society of the 55 plus segment.

The Dimension, Modernism suggests that a modern/traditional image may be communicated in several

ways. For example, the number and nature of products, and the speed of change. In addition, in-depth interviews conducted with consumers suggested that building society advertising, name, branch design and product range all contributed to a modern or traditional image. A review of the activities currently pursued by the majority of societies suggests that the older members of societies could become alienated.

Many societies are currently redesigning their branches in an attempt to project a more modern, retail image. For example, the Coventry, West of England, Bristol and West and Britannia building societies have all recently redesigned their branches. Whilst refurbishing is necessary to ensure that branches are well presented, conversion to a modern design could offend older society members.

The majority of societies have also diversified. This research suggests that those societies wishing to retain (and attract new) consumers aged 55 plus should not attempt to diversify into new product areas. Products must be restriction to those which are closely related to the base activity. Products must also specifically meet the needs of the segment. The 55 plus age group have special investment and taxation needs arising from their inherited wealth. Special packages providing advice and products to accommodate this additional wealth are required.

The **female market** is the final segment to be considered. Whilst comparatively large (accounting for more than half of the total U.K. population), virtually no attention has been paid specifically to this market by any of the financial service institutions. Yet this segment represents an attractive market for all financial institutions. Due to its size, the female segment can support the needs of the larger society, it also has the market potential to warrant the additional expenditure involved in targeting this group. The Henley Centre estimate that women's spending power will increase by approximately £10 billion by the year 2000 (Guardian 21.04.90). In addition, the importance of personal finances to females can be expected to increase. With the independent taxation of wives and demographic changes encouraging more females to enter the labour market, financial products will increasingly be needed by females to manage their personal finances.

Whilst to-date, few, if any financial products have been specifically targeted to the needs of women, this group display a clear variation in behaviour. Analysis of the Building Society Survey findings revealed statistically significant differences in male and female perceptions of an ideal society. Females preferred branches to be more conveniently located, (80% compared with 66% male), societies which were more slowly changing (only 6 % of females wanted a rapidly changing society compared with

15 % male) and staff who were more competent (100 % compared with 91 % male). These differences are perhaps related to the traditional female role. A building society branch conveniently located would be important to a mother with young children, whereas competent staff would be invaluable to someone whose partner had previously been responsible for the family finances.

The smaller societies are also most suitably positioned to adopt a Focus strategy aimed at the female segment. In particular the Bradford and Bingley were perceived to be slowly changing, conveniently located with competent staff and the Cheltenham & Gloucester to have competent staff and also be conveniently located (see Figures 5.3, page 231 and 5.4, page 232).

A focus strategy aimed at the female sector may however also provide a viable option for the smaller, medium sized societies. A smaller society could operate profitably by the pursuit of a sub-segment of this market, e.g. young, high net worth, financially sophisticated or business-women. Segmentation of the female market on this basis has already been adopted in other service industries, e.g. the hotel sector. Trust House Forte have rooms specifically designed for the travelling business woman.

Within the financial services sector individual products have been identified which meet the specific needs of the female customer (Buckingham 1990). For example, unit-

linked life policies offer greater flexibility to business-women taking time off work to have children and who want the versatility to alter the balance between cover and savings. The insurance companies have however failed to promote these benefits to the female market.

The provision of new products, specifically targeted at this sector is not however sufficient to attract the female customer. The whole marketing effort must be designed to meet their needs. Attention must be focused upon all variables within the marketing mix. For example, promotional material should be placed in media where females will be receptive. Quality female magazines (e.g. Marie Clare), provide an ideal opportunity to communicate with business women, yet to-date, few (if any) financial institutions have utilised this medium to promote their products. Place, convenient location of branches was found to be an important factor for females. Societies may supplement their branch numbers with ATMs, perhaps increasing the number located in shopping centres/supermarkets and ensuring that all provide both depositing and withdrawal facilities. Finally, price, in return for a specialist service, societies may levy premium prices.

6.2.3.3. Cost Leadership

Cost leadership strategy is based upon lowest costs and hence greatest profit margins. There are numerous ways in which a society can attempt to achieve cost reduction, the major alternatives: diversification; merger; and rationalisation, are now considered.

DIVERSIFICATION - diversified organisations achieve cost reductions by spreading the fixed costs of operating over a larger number of units. Diversification can take a number of forms. At its simplest, it may involve the introduction of new products in areas related to the base activity. Alternatively, it may involve diversifying into product markets where the society has no previous experience. A diversification strategy can encompass both these aspects and may be accompanied by a departure from existing product areas.

To-date a substantial proportion of societies have diversified to varying degrees (see Table 2.5, page 61). The majority have introduced new products into areas related to their base activity, e.g. home contents insurance (Bristol and West, Portman, Leeds Permanent etc.), whilst others have entered new markets, e.g. shares and PEPs (Cheltenham & Gloucester, Bradford & Bingley). The findings of this study suggest that societies will continue to diversify both within related and non-related

areas, the majority have already obtained their members permission to do so.

Diversification into new and unrelated areas is not however a strategy available to all societies. Whilst the larger, national societies have sufficient assets to allow them to become major providers of personal financial services, the smaller (and many medium sized), societies are confined by the 1986 Building Societies Act to activities with minimal associated risk.

The appropriateness of a diversification strategy to individual building societies can be considered from two aspects: expected cost reduction; and consumer response.

a) **Expected Cost Reductions** - Whilst economic theory suggests that diversification generally results in cost reductions, this association may not be true for all industries. Production and administration of the new services must utilise essentially the same resources as those in the current portfolio if cost reductions are to be realized. Most of the new areas available to societies do however require different production and administration techniques. Whilst building societies currently operate in areas of low risk, requiring little provision for bad debts, the majority of the new areas available to societies, e.g. unsecured loans and credit cards, are comparatively high risk. Entrance into these areas would thus necessitate increased expenditure on staffing and the

provision for bad debts. Specialized staff would be required to supervise the new areas of operations and current clerical staff would require re-training to become sales oriented. Whilst costs will reduce as the society gains experience, any additional costs will offset possible economies of scale.

The additional costs involved in the production and administration of new services may be countered by volume sales. Volume sales are however characteristic of growth markets. The majority of the personal financial service markets are mature markets where, due to over-capacity, supply exceeds demand. The potential benefits associated with the entrance of societies into new areas are therefore minimal.

The entrance of new players into the mortgage market is a prime example of over-capacity. Many new providers have gained market share by accepting lower returns. New players currently find it both expensive to stay and expensive to withdraw from this market. The current account market is another example. Interest bearing current accounts were offered both by societies to gain market share, and by banks to defend their market. Whilst such accounts may have cross-selling opportunities their cost to liquidity makes them an unattractive alternative to the traditional building society savings account.

b) **Consumer Response** - Whilst the majority of building societies have to-date diversified to some extent, consumer groups were found to be generally opposed to the pursuit, by societies, of a diversification strategy. Already noted in earlier chapters was the reaction of small groups of consumers to some of the recent diversification strategies proposed by societies. For example, the Building Society Members Association has campaigned to retain housing, rather than banking, as the main concern of societies (Building Societies Gazette, September 1988 pg 4). In addition several recent surveys have repeatedly identified the resistance of consumers to accept financial services from institutions with which they were not traditionally associated (e.g. Laidlow 1986; World Banking Poll 1985). Specifically, Mintel 1987 identified the low uptake of new services offered by building societies.

The pursuit, by U.K. building societies, of a diversification strategy is inappropriate for the majority of societies for several reasons. Firstly, consumer perceptions of societies continue to be influenced by their category image. Until recently building societies, banks and insurance companies were all restricted to the provision of a narrow range of products. Although all financial institutions have entered markets once the sole domain of their competitors, the findings of the image research supports the continued existence of category image. Building societies were perceived by consumers to

be relatively similar institutions with few meaningful differences. As image is learnt, consumer perceptions lag behind reality. Only time will allow building societies to develop new images amongst consumers, reducing their association with the traditional savings and mortgage products.

Secondly, consumer knowledge and awareness of financial institutions and their services was found to be low. Group discussions with consumers found that their knowledge was restricted to the main financial products. Preddy (1989) suggests that consumers are still learning about personal finances and often find the subject difficult. The introduction of a variety of new services by societies would thus result in consumer confusion and thereby minimise uptake.

Thirdly, consumers doubt the ability of building societies, a simple two product institution, to provide a wide range of new and sophisticated products. During in-depth interviews, consumers questioned the ability of building society staff to deal with new and specialised products. Failure of staff to provide an adequate service due to the lack of product knowledge would have a negative effect on consumer perceptions of staff competence and the overall quality of service provided by the society. The findings of the image research placed great importance on both staff competence and service. As individual items, staff competence and good service ranked 2nd and 3rd

respectively. The image of all societies was however observed to be deficient on these attributes (see Fig 5.3, page 231 and 5.4, page 232), societies must therefore take precautions to avoid damaging their image further in these areas. A diversification strategy would thus need to be accompanied by extensive staff training to ensure that staff had the necessary specialist knowledge or alternatively additional specialist staff would need to be recruited. Such activities would result in an increase in staff expenditure which could offset any cost reductions made through diversification.

Although the research findings suggest that consumers are generally opposed to building society diversification, it also indicates that diversification **may** be a viable option for a small number of societies provided the following criteria are met:

Firstly, diversification must be restricted to areas related to the base activity of the society, i.e. investment and mortgage products. Findings of the image research suggest that the response of U.K. consumers to building society diversification would largely be determined by the type of diversification pursued. Whilst diversification into areas related to the base activity would add to the specialist nature of societies and thus enhance their image (e.g. societies could offer a complete housing package with estate agency services, conveyance,

mortgage, anti-gazumping insurance, home contents insurance and unsecured loans for home improvements), diversification into new and very different areas could alter the very nature of societies and tarnish their favourable image (e.g. societies introducing new services could develop a more modern image and those societies wishing to extend their portfolios to include products traditionally associated with the clearing banks, such as cash cards, cheque books etc, could attract a more bank like image).

Diversification into related areas offers a viable strategy for all sized societies. For example small societies could diversify into related areas in order to provide additional banking or insurance products which meet the specific needs of their consumers. Medium sized societies could add services which complement the means selected for differentiation.

Secondly, whilst all societies must receive their members approval to pursue a diversification strategy, a majority vote in itself is insufficient to ensure the successful introduction of new products. Societies need to understand the views of different consumer groups to evaluate whether a diversification strategy is appropriate. Whilst the findings of the image research found that the majority of consumers were opposed to building society diversification, some segments were receptive. Building societies need therefore to understand exactly who their

consumers are, which groups contribute most to their profitability and whether or not these groups support diversification. For example, the research findings suggest that a diversification may be inappropriate for societies whose members are skewed towards the higher income brackets, as this group preferred a traditional society (Appendix 5.3).

Thirdly, societies must carefully consider the speed with which new products are introduced. The research findings suggest that any changes in a societies' portfolio must be introduced gradually: only 37 % of respondents wished their ideal society to change rapidly and 24 % wanted changes to be slow. Younger consumers preferred a more rapidly changing society than older consumers, 54 % of those aged between 18-24 preferred a rapidly changing society, correspondingly only 21 % of those aged 55 -64 perceived their ideal society as rapidly changing (see Appendix 5.3). A diversification strategy may, therefore, be unsuitable for societies whose customer profile is older and/or with high incomes.

Finally, a society considering the pursuit of a diversification strategy must consider its current image profile and where appropriate adopt a diversification strategy which matches current consumer perceptions. For example the Alliance and Leicester and Nationwide Anglia are currently perceived as modern, bank-like societies, with a wide range of services. A diversification strategy

may therefore be appropriate for these societies, provided adequate consideration is given to the quality of the staff and service.

Clearly adoption of a diversification strategy is appropriate to only a very small number of societies, and even then must be implemented with great care. Many societies have diversified, not in response to consumer wants and needs but as a defensive strategy in response to the entrance of new players into the traditional markets of societies. In the current personal financial services market, competition is fierce and margins are severely under pressure. Societies diversifying into the estate agency and credit card markets have already experienced substantial losses (Barchard 1990). Whilst the very large societies may be able to support such losses short-term, the medium and small societies would suffer. To be successful a diversification strategy must be market orientated, i.e. in response to consumer wants and needs. Generally societies wishing to pursue a diversification strategy must consolidate their existing business and develop products they can offer within it.

MERGERS - the building society industry has been characterised by mergers (transfer of engagements) throughout its development. Since 1900 the number of societies has reduced from 2,286 to 167 (Building Societies Gazette, Oct 1985), a trend which is expected to

continue. Wright et al (1986) suggested that the number of societies will reduce by 20 % in 1990.

Whilst economic theory suggests that an increase in size results in economies of scale, there exists some doubt as to whether or not building society mergers actually achieve economies of scale. For example, whilst Cooper (1980) and Gilchrist and Rothwell (1980) found economies of scale in mergers amongst the smaller societies, studies conducted by Barnes and Dodd (1981) found dis-economies of scale for large and small societies. Reports from the US found that "the costs of mergers and acquisitions were consistently underestimated, and the potential synergies and efficiencies were consistently overestimated" (McLaughlin 1989). Drawing upon this body of research economies of scale would not therefore be expected from building society merger.

Assuming that societies can achieve some economies of scale through merger, what are the likely responses of consumers to continued mergers ? The effects of merger on the image of the participant societies can be viewed from two perspectives: increase in size; and change in identity.

a) **Increase In Society Size** - The perceived size of a society was found to be an important attribute. Many associations were formed with size, for example a large society was associated with financial soundness, a wide range of services, better chance of obtaining a mortgage, efficiency and preferential interest rates. A small

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society was associated with a limited range of services, but a more personal service. It is thus the medium sized societies whose images are least defined. Whilst the growth of medium and large societies would have a positive effect on image resulting from the associations of size, growth of smaller societies, via merger, could damage consumer perceptions of their personal service.

b) **Change In Identity** - In the event of merger either one or both participating societies will adopt a new identity. Three options are available to societies following merger:

1. RETENTION OF ONE NAME - the name of one of the participating societies (usually the larger) is retained. For example, following the mergers of the Paddington/West of England, and the Property Owners/Woolwich the name of the latter, larger societies were retained.

2. COMBINATION OF NAMES - the names of both participating societies are retained, this usually occurs where societies of an equal or similar size merge. For example, following the merger of the Alliance and Leicester building societies and the Nationwide and Anglia building societies a combination of the names were used. Whilst a new name is created, the identities of each society is retained. Societies involved in several mergers are however unable to continue

this practice.

3. CREATION OF A NEW NAME - new names are usually
   adopted when societies have been involved in
   several mergers, e.g. the Britannia Building
   Society was originally the Leek and Moorlands
   Building Society which was involved in several
   mergers including the Westbourne Park.

The response of consumers to building society merger will
largely depend upon the nature of the merger. Findings
from the study suggest that new (and hence unfamiliar)
names were associated with a new society despite
participating societies having been in existence for many
years. For example, the Nationwide Anglia merger involved
two old societies, the Anglia (established 1848), and the
Nationwide (established 1884).

The study found most respondents (70 %), preferred an Old
Society, i.e. one with a familiar name. A Well known
Society was preferred by 78 % of respondents. Knowledge of
a society and familiarity with its name are important
attributes, indicative of stability and security. A newly
merged society would thus have to invest heavily in
promotion to increase name awareness, this would offset
initial economies of scale.

An alternative strategy for societies wishing to achieve
economies of scale would be to enter joint ventures with

other societies and/or financial institutions. Within the building society sector, societies have joined together to form the LINK and MATRIX ATM networks. Reciprocal use of the machines allowed societies to provide their consumers with a near national network, the cost of which most individual societies would have been unable to meet.

Joint ventures between building societies and other types of financial institution have also taking place. The majority of the joint ventures are between societies and insurance companies. For example Nationwide Anglia has joined with Guardian Royal Exchange; Halifax with Standard Life; and Northern Rock with the car insurance specialist, Bradford Pennine. Joint ventures of this nature offer significant benefits to both participants. Firstly, the identities of both parties are retained (this is particularly important for societies who have an established, favourable image); secondly, the costs of introducing new products are shared; thirdly, cross-selling arrangements are possible; and fourthly, the specialized knowledge of each party can be utilised.

RATIONALISATION - focuses upon cost reduction either by improving branch productivity or product mix, or by deleting unprofitable products or branches.

a) **Improvement/Deletion of Products** - prior to deregulation building societies essentially offered two

basic products: the mortgage and savings account. Although in recent years new varieties of the same products (e.g. high interest saving accounts), and different products (e.g. unsecured loans) have been introduced, the number of building society products remains relatively small. The viability of product deletion as a means to achieve cost reductions is therefore limited.

In addition, due to the very nature of building society products, product deletion may not be easy. Unlike many other service products, building society savings and mortgage accounts are long-term products. For example, whilst the average "life" of a mortgage is currently 6 years (BSA 1986), mortgages can exist for up to, and exceeding 25 years. Problems may arise where the consumer is unwilling to transfer the mortgage account to a new product. Attempts to encourage the consumer to convert to the new products will involve additional costs, e.g. direct mail, which will ultimately off-sets any cost reductions.

The results of the B.S.S. suggest that societies wishing to achieve cost reduction through rationalisation should focus upon product improvement. Although most respondents preferred a society with a wide range of up to date products, the nature of the products carried by the society was rated more important than product range in choice of society (ranking 14th and 16th respectively).

A number of societies have to-date attempted to improve both the range and nature of products they carry. For example, the Portsmouth Building Society has recently introduced a unit-linked/PEP mortgage, and the Skipton has launched a Libor linked savings account (Skipton Money Market Plus). Whilst the improvement of individual products may attract new consumers, by themselves they contribute little to cost reduction. Cost reductions are achieved by improvement of the product mix, promoting cross-selling opportunities.

The developmental and promotional costs involved in the pursuit of cost reductions by product mix improvement may not however be justified in the current personal financial services market. Fierce competition has greatly reduced profit margins, hence costs may not be recouped in the short-term and may or may not be realised in the longer-term when the product has been established within the marketplace.

b) **Improvement/Deletion of Branches** - Cost reductions may be achieved by improving branch productivity and/or deleting unprofitable branches.

Branch productivity may be improved by reducing branch costs or increasing consumer "sales", i.e. the level of consumer transactions. As a service organisation, building society staffing accounts for a high proportion of branch costs (Pralle 1986, estimated that building society

staffing cost £533m, or 52 % of assets), as such it is a prime area for cost reduction. To lower costs building societies can either reduce the number or quality of staff. The results from the B.S.S. however suggest that both strategies are inappropriate to the majority of societies.

A reduction in the number of staff could lead to longer waiting times, both within societies for counter service, and at a managerial level, in decision making. Speed in both these areas was found to be important to consumers, ranking 8th and 13th respectively. The majority of consumers preferred a society with a short waiting time (89 %) and quick decisions (84 %). A number of societies are currently perceived by consumers to be deficient in these areas, suggesting a need to increase staffing levels and/or invest in training.

A reduction in the quality of staff would reduce the perceived quality of services provided by societies. The service of societies was also found to be deficient, particularly for the larger societies. With the increasing use of technology and the widening of the services portfolio, societies need to increase the quality of staff employed. Whilst once the role of building society staff was clerical, today it is much more sales orientated and thus staff need to better trained to meet the needs of a more sophisticated and discerning consumer.

To reduce the quality and number of staff in the current financial services market would be inappropriate for most societies as all financial service institutions are addressing the quality of service provided to their consumers. Whilst the service provided by the staff of building societies has in the past been found to be better than that of the banks (National Consumer Council 1983), societies must continue to invest in their labour force if they are to retain their favourable position in the future.

An alternative means by which societies could achieve cost reductions would be branch closures. Overall branch productivity may be improved by closing unprofitable branches. The findings of the image research suggest that convenience, i.e. branch location, is more important than absolute branch numbers (ranking 4th and 24th respectively). Branches with high operating costs to profits could be relocated in areas more convenient to the consumer thereby increasing consumer through-flow in branches. Research would be required at a local, branch level to determine which locations are perceived by the consumer to be convenient.

Whilst the findings of this research suggest that a rationalisation strategy is inappropriate for the majority of societies, this option represents a viable means of achieving cost reductions for a small number of societies following merger. The merger of two or more societies will

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result in the duplication of resources and hence the need for rationalisation. For example the Nationwide Anglia has recently announced the closure of 170 of its 883 branches and the reduction of middle and junior management by approximately 40 (Financial Institutions Review, December 1989). Whilst it is recognized that a rationalisation programme will be adopted by more societies as the number of mergers continue, this strategy is generally appropriate only to the larger national societies. Smaller, local societies engaged in merger activity generally do so to increase branch numbers.

It is suggested that whilst rationalisation is an appropriate strategy for societies immediately following merger activity, its appropriateness is limited. The continued rationalisation of staff and branches will have a negative effect upon consumer perceptions of the quality and speed of staff service and the perceived convenience of branch locations is affected, hence societies may need to adopt a new strategy once optimum numbers of staff and branches have been realised.

6.2.4. Evaluation of the Use of Image in the Selection and Formulation of Building Society Marketing Strategies

Previous studies have adopted two approaches in their attempts to resolve the question of which strategies

should building societies pursue in the new personal financial services market. Firstly, research was conducted with building society representatives to assess the likely strategies to be pursued by societies (Wright and Watkins 1987, Wright et al 1986); and secondly, analysis of market changes lead to the identification of appropriate strategies (Merwe 1987, Pralle 1986). The findings of these studies however offered little guidance to societies attempting to re-work their strategies. Each approach suffered one or more of the following weaknesses:

1. Failure to consider the likely response of consumers to changes in strategy.

Whilst the consumer is of fundamental importance to the successful implementation of new strategies (no society can survive without the support of its members), previous studies have failed to consider their response to strategic change. The selection of image as the means with which to assess the appropriateness of different marketing strategies focuses upon the consumer perspective and thus overcomes this weakness. Identification of the key attributes involved in consumer perceptions and choice behaviour permitted the likely response of consumers to changes in building society strategies to be assessed.

Adoption of a consumer perspective ensures that the strategies selected are truly marketing orientated.

Recent changes in building society strategies would appear to be market driven, i.e. in response to legislative changes (e.g. the Building Societies Act granted greater powers to societies) and increased competition (e.g. the entrance of domestic and foreign banks into the mortgage and savings markets), the findings of this research however suggests that these strategies fail to meet the needs of the majority of consumers and hence are not marketing orientated.

2. Failure to take account of the unique characteristics of different building societies.

Whilst previous studies have recognized that societies differ according to their size and spread (i.e. national/local), the unique characteristics of individual societies have been ignored in previous studies. Throughout their history, individual societies have however developed their own identity due to, for example, locational or managerial differences. Today each society's character represents an intangible asset, possibly providing the only means with which to differentiate the society from others offering essentially similar products. Failure to accommodate these differences during the strategy formulation process could have a serious effect upon the success of the strategy. The new strategy may be in conflict with the society's current image as perceived by the consumer. Failure by the

consumer to reconcile these differences could result in confusion and ultimately have a negative impact upon the society's performance. The use of image in the selection of appropriate marketing strategies however readily accommodates the unique characteristics of different societies. Utilising the Building Society Image Model the character of each society can be profiled according to the 24 image attributes. Strategies can thus be selected to enhance positive features, and tracking studies can be devised to monitor image changes.

3. Failure to examine the appropriateness of all strategic options available to societies.

Previous studies have concentrated upon the use, by societies, of a limited number of strategies. For example, Wright et al (1986) concentrated upon diversification and Pralle (1986) upon a focus and/or diversification strategy. All organisations have however, a wide range of strategic options from which to select. Clearly identification of an appropriate strategy is dependent upon the availability of sufficient strategies from which to choose. This study considered the appropriateness of a wide range of strategic alternatives, classified by Porter (1986) into three generic strategies: Differentiation; Focus; and Cost Leadership.

Previous studies may have been unable to evaluate the appropriateness of each of the generic strategies, perhaps due to the nature of the research approaches adopted. For example, time restraints may have restricted the investigation of all but a few strategies during interviews with building society representatives; and analysis of the current personal financial service market may not have provided the information with which to evaluate the appropriateness of all strategies. The use of image however allowed the likely response of consumers to each of the generic strategies (and specific activities within the strategies) to be assessed. The Building Society Image Model identified 8 dimensions and 24 attributes of image. The adoption, by societies, of each of the generic strategies was considered to influence different attributes and dimensions. Consumer perceptions of the changes resulting from the adoption of the new strategy indicated their likely response, and hence the appropriateness of each strategy.

The use of image in the selection and formulation of building society marketing strategies has thus overcome the weaknesses identified in previous studies. Perhaps more importantly however, the adoption of a consumer perspective may encourage societies to concentrate upon their members, developing a greater understanding of their needs and wants. In the current highly competitive market only those financial institutions who seek to

understand and satisfy the wants and needs of the consumer will prove successful.

6.3. Implications of the Research

6.3.1. Implications for Academics

Implications of the research extend to academics working in a variety of fields.

Firstly, the findings of this study have highlighted the importance of adopting a general, rather than a narrow, approach to image measurement. The usefulness of many previous studies was found to be limited due to their focus upon a limited number of service or retail establishments (e.g. Morello 1987, Stewart and Hood 1987). In this research consumers were allowed to profile any society of their choice, producing information relating to 27 societies. The resulting data permitted an analysis of building society sub-groups. The sample was divided into two groups, larger and smaller societies, allowing the identification of image differences related to size. The findings from this study therefore imply that future studies should adopt a general approach to image measurement, thereby increasing data quality, improving the generalisability of the research findings and adding to our understanding of image.

Secondly, whilst many previous image studies have identified the arrangement of attributes into their respective dimensions, few if any, have considered further the complex inter-relationships which exist amongst image attributes. With the aid of simple probes this research identified image "Associations" during the exploratory research. "Associations" are formed from the linking by consumers of specific attributes with general attributes. For example the general attribute Size was associated with the specific attributes of In/Efficiency, Good/Poor Interest Rates, Im/Personal Service and Safety. The ability to identify the existence of attribute associations by means of simple probes (e.g. requesting the interviewee to explain why a society with a specific attribute was selected) has implications for others attempting to unravel the complexities of image. Identification of the existence of attribute inter-relationships at an early stage within the research enables the researcher to formulate the latter stages of research more effectively and adds greatly to the quality of the information obtained.

Thirdly, the study has identified the importance of the relationship between the consumer and the object under enquiry. Consumer use of image attributes was found to vary both in number and nature according to their knowledge and experience of building societies. This finding has implications for all academics investigating the construction and formulation of the image construct as

it stresses the importance of understanding both the image construct and the individual whose perceptions have formulated that construct. The finding also emphasises the importance of drawing a large, cross-section of individuals when attempting to identify the attributes of image.

Fourthly, the results of this study have highlighted the dangers of using importance alone as the means with which to identify those factors which influence consumer choice behaviour. The consumer must both rate the attribute as important **and** be able to differentiate between the objects under study on the basis of this attribute. Whilst findings of this study reported Flexibility and Safety/Risky Place as the most important attributes in consumer choice of societies, few respondents were able to differentiate between societies on the basis of these attributes. In reality consumers would therefore be unable to choose between societies using these attributes. Studies must therefore seek to identify the Determinant Attributes of image.

Fifthly, the study casts serious doubts upon research which fails to attribute the required importance to attribute identification and draws, instead, upon the related literature. The attributes identified in this study vary in content and variety from those reported in studies of other service industries, (e.g. retail stores) and financial institutions (e.g. banks). Research findings

suggest that each study should seek to identify those attributes directly concerned with the subject under enquiry and not attempt to transfer attributes from other studies, even those from related areas.

Sixthly, findings of the study have demonstrated the utility of the Repertory Grid (Kelly 1955) as a means of assessing an individual's image of reality in an area of low awareness. Whilst, the Grid had previously been applied in studies of retail image (e.g. grocery stores: Hudson 1974), its success in areas in which consumer knowledge and awareness of the elements (i.e. building societies) was low, was unknown. In this study the diadic method was adopted whereby only two elements were presented to the individual at any one time. The number and variety of attributes elicited represents strong evidence to support the appropriateness of the Grid. Academics seeking to conduct research in areas where consumer awareness may be low can thus draw upon procedures used in this study for guidance.

Finally, a review of the image literature in Chapter 2 identified the absence of a research tradition. Image research has developed as a series of ad hoc studies contributing little to our understanding of image (Peterson and Kerin 1987). In contrast the Building Society Image Model was developed by drawing upon the experience of previous research, identifying methodological weaknesses and formulating the means by

which to overcome them. It is therefore hoped that this Model will not only provide a basis upon which future image research can drawn, but also, by example, will lead to the development of a research tradition within the field of eiconics.

6.3.2. Implication for Practitioners

The findings of the research have several implications for building society practitioners:

Firstly, and perhaps most importantly, the research findings have demonstrated the importance of image in the selection of appropriate building society marketing strategies. Societies who neglect to assess consumer perceptions of themselves and their competitors fail to understand the very nature of the market in which they operate. The absence of such knowledge severely restricts the societies ability to formulate strategies which are truly marketing orientated. The resulting strategies will be based on the views of the strategist and not the consumer.

Secondly, the findings of this study have identified how consumers choose between different building societies. Whilst previous research has investigated consumer choice behaviour, the attributes identified provided little guidance to societies attempting to re-work their

strategies. For example, Bradley (1978) identified the attributes, uncomplicated service and convenient opening hours, such attributes are however equally applicable to all societies. The findings of the Building Society Survey found consumer choice behaviour was influenced by the quality of service and aggressiveness of selling, attributes upon which individual societies differed.

Thirdly, the findings have demonstrated that building societies do not understand consumer choice behaviour. Societies continue to cite the traditional factors: interest rates and locational convenience as the factor which influence choice behaviour. The image research has however found that quality of service determines consumer choice. This has obvious implications for those societies who continue to emphasis interest rates and branching as a means of attracting consumers.

Fourthly, building societies understanding of the image construct was also found to be deficient. A comparison of the attributes elicited from building society marketing managers with those emerging from the consumer interviewees revealed that whilst building societies had an understanding of consumer perceptions of societies, their image construct was simplistic and failed to appreciate the complexities of the consumer construct. Currently building societies spend in excess of £40 million on advertising per year (Financial Times 21.01.88), largely to create an image for their building

society. The failure of societies to appreciate the image as formulated by consumers casts serious doubts upon the possible success of such advertising.

Fifthly, the research findings have demonstrated that each building society has not one but several different images. Societies must therefore clearly define their image objectives with respect to each group of individuals. Each consumer group will perceive the effects of strategy change differently depending upon the specific attributes they focus upon in their perceptions of the building society. Failure to appreciate the response of each consumer group could result in the communication of the wrong image, consumer confusion and ultimately a withdrawal of consumer support from the society.

Sixthly, the model of building society image provides societies with an instrument with which to assess the likely response of consumers to different strategies. Societies can thus evaluate the likely success or failure of different strategies before adopting them. In the current highly competitive market where mistakes could result in severe financial difficulties, this ability will provide societies with much more confidence and the encouragement to investigate new and different strategies.

Finally, this research has highlighted the existence and appropriateness of the focus and differentiation strategies. To-date the majority of societies have adopted

diversification strategies, either in related or non-related areas. Whilst diversification may be a suitable alternative for a small number of societies, this research highlights the dangers of all societies continuing down this strategic path.

6.4. Recommendations for Future Research

Whilst the research findings have provided an invaluable insight into building society image, the need for further research has also been exposed. The following recommendations are therefore made for future research :

Firstly, the focus of the study was upon building society image at an attribute level (i.e. the narrowest, most specific constructs), which were aggregated to form general, dimensions of image. Knowledge of image at an attribute level allows building societies to direct their resources to specific (e.g. staff helpfulness), rather than general areas (e.g. consumer focus). The processes involved in the formulation of the attributes of image however remain unknown. It is therefore recommended that future research should investigate how consumers construct image attributes (i.e. identification of the cues which form image). For example, what cues lead consumers to perceive a society as bank-like? Is it the design of the branches, the nature of the products, the amount of advertising and promotion, or some other cue ? It is thus

necessary to tie the attributes of image to specific cues and thereby increase the managerial relevance of these findings.

Secondly, it is recommended that future studies should research the use and importance of the image attributes identified at the actual time consumer behaviour is taking place (e.g. when consumers are choosing a society). Research techniques employed in this study considered consumer behaviour in a variety of ways. For example, Question 7 of the Personal Savings Survey used retrospective recall (i.e. respondents were questioned about activities after they have occurred); and Question 7 of the Building Society Survey used hypothetical questioning (i.e. respondents were asked to imagine that they were engaged in an activity and answer questions accordingly). However, each technique has its own strengths and weaknesses, for example, retrospective recall has the obvious problems of recall (can the respondent remember their motivations, feelings, behaviour etc. with clarity and accuracy?). Whilst it would have been preferable to study consumer behaviour at the time of activity, research constraints prevented this.

Thirdly, following deregulation of world finance markets, changes within the personal financial services sector have taken place at a rapid rate and are expected to continue. Consumer perceptions of U.K. building societies will consequently alter in response to these changes. Future

research must therefore not only concentrate upon advancing our knowledge by developing this (and other), models of image, but must also monitor the relevance of the attributes identified to ensure that the image model continues to reflect current perceptions of consumers. The findings of such research will advance our understanding of image by providing knowledge of the stability of image (i.e. how consumer perceptions change over time).

Fourthly, the focus of the study was upon the identification of the structure, composition and use of the image construct, from which the likely response of consumers to changes in building society strategies were determined. Future research must monitor the actual response of consumers to changes in building society strategies (using the attributes identified) and thus construct a predictive model. Researchers attempting to construct such a model would, however, have to overcome problems of differentiating changes in consumer perceptions and/or behaviour as a result of changes in the strategies of societies, and those resulting from changes within the general financial environment.

Fifthly, critics of image research have pointed to the problem or situation specific nature of many previous studies. For example, Morello (1988); Berry (1969); and Stewart and Hood (1987) focused upon a limited number of retail/service establishments. The generalisability of the findings from such studies were severely limited and

contributed little to image research as a whole. The attributes which form the composition of the Building Society Image Model relate to many societies (over 20), thus overcoming the above weakness. The generalisability of the research findings would however be greatly increased if future studies were to investigate the image of other U.K. personal finance institutions, e.g. banks and insurance companies. Analysis of all attributes elicited could result in the construction of an image model for the personal financial services sector. The findings of such research would provide a standard set of attributes and dimensions and thus permit comparisons of image across different financial institutions. The findings would also provide valuable information to assess the likely effect on image of the merger, association or joint ventures between different financial institutions.

Finally, future research should attempt to identify a Service Image Model, i.e. a standard set of image dimensions appropriate to all service organisations. Whilst comparisons of the attributes of building society image with those of banks and retail stores identified many differences, attributes are the narrowest most specific constructs, hence similarities are most likely to exist at the general, dimension level. Previous attempts to classify the attributes of building society image within dimensions drawn from the retail sector has proven successful requiring enlargement of only one dimension at the component level (Robson 1988a). Thus the Service Image

Model could be continually enlarged to accommodate the findings of other service image studies. Whilst this procedure will ultimately produce a model larger than necessary for a specific study, it would allow the appropriateness of specific image dimensions across numerous studies could be contrasted.

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APPENDICES

APPENDICES

The Berkowitz et al Conceptual Model of Retail Image

A1

RETAIL IMAGE
- Components
- Saliencies
- Stability
- Process of Formation & Change

STRATEGY
- Goods & Services
- Communications
- Physical Distribution
- Trade Area Mix

PATRONAGE
- Depth of Trial
- Store Loyalty
- Purchase Volume

Source: E.N. Berkowitz, T. Deutscher & R.A. Hansen (1978).

Appendix 3.1

Group Discussions: Identification of Participants

Group	Age	Sex	Occupation	Building Society
One	20-30s	Male	Scientists (Research/Technicians)	Yes
Two	30-40s	Male	Engineers (Technicians/Research)	No
Three	20-30s	Female	Business Studies (Secretaries/Research)	Yes
Four	30-40s	Male	Economics Lecturers	Yes

A2

Appendix 3.2

Group Discussion:Question List

WHY DO YOU SAVE MONEY ?

☐ Influencing factors

   mortgage
   retirement
   rainy day/safety
   consumer durables

☐ Interest Rates
☐ Advertising
☐ Withdrawals

WHAT ARE YOUR VIEWS OF FINANCIAL INSTITUTIONS ?

☐ Building Societies
☐ Banks
☐ National Savings Banks
☐ T.S.B.

☐ Pro's and Con's of Each ?
☐ Other Investments (Unit Trusts, Stocks & Shares etc)

WHAT ARE YOUR VIEWS ON THE VARIOUS TYPES OF ACCOUNTS AVAILABLE ?

☐ Bank Deposit
☐ Bank Current

☐ Building Society Deposit/Ordinary
☐ Building Society High Interest
☐ Building Society Cheque Account

☐ Multiple Accounts

WHICH BUILDING SOCIETY DO YOU CONSIDER TO BE SUPERIOR TO OTHERS, AND
WHICH INFERIOR ? WHY ?

☐ Interest Rates
☐ Services Available
☐ Access to Money
☐ Friendliness
☐ Own Building Society ?

☐ Other Building Societies ?

   Larger Societies   Smaller Societies

   ☐ Halifax   ☐ Bristol & West
   ☐ Abbey National   ☐ West of England
   ☐ Nationwide   ☐ Town & Country
   ☐ Leeds Permanent
   ☐ Woolwich

A3

Appendix 3.3

The Normal Approximation

$$N = \frac{3.84 \; p \; q}{E^2}$$

where: **N** =   number of units required in the sample

      p =   frequency of occurence of phenomenon to be measured

      q =   1 - p

      E =   maximum allowable error

    3.84 =   two degrees of freedom to give a 95% confidence limit

Personal Savings Survey: Cover Letter

ꝔꝔ | Plymouth Polytechnic

Director: R.F.M. Robbins. CBE. BSc. PhD. CChem. FRSC.

Drake Circus, Plymouth. Devon. PL4 8AA, United Kingdom
Phone (0752) 221312 Telex 45423 PPLRC G.

Dear

I am writing to you from the Plymouth Business School where we are
currently engaged in research on attitudes towards savings. As part
of this work we are conducting a survey of the opinions of a
representative sample of the population. You have been specially
chosen to take part in this random sample in the South West.

It would, therefore, be greatly appreciated if you could complete the
enclosed questionnaire. There are no right or wrong answers. It is
your opinions that we are interested in. Your reply will of course be
completely confidential and no information received will be released
on an individual basis.

Please find enclosed a free-post envelope for returning the completed
questionnaire. I should like to take this opportunity to thank you in
advance for your help.

Yours sincerely,

J Robson B.A. (Hons)
Research Assistant
Plymouth Business School

Personal Savings Survey: Follow-Up Letter

(PP logo)	**Plymouth Polytechnic**	Director R F M Robbins, CBE, BSc, PhD, CChem FRSC. Drake Circus, Plymouth, Devon, PL4 8AA, United Kingdom Phone (0752) 221312 Telex 45423 PPLRC G

Dear

I am writing to you once more from the Plymouth Business School where we are currently engaged in a research survey on attitudes towards saving. Although we have had a good response so far, it would greatly improve the accuracy of our findings if this could be increased.

It would, therefore, be greatly appreciated if you could complete the enclosed questionnaire, if you have not already done so. There are no right or wrong answers. It is your opinions that we are interested in. Your reply will be of course be completely confidential and no information received will be released on an individual basis.

Please find enclosed a free-post envelope for returning your completed questionnaire. I should like to take this opportunity to thank you for your help.

Yours sincerely,

Miss J Robson B.A. (Hons), G.Inst.M.
Research Assistant
Plymouth Business School

Appendix 3.6

Personal Savings Survey; Questionnaire

A7

PERSONAL SAVINGS SURVEY

To answer the questions below please tick the appropriate spaces.

Firstly, we should like to know about your saving habits.

1. Do you have an account with a building society?

    YES

    NO

           IF "NO" THEN GO TO QUESTION 9   1

2. What type(s) of building society account(s) do you hold?
    Please tick

    Deposit/ordinary   2
    High interest   3
    Current/Cheque   4
    Mortgage   5
    Other (please specify   6
    ....

3. Do you have accounts at MORE THAN ONE building society?

    YES
    NO
    DON'T KNOW
                                                                  7

4. Do you have more than one account at any ONE building society?

    YES
    NO
    DON'T KNOW

                                                                  8

5. Listed below are a number of issues often considered when choosing a
    building society account. Please indicate with a tick those issues
    you consider important.

    a) good interest rate   9
    b) better chance of a mortgage   10
    c) easy to withdraw money   11
    d) interest paid after tax   12
    e) safe way of saving   13
    f) easy way to invest   14
    g) branches conveniently situated   15
    h) branches open at convenient times   16
    i) suggested by a friend/relative   17
    j) wanted to save   18
    k) account opened by relatives   19
    l) other (please specify).......................   20
    ....

6. Which ONE of the ABOVE issues do you consider most important?
    Please name

    Letter   21

7. When taking money from your building society account have you ever
    in the past six months used it for any of the following?

                                                              YES

    a) a specific purchase (eg. holiday, video)   ☐   22
    b) to pay current bills   ☐   23
    c) general spending money   ☐   24
    d) put into another account at the same society   ☐   25
    e) put into a different building society   ☐   26
    f) put into a different financial institution   ☐   27
        (eg. to a bank, granny bonds, shares etc)
    g) no withdrawal made
    h) other please specify.............................   ☐   28
        ....

8. Which ONE of the ABOVE is your most usual activity? Please name.

    Letter   ☐   29

9. The following are statements concerning building societies. Please
    indicate with a tick how much you agree or disagree with them.

	Strongly Agree	Agree	Neither Agree/ Disagree	Disagree	Strongly Disagree	
Building societies are safe, secure places to keep money						30
Building societies are becoming too competitive when trying to get our money						31
Building societies are friendly places						32
Building societies are becoming more like banks						33
Building societies make money for the people who save with them						34
If Building Societies were given more scope they would improve their service to customers						35
Building societies are trying to provide too many services						36

                                                                     37

NOW WOULD YOU TELL US ABOUT YOUR OTHER SAVING ACTIVITIES

10. The following are statements concerning peoples attitudes towards savings. Please indicate with a tick how much you agree or disagree.

	Strongly Agree	Agree	Neither Agree/ Disagree	Disagree	Strongly Disagree
Saving gives me a sense of security					
saving is a sacrifice as the money could be spent on other things					
Saving is necessary for many reasons					
I only save if there is a specific purpose e.g. video, holiday etc.					
I give priority to savings					
I would only save if I had a surplus of money					

    38

    39

    40

    41

    42

    43

    44

11. Do you have an account with, or invest in any of the following? please tick

    45

bank deposit account
bank current account
other bank account (please specify)
....
unit /investment trusts
stocks and shares
premium bonds
national savings bank account (post office)
national savings certificates
T.S.B. account
Index linked SAYE savings
life assurance policy
membership in a personal private pension scheme
others (please specify)

46
47
48
49
50
51
52
53
54
55
56
57
58

THE FOLLOWING QUESTIONS ABOUT YOURSELF ARE DESIGNED TO CLASSIFY THE DATA.
ALL INFORMATION WILL BE KEPT CONFIDENTIAL AND NONE OF IT WILL BE REPORTED
ON AN INDIVIDUAL BASIS.

12. What was your age last birthday?

    18 - 24
    25 - 34
    35 - 44
    45 - 54
    55 - 64
    65 plus

            59

13. Sex?

    Male
    Female

            60

14. What is your marital status?

    Single
    Married
    Divorced
    Separated
    Widowed

            61

15. What is your gross salary at present?

    less than £ 6,000
    £ 6,000 to £ 6,999
    £ 7,000 to £ 8,999
    £ 9,000 to £10,999
    £11,000 to £14,999
    more than £15,000

            62

16. At what age did you finally stop your full-time education?
    Please tick

    16 or under
    17 to 18
    19 to 22
    23 plus
    still studying

            63

17. What is the occupation of the head of household?

    . . . .

            64

THANK YOU FOR TAKING THE TIME TO COMPLETE THIS QUESTIONNAIRE

Consumer In-Depth Interviews: Letter of Invite

P P | Plymouth Polytechnic

Director: R.F.M. Robbins, CBE, BSc. PhD. CChem. FRSC.

Drake Circus, Plymouth, Devon, PL4 8AA, United Kingdom
Phone: (0752) 221312 Telex. 45423 PPLRC G

The Plymouth Business School
Phone (0752) 264666

Reply to   J. Robson

Our ref.   JR/JL

Your ref:

Date: 5 February 1988

Dear

I am studying for my doctorate at Plymouth Polytechnic and have reached
a point where I really need your help.

My research is concerned with what people in Britain think about
Building Societies. To obtain your opinion would involve an informal
interview lasting approximately 60 minutes. This interview could be held
at the Polytechnic. or if you prefer. in your own home.

If it is possible for you to participate in the study. please complete
the form at the bottom of this letter and return it in the enclosed prepaid
envelope. I will then contact you to arrange a time and place for the
interview which is most convenient for you. .

Should you like further information on the research prior to reaching your
decision. then please do not hesitate to contact me immediately.

Yours sincerely

Julie Robson
Researcher
Plymouth Business School

I would be willing to help you obtain information on what people feel about
building societies.

NAME _____

ADDRESS _____

_____

Telephone: Day _____

        Evening _____   (if different
                                                     from above)

Appendix 3.8

Consumer In-Depth Interviews: Interviewee Profile

Number	Society Account	Age	Sex	Occupation	Location
1	Yes	55-64	Male	Retired Bank Clerk	Polperro
2	Yes	35-44	Female	School Teacher	Plymstock
3	Yes	25-34	Female	Physiotherapist	Peverell
4	Yes	35-44	Female	P.R. Consultant	Lower Compton
5	No	35-44	Male	Commanding Officer	Millbay
6	Yes	25-34	Male	Engineer Inspector	Millbay
7	Yes	25-34	Male	Financial Consultant	Lipson
8	Yes	35-44	Female	Store Security Officer	Efford
9	No	45-54	Female	Lecturer	Plympton
10	Yes	18-24	Male	Electrician	Callington
11	Yes	65 plus	Male	Retired Dental Technician	Peverell
12	Yes	55-64	Male	Civil Servant	Stoke
13	Yes	25-34	Female	Student	East Stonehouse
14	Yes	25-34	Female	Shop Manager	Belliever
15	Yes	35-44	Male	Insurance Broker	Plymouth
16	Yes	55-64	Female	Housewife	Whitleigh
17	Yes	25-34	Female	Horticulture	Lostwithiel
18	Yes	55-64	Female	Retired Insurance Clerk	Plymstock
19	Yes	45-54	Male	Civil Servant	Peverell
20	Yes	55-64	Female	Housewife	Plympton
21	Yes	35-44	Female	Housewife	East Stonehouse
22	No	25-34	Male	Builder	Staddiscombe
23	Yes	55-64	Female	Housewife	Honicknowle
24	Yes	35-44	Male	Life Inspector	Hartley
25	Yes	25-34	Male	Recreation Supervisor	Paignton
26	Yes	35-44	Female	District Nurse	Saltash
27	Yes	35-44	Male	Teacher	Mutley
28	Yes	18-24	Male	Government Service	Liskeard
29	No	65 plus	Female	Retired	Fowey
30	Yes	25-34	Female	Student	Derriford
31	Yes	55-64	Male	Electrician	Bere Alston
32	Yes	55-64	Female	Principal Lecturer	Salcombe
33	Yes	65 plus	Male	Retired Solicitor	Plymouth

Appendix 3.9 a

Consumer Indepth Interviews: Checklist for Responses

BANK/STORE.....................................

Store Appearance & Atmosphere

☐ ☐ In/Convenient layout
☐ ☐ Un/Attractive Exterior
☐ ☐ Un/Attractive Interior
☐ ☐ Un/attractive Decor
☐ ☐ Neat/Cluttered Branch
☐ ☐ Un/Fair Queueing System
☐ ☐ Friendly/Unfriendly Atmosphere
☐ ☐ Formal/Informal Atmosphere
☐ ☐ Clean/Dirty
☐ ☐ Personal/Impersonal
☐ ☐ Well/Badly Organised Internally

Personnel

☐ ☐ Friendly/Unfriendly
☐ ☐ Discouteous/Couteous
☐ ☐ Helpful/Unhelpful
☐ ☐ Good/Poor Knowledge of Products/Services
☐ ☐ In/Adequate Number of Sales Personnel
☐ ☐ Quick/Slow Service

Locational Convenience

☐ ☐ Near/Not Near to Home
☐ ☐ Near/Not Near to Work
☐ ☐ Easy/Not Easy to Drive to
☐ ☐ Many/Few Branches

Other Convenience Factors

☐ ☐ In/Convenient Parking
☐ ☐ Close to/Far From Other Shops

Reputation

☐ ☐ Liked/Not Liked by Friends
☐ ☐ Recommended/Not Recommended by Friends
☐ ☐ Known/Not Known by Friends
☐ ☐ Good/Poor Reputation

Advertising

☐ ☐ Advertise Too Much/Too Little
☐ ☐ Does/Does Not Advertise

Products and Services

☐ ☐ Low Prices/High Prices
☐ ☐ Wide/Limited Variety of Choice

Others

☐ ☐ Modern/Old FAshioned
☐ ☐ Always/Never Crowded
☐ ☐ Safe & Secure/Not Safe
☐ ☐ Rigid/Flexible Policies
☐ ☐ Other Customers Similar/Dissimilar to Self
☐ ☐ Physical Size - Small/Large

A13

Consumer Indepth Interviews: Repertory Grid

Abbey National	
Alliance & Leicester	
Birmingham Midshires	
Bradford & Bingley	
Bristol & West	
Britannia	
Chelsea	
Cheltenham & Gloucester	
Devonshire	
Ealing and Acton	
Gateway	
Halifax	
Leamington Spa	
Leeds Permanent	
Nationwide Anglia	
National & Provincial	
Northern Rock	
Paddington	
Property Owners	
Portsmouth	
Regency	
Town & Country	
West of England	
Woolwich	
Yorkshire	

Building Society Survey: Cover Letter

PP | **Plymouth Polytechnic**	Director: R F M Robbins CBE, BSc, PhD, CChem, FRSC Drake Circus, Plymouth, Devon, PL4 8AA, United Kingdom Telephone (0752) 221312 Telex 45423 PPLBC G. Fax (0752) 222792

The Plymouth Business School
Phone (0752) 264666

Reply to

Our ref:

Your ref:

Date.

Dear

The activities of banks, building societies, insurance companies and estate agents have all increased in recent years. Many more advertisements are appearing on television, more high street branches are being opened, and the products on offer are themselves changing. But what do you, the consumer, think about these organisations and their activities? At Plymouth Polytechnic we are investigating what people think about Building Societies. Our research aims to identify how people view societies covering all aspects from staff, service, and branches to the society itself. It provides building society members and non-members with the opportunity to express their views in independent research.

This survey is the final part of a three year study. You may remember taking part in a previous survey and/or personal interview. It would be very much appreciated if you would, once more, take part in this research by completing the enclosed questionnaire. It is your views which are important irrespective of whether or not you have a building society account. All questions can be answered simply and quickly. A pre-paid envelope is provided for the return of your questionnaire.

Your reply will be treated in the strictest confidence. If you have any questions or need further information, please do not hesitate to contact me.

I would like to thank you in advance for taking part in this survey and for your continued support.

Your sincerely,

Julie Robson B.A. (Hons), G.Inst M.
Researcher
Plymouth Business School

Building Society Survey: Follow Up Cover Letter

Plymouth Polytechnic

Director, R F M Robbins, CBE, BSc, PhD, CEng, FRSC.

Drake Circus, Plymouth, Devon, PL4 8AA, United Kingdom.
Telephone (0752) 221312
Telex 45423 PPLRC G, Fax (0752) 222782

The Plymouth Business School
Phone (0752) 264666

Reply to:

Our ref

Your ref

Date:

Dear

Last week you may recall receiving a letter from me inviting you to take part in research on Building Societies. Although we have had a good response, the accuracy of our findings will be greatly improved if everybody is able to take part in this study.

If you have not already mailed your response, it would be greatly appreciated if you would take a few minutes to complete the enclosed questionnaire. There are no right or wrong answers. It is your views which are important, irrespective of whether or not you have a Building Society account.

A pre-paid envelope is provided for the return of your questionnaire. Your reply will be treated in the strictest confidence. If you do have any questions or need further information, please do not hesitate to contact me.

I would like to thank you in advance for taking part in this survey.

Your sincerely,

Julie Robson B.A.(Hons), G.Inst.M.
Researcher
Plymouth Business School

Appendix 3.12

Building Society Survey:Questionnaire

BUILDING SOCIETY SURVEY

1. Do you have an account (e.g. savings, mortgage) with a Building Society? Please circle the appropriate answer

   1   Yes

   2   No   1

   IF "NO" THEN PLEASE GO TO QUESTION 4

2. Please name the building society at which you hold your account? If you have accounts at more than one society, please name the **ONE** society you visit most often.

   2

   Name of Society _____

3. Listed below are a number of ways to describe building societies. Please rate YOUR OWN society (named above) by circling the number corresponding to the best description of your society. For example, suppose you were to rate your society on the following description:

   Clean Branches   1   2   3   4   ⑤   Dirty Branches

   A ⑤ means that you think the branches of your society are very dirty; a ③ would mean that you think the branches are neither clean nor dirty; and a ② would mean that you think the branches are clean.

   For EACH description below please CIRCLE the NUMBER that best describes YOUR society.

3a. FIRSTLY, WOULD YOU PLEASE RATE YOUR SOCIETY ON A NUMBER OF GENERAL DESCRIPTIONS.

Small Society	1 2 3 4 5	Large Society	3
Large Advertiser	1 2 3 4 5	Small Advertiser	4
Old, Established Society	1 2 3 4 5	New Society	5
Like a Bank	1 2 3 4 5	Not like a Bank	6
Modern Society	1 2 3 4 5	Traditional Society	7
Rapidly Changing	1 2 3 4 5	Slowly Changing	8
Well Known	1 2 3 4 5	Not Well Known	9
Safe Place to Invest	1 2 3 4 5	Risky Place to Invest	10
Upmarket	1 2 3 4 5	Not Upmarket	11

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3b. HOW WOULD YOU DESCRIBE THE BRANCHES OF YOUR SOCIETY

Small Branches	1 2 3 4 5	Large branches	12
Many Branches	1 2 3 4 5	Few branches	13
Conveniently located	1 2 3 4 5	Inconveniently located	14
Formal Atmosphere	1 2 3 4 5	Informal Atmosphere	15
Warm Atmosphere	1 2 3 4 5	Cold Atmosphere	16

3c. HOW WOULD YOU DESCRIBE THE STAFF OF YOUR SOCIETY?

Helpful Staff	1 2 3 4 5	Unhelpful Staff	17
Unfriendly Staff	1 2 3 4 5	Friendly Staff	18
Competent Staff	1 2 3 4 5	Incompetent Staff	19

3d. WOULD YOU PLEASE RATE THE SERVICE OF YOUR SOCIETY?

Personal Service	1 2 3 4 5	Impersonal Service	20
Long Waiting time	1 2 3 4 5	Short Waiting time	21
Quick decisions (e.g. mortgage)	1 2 3 4 5	Slow decisions (e.g. mortgages)	22
Flexible to customer needs	1 2 3 4 5	Inflexible to customer needs	23
Understand peoples financial needs	1 2 - 3 4 5	Do not understand peoples financial needs	24
Aggressive Selling	1 2 3 4 5	Non Aggressive Selling	25
Good Service	1 2 3 4 5	Poor Service	26

3e. FINALLY, HOW WOULD YOU DESCRIBE THE PRODUCTS OF YOUR SOCIETY?

Good interest rate	1 2 3 4 5	Poor interest rate	27
Wide range of products	1 2 3 4 5	Narrow range of products	28
Up to date products	1 2 3 4 5	Traditional Products	29

NOW WOULD YOU PLEASE CHOOSE ANOTHER, DIFFERENT SOCIETY AND ANSWER THE QUESTIONS OVERLEAF.

PLEASE THINK OF ANY BUILDING SOCIETY. IT IS NOT IMPORTANT THAT YOU
HAVE AN ACCOUNT WITH THIS SOCIETY. YOU MAY KNOW OF THE SOCIETY FROM
ITS ADVERTISING, ITS HIGH STREET BRANCHES OR PERHAPS YOU HAVE FRIENDS
OR FAMILY WHO USE THE SOCIETY?

4.   PLEASE NAME THE SOCIETY YOU HAVE CHOSEN

     Name of Society _____

30

[| |]

5.   Please rate the SOCIETY you have CHOSEN on the following
     descriptions by circling the number corresponding to the
     best description of the society. For example, suppose you
     were to rate the society on the following descriptions:

     Bad reputation   (1) 2 3 4 5   Good reputation

A (1) means that you think the society has a very bad reputation;
a (3) would mean that you think the society has neither a good or
a bad reputation; and a (4) would mean that you think the society
has a good reputation.

For EACH description below please CIRCLE the NUMBER that best
describes the society you have CHOSEN.

WHEN ANSWERING THE FOLLOWING QUESTIONS IT IS YOUR IMPRESSIONS WHICH
ARE IMPORTANT, EXPERIENCE OF THE SOCIETY IS NOT NECESSARY.

5a. FIRSTLY, WOULD YOU PLEASE RATE THE SOCIETY YOU HAVE CHOSEN ON
     THE FOLLOWING GENERAL DESCRIPTIONS.

Small Society	1 2 3 4 5	Large Society	31
Large Advertiser	1 2 3 4 5	Small Advertiser	32
Old, Established Society	1 2 3 4 5	New Society	33
Like a Bank	1 2 3 4 5	Not like a Bank	34
Modern Society	1 2 3 4 5	Traditional Society	35
Rapidly Changing	1 2 3 4 5	Slowly Changing	36
Well Known	1 2 3 4 5	Not Well Known	37
Safe Place to Invest	1 2 3 4 5	Risky Place to Invest	38
Upmarket	1 2 3 4 5	Not Upmarket	39

5b. HOW WOULD YOU RATE THE BRANCHES OF THE SOCIETY?

Small Branches	1 2 3 4 5	Large Branches	40
Many Branches	1 2 3 4 5	Few Branches	41
Conveniently located	1 2 3 4 5	Inconveniently located	42
Formal Atmosphere	1 2 3 4 5	Informal Atmosphere	43
Warm Atmosphere	1 2 3 4 5	Cold Atmosphere	44

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5c. HOW WOULD YOU DESCRIBE THE STAFF OF THIS BUILDING SOCIETY?

Helpful Staff	1	2	3	4	5	Unhelpful Staff	45
Unfriendly Staff	1	2	3	4	5	Friendly Staff	46
Competent Staff	1	2	3	4	5	Incompetent Staff	47

5d. HOW WOULD YOU RATE THE SERVICE OF THIS SOCIETY?

Personal Service	1	2	3	4	5	Impersonal Service	48
Long Waiting time	1	2	3	4	5	Short Waiting time	49
Quick decisions (e.g. mortgage)	1	2	3	4	5	Slow decisions (e.g. mortgages)	50
Flexible to customer needs	1	2	3	4	5	Inflexible to customer needs	51
Understand peoples financial needs	1	2	3	4	5	Do not understand peoples financial needs	52
Aggressive Selling	1	2	3	4	5	Non Aggressive Selling	53
Good Service	1	2	3	4	5	Poor Service	54

5e. FINALLY, HOW WOULD YOU DESCRIBE THE PRODUCTS OF THIS SOCIETY?

Good interest rate	1	2	3	4	5	Poor interest rate	55
Wide range products	1	2	3	4	5	Narrow range of products	56
Up to date products	1	2	3	4	5	Traditional Products	57

5f. HAVE YOU EVER USED THE ABOVE SOCIETY (e.g. FOR SAVINGS, MORTGAGE)?
Please circle ONE of the following:

1   Yes I use this society

2   Yes I have used this society, but do not use it now

3   No I have never used this society   58

NOW WOULD YOU TRY TO IMAGINE YOUR IDEAL SOCIETY, WHAT SORT OF SOCIETY
WOULD IT BE.

6. Listed below are a number of ways used to describe building
    societies. Please indicate how you would rate your IDEAL
    society by circling the number corresponding to the best
    description of your ideal society. For example, suppose
    you were to rate your ideal society on the following:

        Quiet Branches (1)   2   3   4   5 Busy Branches

A (1) means that your ideal society would have very quiet
branches, a (4) would mean that your ideal society has busy
branches and a (3) would mean that the branches of your ideal
society are neither busy nor quiet.

For EACH description below please CIRCLE the NUMBER that corresponds
to how you would describe your IDEAL society.

6a. FIRSTLY, WOULD YOU PLEASE RATE YOUR IDEAL SOCIETY ON A NUMBER
    OF GENERAL DESCRIPTIONS:

Small Society	1 2 3 4 5	Large Society	59
Large Advertiser	1 2 3 4 5	Small Advertiser	60
Old, Established Society	1 2 3 4 5	New Society	61
Like a Bank	1 2 3 4 5	Not like a Bank	62
Modern Society	1 2 3 4 5	Traditional Society	63
Rapidly Changing	1 2 3 4 5	Slowly Changing	64
Well known	1 2 3 4 5	Not Well Known	65
Safe Place to Invest	1 2 3 4 5	Risky Place to Invest	66
Upmarket	1 2 3 4 5	Not Upmarket	67

6b. HOW WOULD YOU DESCRIBE THE BRANCHES OF YOUR IDEAL SOCIETY?

Small Branches	1	2	3	4	5	Large Branches	68
Many branches	1	2	3	4	5	Few branches	69
Conveniently located	1	2	3	4	5	Inconveniently located	70
Formal Atmosphere	1	2	3	4	5	Informal Atmosphere	71
Warm Atmosphere	1	2	3	4	5	Cold Atmosphere	72

6c. HOW WOULD YOU DESCRIBE THE STAFF OF YOUR IDEAL SOCIETY?

Helpful Staff	1	2	3	4	5	Unhelpful Staff	73
Unfriendly Staff	1	2	3	4	5	Friendly Staff	74
Competent Staff	1	2	3	4	5	Incompetent Staff	75

6d. WOULD YOU PLEASE RATE THE SERVICE OF YOUR IDEAL SOCIETY?

Personal Service	1	2	3	4	5	Impersonal Service	76
Long Waiting time	1	2	3	4	5	Short Waiting time	77
Quick decisions (e.g. mortgage)	1	2	3	4	5	Slow decisions (e.g. mortgages)	78
Flexible to customer needs	1	2	3	4	5	Inflexible to customer needs	79
Understand peoples financial needs	1	2	3	4	5	Do not understand peoples financial needs	80
Aggressive Selling	1	2	3	4	5	Non Aggressive Selling	81
Good Service	1	2	3	4	5	Poor Service	82

6e. FINALLY, HOW WOULD YOU DESCRIBE THE PRODUCTS OF YOUR IDEAL SOCIETY?

Good interest rate	1	2	3	4	5	Poor interest rate	83
Wide range of products	1	2	3	4	5	Narrow range of products	84
Up to date Products	1	2	3	4	5	Traditional Products	85

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7. Listed below are a number of factors used when choosing a building society. Please indicate how important you consider each of the following factors if you were to choose a building society today. For example, suppose you were to rate the importance of the following:

	Very Important						Very Unimportant						Very Important						Very Unimportant		
Busy branches	1	2	3	④	5		Quiet Branches		1	②	3	4	5

A ④ means that you consider busy branches unimportant when choosing a society; however a ② for quiet branches means that this factor would be considered important when choosing a society.

Please CIRCLE the NUMBER that corresponds to how IMPORTANT you consider EACH factor to be when CHOOSING a building society.

7a. FIRSTLY, PLEASE INDICATE HOW IMPORTANT YOU CONSIDER THE FOLLOWING FACTORS WHEN CHOOSING A SOCIETY?

	Very Important						Very Unimportant						Very Important						Very Unimportant		
Small Society	1	2	3	4	5	Large Society	1	2	3	4	5	86	87
Large Advertiser	1	2	3	4	5	Small Advertiser	1	2	3	4	5	88	89
Old, Established Society	1	2	3	4	5	New Society	1	2	3	4	5	90	91
Like a Bank	1	2	3	4	5	Not Like a Bank	1	2	3	4	5	92	93
Modern Society	1	2	3	4	5	Traditional Society	1	2	3	4	5	94	95
Rapidly Changing	1	2	3	4	5	Slowly Changing	1	2	3	4	5	96	97
Well Known	1	2	3	4	5	Not Well Known	1	2	3	4	5	98	99
Safe Place to Invest	1	2	3	4	5	Risky Place to Invest	1	2	3	4	5	100	101
Upmarket	1	2	3	4	5	Not Upmarket	1	2	3	4	5	102	103

7b. WOULD YOU PLEASE INDICATE HOW IMPORTANT YOU CONSIDER THE BRANCHES OF SOCIETIES WHEN CHOOSING A BUILDING SOCIETY. PLEASE RATE THE FOLLOWING:

	Very Important						Very Unimportant						Very Important						Very Unimportant		
Small Branches	1	2	3	4	5	Large Branches	1	2	3	4	5	104	105
Many Branches	1	2	3	4	5	Few Branches	1	2	3	4	5	106	107
Conveniently Located	1	2	3	4	5	Inconveniently Located	1	2	3	4	5	108	109
Formal Atmosphere	1	2	3	4	5	Informal Atmosphere	1	2	3	4	5	110	111
Warm Atmosphere	1	2	3	4	5	Cold Atmosphere	1	2	3	4	5	112	113

7c. HOW IMPORTANT ARE THE STAFF IN YOUR CHOICE OF SOCIETY? PLEASE
RATE THE FOLLOWING DESCRIPTIONS:

	Very Important				Very Unimportant		Very Important				Very Unimportant		
Helpful Staff	1	2	3	4	5	Unhelpful Staff	1	2	3	4	5	114	115
Unfriendly Staff	1	2	3	4	5	Friendly Staff	1	2	3	4	5	116	117
Competent Staff	1	2	3	4	5	Incompetent Staff	1	2	3	4	5		

118   119

7d. HOW IMPORTANT IS A SOCIETY'S SERVICE IN YOUR CHOICE OF BUILDING
SOCIETY? PLEASE RATE THE FOLLOWING:

	Very Important				Very Unimportant		Very Important				Very Unimportant		
Personal Service	1	2	3	4	5	Impersonal Service	1	2	3	4	5	120	121
Long Waiting Time	1	2	3	4	5	Short Waiting Time	1	2	3	4	5	122	123
Quick Decisions (e.g. mortgages)	1	2	3	4	5	Slow Decisions (e.g. mortgages)	1	2	3	4	5	124	125
Flexible to Customer Needs	1	2	3	4	5	Inflexible to Customer Needs	1	2	3	4	5	126	127
Understanding Peoples Financial Needs	1	2	3	4	5	Not Understanding Peoples Financial Needs	1	2	3	4	5	128	129
Aggressive Selling	1	2	3	4	5	Non Aggressive Selling	1	2	3	4	5	130	131
Good Service	1	2	3	4	5	Poor Service	1	2	3	4	5	132	133

7e. FINALLY, PLEASE INDICATE HOW IMPORTANT YOU CONSIDER THE PRODUCTS
OF A SOCIETY BY RATING THE FOLLOWING:

	Very Important				Very Unimportant		Very Important				Very Unimportant		
Good Interest rate	1	2	3	4	5	Poor Interest rate	1	2	3	4	5	134	135
Wide Range of Products	1	2	3	4	5	Narrow Range of Products	1	2	3	4	5	136	137
Up to date Products	1	2	3	4	5	Traditional Products	1	2	3	4	5	138	139

8. IF THERE IS ANYTHING ELSE THAT YOU WOULD LIKE TO ADD ABOUT BUILDING
SOCIETIES, PLEASE USE THE SPACE PROVIDED BELOW.

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THANK YOU FOR TAKING THE TIME TO COMPLETE THIS QUESTIONNAIRE

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Building Society In-Depth Interviews;Letter of Invite. Phase I

$\wp\wp$ | Plymouth Polytechnic

Director: A.F.M. Robbins, CBE, BSc, PhD, CChem, FRSC.

Drake Circus, Plymouth, Devon, PL4 8AA, United Kingdom
Phone. (0752) 221312 Telex 45423 PPLRC G.

Dear

I am currently researching into the changing marketing strategies of building societies and their effects on consumer purchasing behaviour. The aims of this investigation are threefold:-

a) To determine the direction of change in building society marketing strategies in the U.K.;

b) To measure the influence of changing strategies on consumer purchasing behaviour in the financial services sector; and

c) To develop a predictive model of purchasing behaviour for personal building society financial services.

Some of the information required for this study has been obtained from published literature and official records. Further data is presently being collected by means of a mail survey to 2000 homes. It is also hoped that a small numbers of building societies will provide background information on their marketing strategies present and imminent. I am therefore writing to you to enquire whether you would be able to see me for about three-quarters of an hour to discuss the marketing strategies of your building society. The areas of particular interest are:

a) Your views on the effects of change in the financial services services environment upon building societies, e.g. legislation, technology and competition;

b) How you see the consumers' financial needs and wants developing and how the building societies will satisfy them;

c) The longer term marketing strategies building societies might adopt;

d) How you think societies plan to use their marketing tools, e.g. promotion and advertising, price, product and location of outlets;

I will contact you by telephone in a few days to see if it would be possible to arrange a meeting.

Your sincerely,

Julie Robson B.A.(Hons)
Research Assistant
Plymouth Business School

Appendix 3.14

Building Society Interviews: Interviewee Profile. Phase I

Interviewee Number	Building Society	Interviewee	Position Held
1	Bristol & West	Mr. Bartlett	Marketing Manager
2	Portman	Mr. Wareham	Marketing Manager
3	Wessex	Mr. Aiken	Marketing & Development Manager
4	Portsmouth	Mr. Spencer	Asst General Manager (Development)
5	Staffordshire	Mr. Evans	Marketing Controller
6	Britannia	Mr. Machin	Marketing Services Controller

Building Society In-Depth Interviews:Question List. Phase I

1. AS AN INTRODUCTION, WOULD YOU DESCRIBE YOUR BUILDING SOCIETY'S
   PERFORMANCE AT PRESENT ?

   Size (assets and position)
   Strengths and weaknesses

2. HOW DO YOU SEE THE CHANGES IN THE FINANCIAL SERVICES ENVIRONMENT
   AFFECTING YOUR BUILDING SOCIETY ?

   Legislation - Building Societies Act
                - Financial Services Act
   Competition - Building societies
                - Banks
                - Other financial institutions
   Technology   - Present developments
                - Expected developments
                - De-personalisation of service
   Image   - Tradition/Friendly
                - Becoming like banks

3. IN WHAT WAYS (IF ANY) HAS THE CONSUMER CHANGED ?

   Increased sophistication
   Changing needs and wants
   Convenience/service
   Attitudes towards building societies
   Effects - segmentation
             target markets

4. HOW WILL YOUR BUILDING SOCIETY SATISFY THESE REQUIREMENTS ?

   New products/services
   Financial supermarkets

5. HOW IS YOUR MARKETING DEPARTMENT ORGANISED ?

   Personnel - numbers and experience
   Market research - in-house data bases
                   - externally produced data

6. HOW DO YOU DEFINE THE TERM "MARKETING STRATEGY" ?

   Long term
   Directors decision
   Considerations - future market needs
                    competitive and environmental factors
                    building society strengths and weaknesses

7. HOW WOULD YOU DESCRIBE YOUR LONG TERM MARKETING STRATEGY ?

8. HOW DO YOU PLAN TO USE YOUR SOCIETY'S MARKETING TOOLS TO ACHIEVE
   THESE STRATEGIES ?

   Promotion   Place
   Price   Product

Building Society In-Depth Interviews: Letter of Invite. Phase II

Plymouth Polytechnic

Director R F M Robbins CBE BSc PhD CChem FRSC

Drake Circus Plymouth Devon PL4 8AA United Kingdom
Phone (0752) 221312 Telex 45423 PPLRC G

Dear

Research is currently being conducted on building societies here at the Plymouth Business School. This research is in its final stages and now focuses on consumer perceptions of the image of building societies, i.e. the identification of the factors (or attributes) used by consumers in the construction of building society image.

Some of the information required for this study has already been obtained from published literature. Original work involving building society consumers has also been conducted in the south-west of England. This work has included a number of group discussions and a mail survey. Recent research involved 33 in-depth interviews which provided information on consumer perceptions of society image. You many be interested to learn of the attributes used by consumers to describe and differentiate between societies.

The research now addresses image from the position of building societies. A few, select societies have already taken part in this research providing information on building society image. I am writing to you to enquire whether you would also be able to see me for about 45 mins. to discuss the image created for your society. The areas of particular interest are:

1. The Building Society Industry – your views on the image of the industry, past and present, and the effects of environmental changes: increasing competition; legislation and advancing technology;

2. The image of Your Society – what it its image? How has this image been created? In what ways does this image differ from that of other societies?

3. The Consumer – which aspects of image do you consider are important to the consumer when choosing a society?

I will contact you by telephone in a few days to see if it would be possible to arrange a meeting.

Your sincerely,

Julie Robson, B.A. (Hons), G.Inst.M.
Research Assistant

Building Society Interviews: Interviewee Profile. Phase II

Interviewee Number	Building Society	Interviewee	Position Held
1	Leeds	Mrs. Diamond	Market Research Officer
2	National & Provincial	Mr. Larkham	Head of Marketing
3	Halifax	Mrs. Quinn	Manager, Market Research
4	Bradford & Bingley	Mr. Tretheway	Assistant General Manager
5	Abbey National	Mrs. Stent	Research Manager
6	Woolwich	Mr. Blake	Assistant General Manager
7	Britannia	Mr. Machin	Marketing Services Controller
8	Bristol & West	Mr. Coverdale	Assistant General Manager, Marketing
9	Cheltenham & Gloucester	Mr. Steele	Marketing Manager
10	West of England	Mr. James	Marketing Controller
11	Chelsea	Mr. Silverstone	Assistant General Manager
12	Portsmouth	Mr. Simms	Assistant Marketing Manager

Building Society In-Depth Interviews Question List: Phase II

BUILDING SOCIETY ....

INTERVIEWEES NAME ....

POSITION ....

DATE .... TIME ....

1. THE WORD "IMAGE" IS USED EVERYDAY IN A NUMBER OF WAYS WITH A
    VARIETY OF MEANINGS. WHAT DO YOU UNDERSTAND BY THE TERM "IMAGE"
    IN A MARKETING CONTEXT ?

2b. HOW WOULD YOU DESCRIBE THE IMAGE OF THE BUILDING SOCIETY
    INDUSTRY?

    Traditional image
    Effects of environmental change (competition, legislation,
        technology)
    Present image
    Image contrasted with other financial institutions
        (banks, insurance companies, estate agents, etc.)

2b. WHAT DO YOU THINK WILL BE THE MAJOR CHANGES IN THE IMAGE OF THE
    BUILDING SOCIETY INDUSTRY ? AND WHY ?

3a. HOW WOULD YOU DESCRIBE THE IMAGE OF YOUR BUILDING SOCIETY ?

    General description of image - attributes
    Strengths of image
    Weaknesses of image

3b. IN WHAT WAYS, IF ANY, HAS THE IMAGE OF YOUR SOCIETY CHANGED ?

    (i) Why have these changes occurred ?

         - deliberate move by the society
         - response to changes in environment

    (ii) What evidence do you have that these changes have taken
         place ?

         - market research/observation

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3c. IN WHAT WAYS, IF ANY, WOULD YOU LIKE TO CHANGE THE IMAGE OF YOUR SOCIETY ? AND WHY ?

3d. DO YOU THINK IT IS POSSIBLE TO CHANGE THE IMAGE OF YOUR SOCIETY IN THE WAYS YOU HAVE SUGGESTED ? AND HOW ?

3e. IN WHAT WAYS DO YOU THINK THE IMAGE OF YOUR SOCIETY WILL CHANGE IN THE NEAR FUTURE ?

- Effects of introduction of new products/services

4. WOULD YOU GIVE A BRIEF OUTLINE OF THE MARKET RESEARCH CONDUCTED OR COMMISSIONED BY YOUR SOCIETY ?

- Attitude research
- Image research
- Planned research

5a. HOW DOES YOUR SOCIETY COMMUNICATE ITS IMAGE TO THE CONSUMER ?

- Formal: TV, Press, Posters, Radio, Sponsorship
- Non-Formal: quality of staff/service
- How control quality of Non-Formal methods

5b WHY DID YOUR SOCIETY CHOOSE THESE PARTICULAR METHODS ?

5c. WHAT RESEARCH HAS BEEN CONDUCTED BY YOUR SOCIETY TO INVESTIGATE THE EFFECTIVENESS OF THESE METHODS ?

- Examples/details of: In-house research
                         External research
                         Published data

BRIEF   INTRODUCTION   ABOUT   THE   REPERTORY   GRID

6a. NOW WOULD YOU CONSIDER THE 2 SOCIETIES NAMED ON THESE CARDS. CAN YOU DESCRIBE ANY WAY(S) IN WHICH THE 2 SOCIETIES DIFFER ?

6b. THINKING OF THE BUILDING SOCIETY INDUSTRY AS A WHOLE, HOW
DIFFERENT DO YOU THINK SOCIETIES ARE WITH REGARD TO........

Rate each construct on a scale of 1 - 5, whereby 1 = very
different and 5 = very similar

7. NOW THINKING OF THE CONSUMER, WHAT DIFFERENCES DO YOU THINK THEY
SEE BETWEEN SOCIETIES ?

8. WHAT ASPECTS OF IMAGE DO YOU THINK CONSUMERS CONSIDER IMPORTANT
WHEN CHOOSING A SOCIETY ?

(i)   Different services: deposit account/mortgage/others

(ii) Experience of Consumer

											Abbey National
											Alliance & Leicester
											Bradford & Bingley
											Bristol & West
											Britannia
											Cheltenham & Gloucester
											Halifax
											Leeds Permanent
											National & Provincial
											Nationwide Anglia
											West of England
											Woolwich
											6b

Appendix 4.1

A Consumer Group Discussion

Group Discussion One comprised five males,

aged between 20-30 years.

All members were Chemists, either researchers

or technicians.

Each member held either a building society

deposit

or mortgage account.

THE FIRST QUESTION THAT I WOULD LIKE TO START OFF WITH IS WHY DO YOU SAVE MONEY?

Why does one save money? Well I don't personally, well at present I don't anyway because I'm not really earning enough. But why does one save money?

I suppose to attain those things, to save up for them. To go on holiday, you require money for that, and if you are going to save it, its far better to save it somewhere where it will return your interest on it, than save it anywhere else.

Exactly, if you've got money to save to you might as well earn something from it.

SO WHAT WOULD YOU SAY WERE THE FACTORS THAT INFLUENCED YOU TO SAVE?

How much more do I get back than put in!

Ease of getting it back. Some of these things are very liquid of interest, but if you have to wait 90 days you could have a

problem. Say something happens you might need that money very quickly.

Yes

That would be important

Yes

Also you have to think in terms that you might want a mortgage one day, which building society to go through and things like that.

I only save to conform. I save for a particular purpose, I don't deliberately put money away for a rainy day, apart from a small safety net which I like to have around me. I've never seen the point in saving. I'd hate to die with the thought that my savings would be left to someone else.

What is the point of saving? I mean what is the point? If you are not likely to get a healthy pension when you retire, I think there's a point in saving for the eventuality of when you do retire.

I think its increasingly more important to save for when you retire, very much nowadays, in a private pension scheme.

Depends what you have to maintain when you die/retire, what your standard of living is that you hope to maintain.

I accept that, yes if you have a large home and an expensive car, then obviously you will need good savings to maintain you for the rest of your life, but obviously if you have simple means....

I think it depends on your own individual attitudes towards whether you like to keep yourself in a reasonable standard of life. A lot of people could base their needs on state pensions, but there's nothing to say that in 20 years time state pensions might no longer exist.

That's true.

I mean I think its a good idea, especially if you can afford it, to set yourself up in a private scheme like that.

WHAT ABOUT ADVERTISING, DOES THAT ENCOURAGE YOU TO SAVE?

Advertising, I'd say it encourages you to spend!

Building society advertising, that encourages you to save.

Anyone will look for the best deal around, anyone with any sense will want the greatest return on their money. Perhaps advertising does influence me.

Some companies don't normally advertise.

That's the thing, to what extent? Much depends upon the individual.

You know when you go into a building society, you always tend to go for those which advertise more. In a local area, say Southampton you would tend to go for a Hampshire building society. I find living somewhere like Plymouth I go for the bigger names which advertise, the Halifax, or the Woolwich, the larger building societies.

They do very novel schemes, they are always in competition.

Most building societies and ordinary saving advertisements always look very appealing but if you get into the details they are not worth bothering with in most instances, honestly. The advantages you get are overtaken by inflation normally.

Yes.

You have got to use your money rather than save it.

What is the actual interest rate at present? Is it about 8% on base?

You're lucky to get 8%.

Yes, you're lucky to get 8%, which is slightly better than inflation. But you could obviously do better if you spend your money, or use it for something useful.

Yes, but people save in building societies for things like houses, don't they?

That's a totally different matter. If you're going to buy property then obviously you've got to show an interest with a building society in order to get favourable conditions.

What about those people who invest in for example, unit trusts, or invest in the stock market, they are savings.

If you've got enough money to save and manipulate successfully to profit, otherwise its not worth bothering with. If you have got surplus money then save it, if you haven't got that surplus money to play about with then you are wasting your time with savings.

HOW DO YOU FEEL ABOUT BANKS, NATIONAL SAVINGS BANK AND TSB?

Well I use banks, but I repeat, use them. I wont allow them to use me for my money.

I think they use people when they charge bank charges, things like that. I think its an insult when you see the profits that they bring in.

Well I mean, the Midland's just released some ridiculously high profit for the previous financial year. They are making big killings. But you really need a bank now, just for convenience - the pay slips go into the bank.

You have to have a bank, you're not plausible if you haven't got a bank account.

True.

If you have a surplus of money, there's no point leaving it in the bank where you earn nothing, transfer it to either a deposit account or a building society.

If you've got that money available by all means save it, but don't make a point of saving. Don't think that you have to save, just for the sake of saving.

WHAT ARE YOUR VIEWS ON THE VARIOUS TYPES OF ACCOUNTS AVAILABLE, E.G. CURRENT, DEPOSIT AND CHEQUE ACCOUNTS?

We all have a current account because we have to have one really don't we?

I'd have a current account which pays interest ideally. If you can do that.

Most of them are squared up. Lloyds have just gone away from the £100 for no bank charges, as most of them have. That's a waste keeping £100 in the bank doing nothing just a security.

Especially if you drop below £100 for 10 minutes, you get charges for a whole quarter.

There's a fine dividing line, they say no charges but you've got to be very careful, they charge for every transaction.

Personally I've always tended to have a deposit account. I've always gone for a building society account, I don't know whether that's what my parents said to me, or what.

Yes, well building society accounts can be useful, but a savings account means nothing to no one except you.

WHAT ABOUT A BUILDING SOCIETY CHEQUE ACCOUNT?

In addition to a normal cheque account?

No as a normal account.

No I don't think so, you should keep banking as simple as possible, avoid the costs.

WHAT DO YOU THINK ABOUT MULTIPLE ACCOUNT?

No keep it very simple?

What do you mean by "multiple accounts"?

MORE THAN ONE ACCOUNT WITH ONE BUILDING SOCIETY, OR SEVERAL SOCIETIES?

They spread it about for security reasons.

I think a lot of people have a lot of money and it will make a lot of interest. It makes sense for them to do it that way. I mean most of us are living hardly on a budget where we can afford to invest vast quantities in a building society anyway. Obviously if you have a few spare quid you could put it into the Halifax. If you've got more money you tend to think about different accounts and different building societies, and various things like that. If you had any sense you would shop around surely and find the best deal.

Or even a different form of investment.

Commodities.

Shares, you can get a return of £200% on shares in 6 months.

If you've got enough o spend or spare, and you want to invest, take a risk.

SO, WHICH BUILDING SOCIETY WOULD YOU CONSIDER TO BE SUPERIOR AND WHICH INFERIOR?

I would always tend to go for one of the larger ones. I've never been one for small things. I don't like the idea of joining one of these smaller societies, you know in specific areas. I don't think that they can do as much for your money. I'd prefer to go with one of the major ones, the Halifax or a larger one. Its the same with banks, you always tend to go for the larger, renown ones, because they have more branches, its easier to obtain your money.

I bank with a multinational. If you travel a lot you can get your money out where ever you want, but you may not get the same conditions. They all have different conditions which are variable and you can often find better deal somewhere else. There are advantages and disadvantages with each bank I find.

They treat you on individual terms, which may suit you on one occasion but not on another. Best to save with one bank, they don't like you swopping around they get very suspicious if you start doing that.

Same with building societies, a lot of people only open a building society account expressly to get a mortgage. Some are

very easy and some difficult. A lot of people will probably choose a building society depending on how quickly they want a mortgage, or how much money they have to have initially to get one.

It seems to me that the easy building societies are easier to get money out of, and easier to get introduced to, but after that the easiness ends. Whilst the harder ones are more reasonable, once you've passed the first barrier its a lot easier.

Yes.

The easy ones push you all very often, into protective insurance once they have got you, whereas the other ones don't.

WHAT POINTS WOULD YOU CONSIDER WHEN THINKING ABOUT OPENING A BUILDING SOCIETY ACCOUNT ?

Ease of obtaining money.

Rate of interest.

A lot, as far as I'm concerned, depends on who the person is that I would be dealing with. A lot is done on personal recommendation, personal association with that society. If I know the manager , if I knew his attitudes, how I would be

dealt with, it would be rather different than going to a stranger and tackling him.

You don't really want to give your money to a stranger.

I suppose it depends on how much you have got.

Yes, if you've got £50 it doesn't really matter which building society you got o. If you've got £10,000 then you want to do business with someone you know.

WHAT ABOUT YOUR OWN BUILDING SOCIETY ?

They've been very favourable. I'm with the Halifax, got a mortgage with them and everything. They re O.K., no problems really. Some times they annoy me, the amount of money I have to pay back, apart from that they're O.K.. But most people, once they're in a building society..... they've got you on such a shoe-string really, haven't they? There's noting you can do, they put the interest rate up if they want to, you just have to comply.

Exactly, its not as if you can switch your mortgage once you have a mortgage from a building society to another building society is it?

I don't know, I don't think you could. You can change your type of mortgage I think.

They are quite flexible in many respects. If you go for an endowment policy and you can't afford it they'll reduce it. Change things around and alter the interest rates, the interest payable. They have to look after their own interest.

The Halifax, what does really annoy me is that they will tend to push insurance policies on you, I know damn well I can get them cheaper.

Yes, but this is because you have actually got a mortgage with them though.

You have to have certain insurance policies to safeguard against default, and you know damn well that if you went to an insurance broker you will get it cheaper. But you have to go with their company, or a company they recommend somewhere up the line, or inter-relates and that does annoy me I must admit.

WOULD YOU LIKE TO DISCUSS SOME OF THE SOCIETIES ?

I really don't have much experience with building societies I'm afraid. All I can say is that I know they exist and at some time I will use them.

I've no recent experience but it seems to me that they are getting more flexible in their attitudes, they are far lees

rigid than they used to be as they are getting competition from other the banks and other such people.

DO YOU THINK THIS COMPETITION IS A GOOD THING ?

You'd think so short term, but in the long term I think not, because they are developing market and once the have cornered that market they will put up the price and restrict their services.

Isn't there a possibility of all these building societies becoming banks.

Definitely heading towards it.

Each one is trying to develop its own individual niche, its bound to be detrimental to the market in the end.

Exactly banks are offering estate agency services.

Someone is going to get squeezed out of a lucrative market.

ANY OTHER COMMENTS ON BUILDING SOCIETIES ?

All I know is that I have a standing order which gets shoved into my building society and that's it. That's all my experience if building societies.

I'd like to have a little bit of money put away as a safety net. I agree with that, I'd only then save if their was a specific purpose.

Do you shop around for a safety net? None of the British institutions suited my needs so I deposited a small amount with Credit Nationale in France. I get a far better deal than any bank in this country, and they pay far better interest rates.

IN WHAT WAY IS IT A BETTER DEAL ?

Because I can go over and speak to them whenever I want, apart from the inconvenience of going to France, well I can telephone them. They are more reasonable an rational than they are in this country. If you have money to invest they will definitely look into all the possible ways of using it for you. They make all sorts of recommendations which seem all very plausible to me. Its a totally different attitude to that I see here.

That's probably a major difference, they actually work for you as supposed to having to accept the conditions they are offering as service.

Yes.

If I want banking advice I see my friend at Credit National, rather than a local bank manager, who is a personal friend, I'll get far better advice.

I suppose very few people have tried that attitude anyway.

I haven't enough money.

How accessible is your investment money. I mean can you go down the street and put your card in.

You use their Access and then pay the Access. Easier way of doing it.

Interesting.

Appendix 4.2

Consumer Attitudes Towards Saving: Significant Differences (X^2)

	Sense of Security	Saving is a Sacrifice	Saving is Necessary	Specific Purpose	Priority To Saving	Save If Have A Surplus
BUILDING SOCIETY						
Any Account		0.0067	0.0313	0.0000	0.0020	0.0153
Deposit/Ordinary	0.0026					
High Interest	0.0001				0.0504	
Current/Cheque						
Mortgage	0.0160			0.0504		
BANK						
Any Account				0.0343		
Deposit Account					0.0040	
Cheque Account				0.0130		
OTHERS						
Unit/Investment Trusts			0.0145	0.0009	0.0001	0.0003
Stocks and Shares				0.0026	0.0331	0.0061
Premium Bonds						
National Saving Bank						
National Savings Certifs				0.0135	0.0010	
T.S.B. Account						
S.A.Y.E.						
Life Assurance						
Private Pension						
POPULATION CHARACTERISITICS						
Age	0.0001				0.0049	0.0283
Sex						
Marital Status						
Gross Salary						
Education Completed						
S.E.G.	0.0365		0.0412			

Appendix 4.3

Consumer Attitudes Towards Building Societies: Significant Differences (X^2)

	Safe And Secure	Too Competitive	Friendly Places	Like Banks	Make Money For Savers	Given More Scope	Too Many Services
BUILDING SOCIETY							
Any Account	0.0000	0.0003	0.0000	0.0324			0.0000
Deposit/Ordinary		0.0114					
High Interest	0.0015						
Current/Cheque							
Mortgage			0.0219				
BANK							
Any Account				0.0033			
Deposit Account							
Cheque Account				0.0002			
OTHERS							
Unit/Investment Trusts					0.0002	0.0252	
Stocks and Shares							0.0174
Premium Bonds							
National Saving Bank							
National Savings Certifs		0.0466					0.0207
T.S.B. Account							
S.A.Y.E.					0.0109		
Life Assurance					0.0490		
Private Pension							
POPULATION CHARACTERISITICS							
Age			0.0001		0.0002		
Sex		0.0001			0.0198		
Marital Status							
Gross Salary		0.0060		0.0304	0.0011		0.0024
Education Completed		0.0015					
S.E.G.	0.0079	0.0135	0.0000	0.0281	0.0289	0.0049	

Appendix 4.4

Building Society In-Depth Interview: Phase I

The Staffordshire Building Society is currently
the 32nd largest society
with £555 million assets in 1988
(Financial Institutions Review March 1990).

The Staffordshire was classified as a
medium sized society and thus fell into
the category expected to suffer
most from the changes in the personal financial
services market.

This particular interview has been selected
to permit a closer examination of the reactions
of one medium sized society to the changes
following deregulation.

The Staffordshire Building Society

AS AN INTRODUCTION WOULD YOU DESCRIBE YOUR BUILDING SOCIETY'S PERFORMANCE AT PRESENT ?

The Staffordshire Building Society is the 34th largest society. Previously it was positioned 31st, but mergers have taken place between other societies.

The society has 54 branches and is a regional society covering 6 counties within the Midlands.

The society's strengths are:-

- ~ Regional - the society is concentrated within the Midlands;

- ~ Branch location - branches are not in the heavily serviced areas, but are located in satellite/outliner areas, here there is less competition but sufficient business;

- ~ Simple personal service;

- Competitive rates - the society is not a market leader with respect to interest rates, it is however competitive with rates usually higher than the national.

The weaknesses of the society are:-

- High management expenses - however other societies (e.g. Cheltenham & Gloucester) have lower management expenses but higher mortgage arrears.

HOW DO YOU SEE THE CHANGES IN THE FINANCIAL SERVICES ENVIRONMENT AFFECTING YOUR BUILDING SOCIETY ?

Legislation - The Staffordshire does not see itself as dynamic or with visions of utilising the new powers of the Building Societies Act to their ultimate. However, they recognize that the size of society (i.e. medium sized), falls within the most volatile section of the market, i.e. the big societies will become bigger; the small societies will become more localised; and the middle societies will have the biggest problem.

Middle sized societies will have three options: (i) grow bigger; (ii) become a strong regional society; and (iii) contract, become more localised and more profitable.

The Staffordshire has chosen the second option, it will not attempt to go national, expand or merge. On the other hand it

will not contract, but will remain a strong regional and
independent society. The society has their members permission
to take on the new powers available to them, however these
will not be implemented unless the members want the new
services.

Technology - This is a tremendous asset to the society who
have just completed full computerisation. It provides speed
and accuracy and has received total, unqualified support.

Image - Generally there has been a change in the image of
building societies (although not with the Staffordshire). The
Staffordshire does not believe that the changes within the
market were the result of the Building Societies Act as the
Act is not perceived to be market driven. The traditional
society has not been clambering for the new powers, changes
stimulated by the Act have evolved due to the fear of the
banks, to prevent societies from becoming restricted. The
changes were not market stimulated but due to the fear of
competition.

The Staffordshire does not think that most people want the
societies to become like banks or to gain plc status. The
societies are the friendly places just around the corner which
are safe and you can get a mortgage there. They are very much
personal.

Building societies will have to be very careful as they move
towards becoming like banks. Careful that the members want the

new services. The Staffordshire will strive to improve and do better on what it already does. It will not diversify resources or enter specialist markets but will remain a traditional building society in its present geographical area.

IN WHAT WAYS, IF ANY, HAS THE CONSUMER CHANGES ?

Last year there was change, because of the Building Societies Act, the Financial Services Act and the increase in competition. There was a greater awareness of finance amongst the public. Funds are now being moved at lower levels as investors are conscious of the alternatives. Investors will speculate, they are interested in shares, unit trusts and PEPs. People are more prepared to take a risk.

HOW WILL YOUR BUILDING SOCIETY SATISFY THESE REQUIREMENTS ?

The Staffordshire will remain as it is, it will not go in to shares or PEPs. The society already provides loans in association with Forward Trust, it also provides travellers cheques.

The Staffordshire expressed concern over the new services, i.e. shares and unit trusts, which have an associated risk. Building societies have a guarantied return, the interest rate. Other societies are encouraging their investors to

invest in the new services, the customer could lose money and this will tarnish the image of building societies.

HOW IS YOUR MARKETING DEPARTMENT ORGANISED ?

There are 3 people within the marketing department:

    Marketing Controller (1 of 5 senior managers)

    Advertising Manager

    Secretary

The use of market research is extremely low, little use is made of externally produced data and there is a minimum amount of in-house research. Some information is collected from the branches in the form of questionnaires to branch managers, staff and customers.

HOW DO YOU DEFINE THE TERM "MARKETING STRATEGY" ?

There are three strategies: short (tactical); medium; and long. These are developed by the general management and the board. The board does not include a marketing representative, however most proposals to the board are accepted.

HOW WOULD YOU DESCRIBE YOUR LONG TERM MARKETING STRATEGY ?

The long term strategy is one of profitability with the additional objective of remaining regional, independent and growing stronger.

HOW DO YOU PLAN TO USE YOUR SOCIETY'S MARKETING TOOLS TO ACHIEVE THESE STRATEGIES ?

Promotion - The intention is to increase the expenditure on promotion which is at present relatively low. Expenditure in this area was raised in 1982 with the "hot air balloon" series of advertisements in conjunction with other societies. The society accepted at that stage that it was important and essential to have a strong image. The days of customer loyalty have passed. Today there is a lot more financial advertising, increasing competition has resulted in increased promotion. This is usually professional advertising at peak times and therefore has a high cost. This increase in promotion could result in a disruption of the building society image, however if other financial institutions are promoting more then the societies will have to follow suit.

The Staffordshire believes in a policy of community support and morale. As the interest rate is going down the society has not advertised its rates in the press. It is adopting a morale stance, other societies are advertising their rates when they know they will be reducing them.

The society has increased its expenditure in sponsorship and the work it undertakes in the community. Each branch has a budget for local activities, e.g. sports and cultural activities. The branch managers are expected to be a pillar of society and become involved in many activities, groups and clubs. The society had recently purchased a marquis, it also has an inflatable castle, both are used for charity purposes at local events such as fetes and fairs.

There is a need to try an maintain public awareness. The "Whizz Quizz" is a series of local quizzes which can raise as much as £200 per night for charity and this has a captive audience who are exposed to the building society name. Name awareness is considered very important.

Product - The society is not going to race into new products and services. It has had just the 2 savings accounts for the last year (previously there were 4). Simplicity is the key word.

Place - The society shall remain in the Midlands region. It has grown up with the harsh realities if not being located in the South. The consumers in the Midlands have lower mortgage advances, lower than the national average.

Appendix 4.5

Consumer In-Depth Interviews

Two interviews are presented.

Firstly, Appendix 4.5a reports upon an interview
conducted with a Commanding Officer of the Royal Marines,
aged between 35-44 years.
The Officer had a high awareness of the personal
financial services market. His financial activities were
varied and included a variety of investments recommended by
his own accountant (e.g. stocks and shares).
The Officer was an efficient and intelligent man.

The second interview, contained in Appendix 4.5b
was conducted with a Housewife, aged
between 55-64 years.
The interviewee's awareness of personal financial services
was considerably lower than that of the Officer.
Financial activity was restricted to a
building society mortgage,
bank current account and premium bonds.

Consumer In-Depth Interview

Interview Number 5

Interviewee: Male, aged 35-44, married. Building Society Account not held.

A. STORE (RIDES)

Rides is a specialist engineering and tools store. The interviewee uses both Rides and Lawsons but dislikes the fact that Lawsons are "de-specialising" and therefore now hold less stock in each field.

The interviewee was not interested in the store itself, i.e. attractiveness of the ex/interior or decor. The display of stock must, however, have a logical basis so that items can be found easily. The store was considered to be old fashioned, the stock was "heaped high" and did not operate a modern, self service system. The interviewee prefered to be served by the staff because of the specialist nature of the products.

The personnel were viewed favourably, i.e. pleasant (but "not quite friendly"), helpful and with a good knowledge of their products. The interviewee considered it very important (rated 1) to have staff with a good product knowledge in a

specialist shop. The friendliness and helpfulness of staff were secondary to knowledge, but also rated as important (2).

The atmopshere of the store was rated important by the interviewee. Quick service and an adequate number of sales personnel were however, rated less important (3).

The interviewee wanted quality goods, not tools which would be thrown away quickly. Although low prices were rated important and high prices viewed negatively, it was value for money which was most important.

Locational convenience was not important to the interviewee as he was prepared to travel to this store. A car park or nearby parking facility would however, be appreciated.

The interviewee was not aware of any advertising conducted by the store, promotion was by word of mouth only.

B. BANK (NATIONAL WESTMINISTER)

The interviewee had been with the same bank and branch for over 28 years. The NatWest had continued to provide a good, personal service, hence no advantage was perceived to be gained from moving banks (although working within the services has meant that the interviewee has frequently moved around the country).

Barclays bank was considered to provide a personal services. Although the interviewee rarely visited his branch the staff were well known through correspondence and telephone conversations. The interviewee classified banking as a personal service, as service was dependent upon the individuals with whom you come into contact with.

The main reason why the interviewee initially chose his bank/branch was convenience, it was near to home. Convenience to home/work are now however rated as unimportant (4), whereas personnel (friendliness, courtesy and helpfulness) were rated very important (1).

The interviewee very rarely has the opportunity to visit banks and would therefore like all banks (both large and small branches), to be open on Saturdays. The interviewee requires a bank with lots of branches up and down the country as he moves around quite a lot with his job, therefore the number of branches a bank has was rated as very important (1).

The interviewee prefers a bank with a neat and clean interior as this implies efficiency which is very important (1) in a bank. "The one thing I expect from my bank is efficiency."

The knowledge of the bank's personnel was rated very important (1). Generally the personnel were considered to

have a good knowledge of the products/services, however banking has become so sophisticated that the personnel no longer have knowledge of everything, instead they usually refer you to someone else, a specialist.

Whilst the interviewee had not taken much notice of recent bank advertisements (as he was not looking to open a new bank account), images had been formed of each of the major banks as follows:

NatWest - largest of the big four, least exposed to third world debts. Good, strong high street bank. Not generally "top flight" with respect to banking, but as good as any other bank.

Lloyds -stuffy and formal (although the interviewee liked the black horse advertisements).

Midlands- considered insignificant, not at the forefront of banking.

Barclays - more international.

Williams and Glyns - small, select, suitable for residents of London.

Banks were however considered by the interviewee to be generally all the same. Banks were perceived as having taken over the money lenders job (loans and interest rates etc).

The profits of banks and their charges were considered unreasonable. Banks were seen as the worst form of investment after building societies, but "as there are no alternatives you have to use them".

C. BUILDING SOCIETIES

The interviewee had visited the branches of several societies, i.e.

Abbey National

Alliance & Leicester

Bradford & Bingley

Bristol & West

Halifax

he was also aware of :

Britannia

Leeds Permanent

Nationwide Anglia

West of England

Woolwich

however the interviewee did not feel confident enough to discuss the Britannia, Leeds Permanent and West of England, these societies were therefore excluded from the discussion.

The interviewee readily identified 7 constructs (listed below) using the Repertory Grid technique.

Constructs elicited:

1. Large Society/Small Society

2. Specialist/Not Specialist

3. Stuffy/Not Stuffy

4. With Estate Agents/Not With Estate Agents

5. Large Branches/Small Branches

6. Becoming Like Banks/Not Becoming Like Banks

7. Local/National

Building societies were generally considered to have lost their way. Once charitable organisations designed to assist people to invest their money and to get housing, societies today were perceived to be using a large proportion of the money invested for their own 'grandeurment', e.g. building branches which are unnecessary, thus increasing the capital asset value of societies. The interviewee believed that building society should benefit the mortgagors

The provision of the new services by building societies was considered to be "rubbish". The new services were not seen to be part of building societies' business, and were perceived as highly dangerous to the purpose for which they were designed. Societies "should stick to their traditional

areas". Building societies were "playing about in the banking field", in particular the smaller societies were "trying to do too much with too little resources".

The branching activities of societies also met with disapproval. The movement of societies (and estate agents) into the prime sites of towns and shopping centres was seen to involve "enormous amounts of resources". The expansion in the number of building society branches was "not the reason for their (the societies) existence", societies had "lost their way".

The interviewee found it disturbing to see the total dependence of societies upon computers. Computers which are generally operated by people who do not understand what they are doing. Problems arise when the computers break down and the operators do not know how to carry out the same procedure without the computer. The interviewee viewed all societies in this manner.

Building societies were viewed by the interviewee as the worst form of investment, "the rate of interest is appalling, it is always put up late on investment account and first on mortgage accounts".

The interviewee's ideal society would offer the following :

~ Good sound advice. Give comparisons with other societies on products and make recommendation when the market moves

even if this involves the recommendation of an alternative
investment vehicle.

~ Competitive interest rates for similar security,

~ Helpful, personal service from staff who are available at
  reasonable times for consultation.

The interviewee was of the opinion that all societies were
very much the same. He thought the societies behaved like
sheep (under the guidance of the BSA) and he would like to
see societies become more independent, this would lead to
greater competition which would ultimately be in their own
interests.

Consumer In-Depth Interview

Interview Number 20

Interviewee: Female, aged 55-64, married with two children. Building Society account (mortgage) held.

A. SHOP (DINGLES)

The Dingles store was selected by the interviewee as her daughter currently works there. Although the interviewee rarely visits Plymouth city centre to shop, when she does she always visits Dingles.

Dingles was considered to be a modern store. Whilst the exterior of the store was not considered attractive, the interior and in particular the decor were well liked. The interviewee did however note that there was little difference between the decor of Dingles and the neighbouring Debenhams. Store exterior was considered unimportant (rated 4), whilst the interior and decor were important (rated 2).

The queueing system was fair, the interviewee had never had to queue. The store is never crowded when the interviewee visits, although she usually shops mid-week to avoid the weekend crowds.

Other customers at Dingles were considered to be similar to the interviewee, this was considered important (2). Dingles was distinguished from other stores in this respect. The interviewee preferred to shop in Dingles as opposed to other stores, for example, she did "not like shopping in Woolworths, its like a market".

The store layout was considered convenient, although the interviewee complained about the escalators, as they were difficult to find, she had to "search for them", also the lifts were "not fast enough". A well organised store was considered very important (1).

The atmosphere of Dingles was considered friendly and informal but also impersonal. A friendly, personal and informal atmosphere were all rated as important (rated 2). The personnel at Dingles were friendly, courteous and helpful with a good knowledge of their products and services - all considered very important (1). The staff were also considered to be smart in appearance (rated as important). There was however, an inadequate number of sales personnel and the speed of services was considered to be only "average". These factors were all rated as important (2).

The store location is near to home and as the interviewee does not work, this was considered an important factor. The store is easy to drive to (important) but has inconvenient parking. The store is close to other shops within the city centre, this was considered important. Dingles is part of a

chain of stores and as such there are "quite a few" branches of the store in the south west, this was however considered unimportant (rated 4).

The store is well known and liked by the interviewee's friends, although none have actually recommended the store to the interviewee. Dingles was thought, by the interviewee, to be a name associated with expensive products, however the interviewee has not found the store to be any more expensive than the nearby Co-Op or Debenhams. The interviewee considered the price of Dingles' merchandise to be quite reasonable, and the goods always provide value for money. Choice within product ranges was considered important (rated 2), Debenhams was considered to offer quite a wide range, although this did vary according to the different departments.

The interviewee had seen advertising by the store, this was considered neither important nor unimportant.

B. BANKS (BARCLAYS)

The interviewee used a local branch of Barclays Bank near to her home. The close proximity of the bank was considered very important (rated 1). Whilst the branch is easy to drive to this factor was not rated important as the interviewee preferred to walk as it was easier. The branch is near to other shops and has convenient parking. Barclays has many

branches, both locally and throughout the country, but this was not considered an important factor.

The branch has an attractive exterior and a reasonable interior and decor. Interior and decor were again considered to be more important (rated 2) than the exterior (rated 3). Although the local branch is small in contrast to others within Plymouth, branch size was considered unimportant. The internal organisation of the bank is however important, a well organised bank was rated as very important (1), also neatness and a convenient layout were rated as important (2). The interviewee was happy with her branch of Barclays with respect to these attributes. The interviewee also liked a clean branch, a factor mentioned without prompting.

The atmosphere of the branch was rated important. Friendliness was rated as very important (1), and a personal and informal atmosphere were considered important (2). The interviewee made reference to the fact that the bank personnel talk to her and her dogs and the fact that she was known by sight to them.

The personnel were considered important. Courtesy (mentioned freely), and helpfulness were both rated as very important (1) and friendliness as important (2). The staff generally had a good knowledge and the service was quick.

The reputation of Barclays was considered good, the bank was liked and recommended by friends. All of which were considered important when choosing a bank.

Although the interviewee has seen advertisements by the bank, she had difficulty recalling them.

Interest rates at the bank were considered to be low on savings and high on loans, but this was thought to be the same for all banks (however the interviewee admitted to knowing little about other banks). The interviewee believed that the customer has to know exactly what they want, and can then bargain for a lower interest rate on loans. Her husband had been with the bank for 40 years, and she felt that "a customer of his standing should get concessions, but in reality they don't unless they press for it". All banks were considered to be inflexible.

C. BUILDING SOCIETY

Accounts were held with two societies : Leeds; and Alliance & Leicester. The interviewee first had a mortgage with the Leeds, however this society would not extend the loan to cover the price of the new house. A mortgage was subsequently obtained from the Alliance and Leicester.

The interviewee knew little about those societies with which she had had no direct experience. She "just knows them". Five societies were recognized:

Abbey National

Woolwich

Bradford & Bingley

Bristol & West

Halifax

The advertising of one or two societies was recalled, i.e. Woolwich; Abbey National; and Bradford and Bingley. The logo of the Abbey National was considered to be the most well known of all the societies. The Bradford and Bingley was recognized as having dramatically increased its advertising in recent years. The advertising of building societies was considered to be "quite good from an entertainment point of view", although societies were seen to be spending too much on the ads. whereas they could lower their interest rates on loans.

Two constructs were thus identified:

1. **Know Logo/Not Know Logo.**

2. **Advertise Quite Often/Not Advertise**

In addition general comments were made with respect to all societies within the building society industry. Firstly, interest rates were believed to be determined by the Government.

Secondly, all societies were considered to be very much the same, " they all follow each other like sheep".

Finally, the banks and building societies were considered to be very different. The interviewee would not use a building society as a bank as she "would not know how". In addition the interviewee commented "Banks do one job and building societies do another". Whilst the interviewee said she was prepared to go the society which offered the best deal, evidence of considering the "deals" offered by different societies was not present at any time during the interview.

Appendix 4.6 a

Consumer In-Depth Interviews: Classisfication of Constructs Elicited

Construct Label	Number using this Construct	Type of Construct
National/Local	8	C
Memorable/Unmemorable Advertising	3	B
Friendly/Unfriendly	1	NC
Large/Small	24	A
Like Banks/Not Like Banks	2	L
Well Known/Not Well Known	4	E
Modern/Traditional	4	F
Cash Points/No Cash Points	1	J
Household Name/Not Household Name	1	E
Specialist/Not Specialist	1	K
Stuffy/Not Stuffy	1	NC
Large Branches/Small Branches	5	H
Large Advertiser/Small Advertiser	8	B
Flexible/Inflexible	1	N
Forward Thinking/Archaic	1	F
Small In South West/Large in SW	1	A
Humorous Ads./Non Humorous Ads.	1	B
Branch in Plymouth/Not in Plymouth	5	D
Know Logo/Not Know Logo	1	E
Well Advertised/Not Well Advertised	1	B
Advertise /Not Advertise on T.V.	8	B
Flexible /Inflexible Policies	1	N
Impersonal/Personal	1	NC
Wide Range/Limited Range of Services	1	K
Lots of Branches/Few Branches	3	G
Reputable/Less Reputable	1	NC
Merged/Not Merged	2	M
With Estate Agent/Not With Agent	4	I
Branch in Plymstock/Not in Plymstock	1	D
Branch in Plympton/Not in Plympton	1	D
Seen/Not Seen Advertisement	1	B
Old Society/Not Old Society	1	F
Cash Machines/No Cash Machines	1	J
Lots of Branches/Not Many Branches	1	G
Run of Mill Services/Lots of Services	1	K
Seen Branch/Not Seen Branch	1	G
Cash Cards/No Cash Cards	1	J
Quick Decisions/Slow Decisions	1	NC
National/Regional	1	C
Local/Not Local	1	C
Northern Based/Southern Based	1	NC
Restricted to One Area/Widespread	1	C
Aggressive Advertising/Non Aggressive	1	NC
Gimmicks/No Gimmicks	1	NC

NC = Not Classified

Consumer In-Depth Interviews: Classification of Attributes Elicited

A1. FINANCIAL SOUNDNESS (17)

Safe and Secure	4
Might go down drain if smaller	1
Building Societies are not Secure	1
Relatively safe, not speculative	2
Fairly safe bets	1
Legal, decent and honest	1
Should have adequate sums/not small	1
Safest way of investing	2
Not go bankrupt or be taken over	1
Small society might go out of business	1
Big is reliable, small should be safe	1
Money is safe, men are used to handling large sums, solid types	1

A2. CONVENIENCE OF LOCATION (17)

Convenient branch	5
Handy	2
Branches everywhere	1
Convenient to home/work	2
Near to where I live	3
I like a branch nearby	3
I switched for convenience	1

A3. INTEREST RATES (DEPOSITS) (16)

Good rate of interest	7
Interest rate relatively fair	1
Don't get value for investment	1
Interest rates always going up and down	1
Smaller one paying slightly better rates	1
Large ones have better returns	3
I get high interest on the money saved	1
They all pay the same interest rate	1

A4. HELPFULNESS OF STAFF (13)

Staff are helpful	10
Unhelpful staff	1
They help you	1
Very helpful	1

A5. RANGE OF SERVICES   (11)

Trying to do too much with too little resources	1
Lots of services	2
Too many products and not enough staff	1
Wide range of services	1
All have basic accounts with slight variations	1
Not offer many services	1
All have too many services	2
Range of services increasing	1
Societies have diversified too much	1

A6. FLEXIBILITY ON MORTGAGE/LOANS (11)

Rigid policy/outlook	2
Mortgage policy very flexible	2
Understanding with the mortgage	1
Flexible	4
Smaller societies are more flexible	1
Large societies are more flexible	1

A7. EFFICIENCY   (11)

Efficient society	7
Not business-like	1
Quick answer/quick decisions	3

A8. SIMILAR TO BANKS   (10)

Like banks	3
All societies just like the banks	2
No difference between banks and societies	3
Its just an extension of a bank	1
Banks and societies are becoming closer	1

A9. INTEREST RATES (LOANS)   (10)

Basic interest rate might be different	1
All societies should be run with standard interest rates	1
I'm not impressed with the interest rates	1
Charges are reasonable	1
High interest rates	2
Most societies have the same rates	2
Low interest on borrowing	1
Interest rates are far too high	1

A10. FRIENDLINESS OF STAFF   (9)

Societies not particularly friendly	1
Staff and manager very friendly	1
Staff are friendly	4
They (the staff) have the Woolwich smile	1
Its a nice, friendly place	1
They are all very friendly	1

A11. WAITING TIME TO BE SERVED   (9)

Has a good queueing system	2
Fair queueing system	1
Very busy	1
Quiet, never have a queue	1
Not have to wait too long to be served	2
Never have to queue	2

A12. PERSONAL SERVICE   (8)

Its lost its humaness	1
Lack of interest in the individual	1
If you want to consult, you can't get any attention	1
Personal service	2
What they lack in range they make up for in personal service	1
No customer awareness, impersonal	1
I know the manager personally	1

A13. REPUTATION   (6)

It has a good reputation	3
Its a household name	1
Its well known	2

A14. RECOMMENDATION BY FRIENDS/FAMILY   (6)

A friend suggested the account	2
My daughter/sister works there	2
It was my mothers/fathers choice	2

A15. ARCHITECTURE/FEATURES   (5)

It has a striking exterior	1
Very nice inside the building	1
Lots of nice plants inside	1
They have superficial differences	1
I like the window displays	1

A16. ACCESS TO MONEY (5)

Can get at money easily	1
Can withdraw easily	2
Put money in and out easily	1
Can ask for money back at any time	1

A17. SATISFACTION WITH SOCIETY (5)

I've never had a problem with my society	1
I get good service	3
They are wonderful, marvellous in every way	1

A18. STAFF KNOWLEDGE (4)

Operated by people who do not know what they are doing	1
They give good sound advice	1
Staff have a low product knowledge	1
They seem to know what they are doing	1

A19. FORMALITY OF ATMOSPHERE (4)

Formal	2
I felt at ease	1
They are very stuffy	1

A20. COMPUTER SYSTEM (4)

Total dependence upon the computer	1
They always have trouble with the computer	1
Their home computer will not catch on	1
My society has a computer system	1

A21. AGGRESSIVENESS IN SELLING (3)

Aggressive advertising	2
Their advertising is pushing for cash, its not pleasant	1

A22. LAYOUT (2)

Layout is the same in all societies	1
Walk in layout (open-plan)	1

A23. ADVERTISING (2)

They don't advertise	1
Advertise on TV	1

A24. SALES PROMOTION (2)

Less gimmicks   1
Spend lots of money on stickers   1

A25. COURTEOUS STAFF (2)

Courteous staff   2

A26. CLEANLINESS OF BRANCH (2)

Nice clean branches   1
Clean branch   1

A27. YOUNG STAFF (2)

Young girls, not old men work there   1
Staff young and quick minded   1

A28. INSTITUTION'S OUTLOOK (2)

Very modern society   1
An old fashioned society   1

A29. UP-MARKET/NOT UP-MARKET (2)

Its an Up-Market society   2

Appendix 4.7

Building Society In-Depth Interview: Phase II

The Cheltenham & Gloucester Building Society is

currently the 9th largest society with

assets of £5,671 million in 1988

(Financial Institutions Review, March 1990)

Unlike many of its competitors,

the Cheltenham & Gloucester chose not to invest

heavily in advertising to create a corporate image,

but has instead sought to introduce innovative

products with high interest rates by

becoming a "lean" organisation.

A description of this strategy and the societies'

resulting image are presented in the

forthcoming pages.

Building Society In-Depth Interview: Phase II

The Cheltenham & Gloucester Building Society

THE WORD IMAGE IS USED EVERYDAY IN A NUMBER OF WAYS WITH A VARIETY OF MEANINGS. WHAT DO YOU UNDERSTAND BY THE TERM IMAGE IN A MARKETING CONTEXT ?

Image, I think it is the combination of everything that impacts on the customer and the people who are aware of our activities. It can range from personal contact with the branch to what people perceive from our advertising, things that are written about us in terms of PR, press, what third parties might say about us and what they perceive about how we operate, our retail outlets, even our head office building. I feel its anything, the impression that people gain from anything that we do, from just being here. Its the whole thing.

HOW WOULD YOU DESCRIBE THE IMAGE OF THE BUILDING SOCIETY INDUSTRY ?

The industry as a whole it is perceived as pretty solid, dependable, reasonably friendly when compared to the banks. Perhaps as a result of what has been happening in last couple of years, consumers might think that we are trying to do a

few more things, things that we do not necessarily do. Our
traditional, dependable, secure type image might be added to
by the fact that the consumers are seeing a lot of things,
new things, that we are doing.

**HOW WOULD YOU COMPARE THE IMAGE OF THE BUILDING SOCIETY
INDUSTRY WITH THAT OF OTHER FINANCIAL INSTITUTIONS, YOU HAVE
MENTIONED BANKS ALREADY, BUT WHAT ABOUT INSURANCE COMPANIES,
ESTATE AGENTS ETC. ?**

Its obvious from research that the building societies compare
favourably to them, both in terms of being friendlier and
more trustworthy, unlike estate agents who score very badly,
horrendously badly now.

HAS THIS RESEARCH BEEN CONDUCTED BY YOUR SOCIETY ?

No, its syndicated research that I have seen.

**WHAT DO YOU THINK WILL BE THE MAJOR CHANGES IN THE IMAGE OF
THE BUILDING SOCIETY INDUSTRY ? AND WHY ?**

The major changes will be that they (and its already
happening), that they will come across as more modern,
offering a wider range of services and probably appearing
slightly more dynamic. This can be seen as good or bad as
societies might be perceived as getting involved in more
risky areas and becoming less dependable. Societies will
change from the "building society who took our money and

maybe gave a mortgage if we were really lucky". I think that as we get involved in more things, as deregulation affects everything that is going on, then more people will see that the societies that will survive will be those who become more modern, financial service retailers. We are moving that way already, some faster than others.

DO YOU THINK THAT THERE WILL BE ANY OTHER CHANGES ?

No I think that that is going to be the main thing, we are going to be offering more services than we do now. Trying to provide people with different things, a wider range of services, so people will see us in a different light. If PLC becomes the norm (which I think it must inevitably), then at some time in the future, 5 , 10 years, then they will see us as more modern institutions and hopefully no less dependable or trustworthy.

HOW WOULD YOU DESCRIBE THE IMAGE OF THE CHELTENHAM AND GLOUCESTER ?

Within the industry, amongst people who are relatively aware of building societies, it is seen as quite an innovator, quite fast moving, quite on the ball, quite successful. We are well rated amongst our peers as being pretty successful. Part of our approach to achieve that has been not to actually spend a lot of money in establishing awareness or a certain image of C & G through a large advertising expenditure. We have not actually gone out of our way to promote a certain

image of C & G, but what we have done is to develop products for particular areas in the market and promote those products strongly to those particular areas. So depending on which sort of people you research you'll find the awareness of our society differs., slightly higher amongst the high net worth individuals because we put effort into appealing to them. I think you will find amongst the ABC1 type of persons that the image that we project is one of offering quite a good deal. We offer competitive rates and have a reputation for that. I think that if you go to the lower spectrum of the market you will find that people might not even have an image of us at all.

WHAT ARE THE STRENGTHS OF YOUR IMAGE ?

Our strengths are that we offer a competitive range of products because we are a lean organisation that is quitely organised. That has enabled us to run more profitably than other societies and we have used that, the additional margin that we have got, to provide products that are more competitive that other peoples either in the investments or the mortgage side. So our strength is as an innovator and relatively quick on our feet, exploiting opportunities.

WHAT ARE THE WEAKNESSES ?

Our weaknesses are, we haven't invested a lot of money over the last 5, 10 years on establishing a strong awareness of C & G. Our awareness levels are what you would expect from the

number 10 building society which has been outspent by a lot of other societies. So if you had to say a weakness, our weakness is that we have relied on product innovation to compete and it becomes harder to innovate, to find product advantages. We might find it more difficult to keep the difference, because we haven't actually tried to create a corporate image by spending lots of money. Our relatively low awareness and things like the branch network (which is only 175 strong), those sort of things, as a middle sized society could be seen as a weakness.

IN WHAT WAYS, IF ANY, HAS THE IMAGE OF YOUR SOCIETY CHANGED ?

Going back to the end of the '70s and in the 1980s, C & G was just another medium sized, regional society. As a result of getting computerised early, pretty good management systems and quite a good corporate culture developed by the managing director, we were able to run ourselves much more efficiently than the other people. As a result we offered "Cheltenham Gold" which at the time was a big innovation and it moved us from being an ordinary run of the mill building society to taking very large market shares in the savings market. It actually made us more of a national player. Since Cheltenham Gold, which was launched in 1981, since then we have had a reputation for product innovation and we have built on that with other product innovations. We have moved from being a pretty run of the mill, reasonably well organised, regional society to being one of the sort of leading lights. Now

whether all consumers, at all levels are all aware of these developments is not necessarily the case.

IN WHAT WAYS, IF ANY, WOULD YOU LIKE TO CHANGE THE IMAGE OF YOUR SOCIETY ?

Well I think we have to continue. I think its not a matter of changing, but evolving and continuing to build. We still want to continue to develop a reputation as a provider of more competitive than the norm, financial services products, across a wider range of products and keep building our product range and services.

DO YOU THINK IT IS POSSIBLE TO CHANGE THE IMAGE OF YOUR SOCIETY IN THE WAYS YOU HAVE SUGGESTED ? AND HOW ?

Yes, but at the moment we will continue with our current approach which is finding and developing products which are offering that bit more than other peoples'. Promoting those products to people who require them, and continuing to build the Society's image for innovation and good value by doing that.

IN WHAT WAYS DO YOU THINK THE IMAGE OF YOUR SOCIETY WILL CHANGE IN THE NEAR FUTURE ?

Obviously the whole environment is changing, this will affect the society all the time. Deregulation is already starting, it can affect us in terms of pressure. Currently there are

117 societies and realistically I think that's too many. There will be pressures, which I think are already happening, for mergers and it could not only be pressures for mergers between societies, but it could also be mergers between banks, building societies and insurance companies even, which has happened in Australia where they have already deregulated. At the same time obviously PLC, the possibility of going public, is going to influence things as well because I think generally if there are any societies of a reasonable size looking ahead to the year 2000 inevitably PLC is going to become more and more a possibility.

WHAT EFFECT DO YOU THINK THE INTRODUCTION OF NEW PRODUCTS AND SERVICES WILL HAVE UPON IMAGE ?

It can go two ways, firstly people will think "Ah! this is useful, I can now do all things under one roof". Alternatively, people can start saying "Hold on a minute, they are trying to get into things they don't know anything about, they haven't any experience, they are trying to be too big for their boots!". Obviously we are aiming for the former.

WOULD YOU GIVE A BRIEF OUTLINE OF THE MARKET RESEARCH CONDUCTED OR COMMISSIONED BY YOUR SOCIETY ?

We have done very little in-house research. We buy awareness levels (prompted and spontaneous), and we buy syndicated research occasionally just to see our levels on that. We

have, as a by-product of some advertising concept research, feed back on attitudes to C & G. We have not actually gone out of our way to find out what people think about us, because we don't actually have to. Creating a wonderful image about ones organization and what people think about it doesn't in itself actually get people through the doors and buy products. You have to go a stage further than that. We have concentrated on product innovations and promoting them on the back of an image that might be developed through financial journalists and just the fact that we are offering people competitive products. This is in contrast to somebody like the Bradford and Bingley who are the 8th largest society currently, but during the 1980s they were either the 2nd or 3rd highest spending society and they have created massive awareness of Bradford and Bingley which is over and above their size, but that hasn't necessarily followed through into their business performance. They are the two extremes, their strategies and our strategies, they have been very different.

COULD YOU TELL ME MORE ABOUT THE RESEARCH YOU HAVE COMMISSIONED?

Locally we treat our heart-land of Gloucestershire slightly differently to nationally and we do a few different things. We have actually done some research here to check out awareness levels and what people think about things like Cheltenham and Gloucester and C & G. We have commissioned some research on that locally because it was with respect to

our local advertising and the implications to that. In Gloucestershire we are like the Halifax of Gloucestershire, we have much higher market shares in this area than the rest of the country.

The research was on peoples' awareness of Cheltenham and Gloucester, peoples' perceptions of just "C & G" as opposed to "Cheltenham & Gloucester". It wasn't in-depth "What do you think of us as an organisation?", it was just top-line, "Can we get away with using C & G in itself without having to say Cheltenham & Gloucester?".

WERE THERE ANY DIFFERENCES IN AWARENESS ?

Yes, the awareness levels of Cheltenham & Gloucester were much higher than C & G. Although we like to use C & G (its convenient on the 'phone), when we talked to people in the street they couldn't tell you what C & G was. We have to be mindful of that. It can be awkward because its not an easy name to use on things like facia.

HAS YOUR SOCIETY CONDUCTED ANY OTHER RESEARCH OF A SIMILAR NATURE ?

No, one of the things about this industry is the BSA it is a very good provider of research in terms of quantitative and qualitative research, well quantitative mainly. We combined the BSA data with syndicated reports. We, as an

organisation, don't spend loads of money on our research because we have access to loads anyway.

HAVE YOU ANY PLANNED RESEARCH ?

Not at the moment, no.

HOW DOES YOUR SOCIETY COMMUNICATE ITS IMAGE TO THE CONSUMER ?

Firstly through our PR activities and what we get third parties to say or write, e.g. financial journalists. Also obviously through our product development and the way we advertise that, our merchandising activities and how our branches look. Through all those things we are trying to project an image, as I said before, of offering a good range of products, a good organisation to come to and do business with. Its predominantly through our product development and the way we promote those products as opposed to corporate image advertising in itself.

DOES YOUR SOCIETY USE ALL THE AVAILABLE METHODS TO COMMUNICATE WITH THE CONSUMER, FOR EXAMPLE TV, PRESS, POSTERS, RADIO AND SPONSORSHIP ?

No, we are the only top ten society that is not using tv, we haven't used tv since the very beginning of the 1980s. We use national press and local press for various things, particularly things like opening new branches or relocating branches. We obviously use POS and merchandising activities

A92

in branches. Poster sites we don't use particularly, radio we have used on a regional basis, particularly in this area.

SPONSORSHIP ?

Sponsorship we use at a local level, its grass roots, community type level as opposed to professional sponsorship, developing high awareness.

DOES YOUR SOCIETY CONDUCT ANY RESEARCH TO MONITOR OR CONTROL THE QUALITY OF STAFF AND SERVICE ?

Yes there is extensive training, the personnel and training departments are working on that all the time. Obviously with respect to training, one of the major impacts of deregulation is on our whole training resource. That is a crucial thing really, we can only sell and provide the services which our staff are equipped to sell. Obviously that is not under my influence particularly.

WOULD YOU CHOOSE 2 CARDS AT RANDOM. CAN YOU TELL ME ANY WAY (S) IN WHICH THE 2 SOCIETIES DIFFER ?

1. ABBEY NATIONAL/ALLIANCE AND LEICESTER

Abbey National, classically they are compared with the Halifax and they always come out slightly younger, a bit more innovative, more south-east and all the things that go with that as opposed to being up north in Halifax. They have got a slightly more innovative image. The whole thing, the growth of the economy, the "Yuppies", its all related to the south-east.

The Abbey National are more prepared to stick their necks out, as a large society, more so than the Halifax. I think they (Abbey National), have quite an image of being slightly innovative, slightly sharper. Now they are making the most noises about going PLC, again because they see their corporate direction as different from other people. That all serves to see them as modern, a more modern financial services institution as opposed to a building society.

The Alliance and Leicester this is obviously an interesting one because they have had a recent merger in the last three years and they have had a bit of a problem establishing an image. They started trying to establish a completely new and different kind of animal, this fed through in terms of very

different kinds of advertising. I don't know if you saw it, it was full pages with ostriches sticking their heads out of a taxi and it was really totally different style of advertising. They stopped doing that after a while, changed back. I expect they didn't quite know where they wanted to go. This goes back to the fundamental question of image and how important is image in itself, because they decided they were going to spend a lot of money in creating this unique image in the market, a different sort of organisation. At the end of the day if the products and service weren't more than average they weren't going to actually get people into their branches to do business. They have actually switched around now. If you see their advertising now its actually very traditional, big numbers, big rates and back to tradition because I think they found it wasn't allowing them to do a lot of business. Alliance and Leicester, I think the image of them is probably pretty muddled at the moment, which is partly the result of the merger.

WOULD YOU LIKE TO SELECT 2 MORE SOCIETIES PLEASE ?

2 NATIONWIDE ANGLIA/HALIFAX

Halifax, have obviously got an image of being the largest, the biggest, in the world which is obviously an advantage. One in two households are already their customers. I would say they have an image of being very dependable. Their bigness will probably give them an image which is good, big, reliable and at the same time they are doing some new things,

things like Cash Card where their advertising for that is very young and stylish. I think their image is one of being pretty big, well organised and reasonably innovative. Being the largest they have had to be careful that they didn't get staid. They can't just think we're the biggest and relax. Interesting the Abbey National made more profits than the Halifax last year so that might have shocked them a bit I think. Yes the biggest in the world.

Nationwide Anglia, a merged society. They have positioned themselves as God's gift to home buying and everything related to home buying. For the last few years they have been developing the whole area of owning land, developing the rented sector, building their own properties. They see themselves as being socially responsible within the property sector. They have built up a large estate agency chain which was fine, but they made a loss last year. The fact that they were the society to provide a special low rate to nurses, this typifies their strategy and what they are concentrating on. I think they have established, sort of, what they are trying to do. They have got an image of being reasonably innovative, one of the more dynamic societies I would say. They have got quite a young chief executive who is behind that I would have thought.

WOULD YOU LIKE TO SELECT 2 MORE SOCIETIES PLEASE ?

3. NATIONAL & PROVINCIAL/WOOLWICH

National & Provincial, again a result of merger, have also struggled to decide what they are going to look like and be. They have had a few different goes at it. They have had Natpros and whizzing around red houses, but they've backed off now. That was quite an aggressive ad, I think they found that it was too aggressive. They are actually still trying to sort out their merger, they have recently been restructuring. My image of them is still slightly disorganised, they still haven't got their act together.

The Woolwich, they are not a big society, they are number 5 or 6, same sort of size as the National and Provincial, They are obviously not an Anglia or Halifax. They have got a problem in that they are national, but not really one of the larger players. Since their "We're with the Woolwich" advertising which established them, they don't really seem to know what they are doing. They are an established society, but they don't stand out as leaders in the industry. They just happen to be one of the established societies which seem to be grappling with what they re trying to do.

NOW THINKING OF THE DESCRIPTIONS YOU HAVE USED, HOW DIFFERENT
DO YOU THINK SOCIETIES ARE WITH RESPECT TO EACH ?

No.	Construct	Saliency~
1.	Younger/Older, staid	2
2.	Innovative, Dynamic, Sharper/Not innovative	2
3.	Muddled, Not know where they are going/Clear, Know where they are going	2
4.	Well organised/Not well organised	2
5.	Dependable, Reliable/Not reliable	5
6.	Socially orientated/Not socially orientated	4

~ Saliency : degree of similarity/difference between all
societies within the building society industry.
Scale 1-5 whereby, 1= very different and 5= very similar.

NOW THINKING OF THE CONSUMER, WHAT DIFFERENCES DO YOU THINK
THAT THEY SEE BETWEEN SOCIETIES ?

Overall they will not see incredible differences generally.

CAN YOU THINK OF ANY DIFFERENCES THEY WOULD SEE ?

Yes. Differences in rates, and differences in product range.
Obviously the differences will be increasing, but overall
because we have only moved slightly, we haven't moved on far

from being very similar types of organisations, generally people lump building societies together. There will be some differences.

WHAT ASPECTS OF IMAGE DO YOU THINK CONSUMERS CONSIDER IMPORTANT WHEN CHOOSING A SOCIETY ?

Well our belief is the differences in products that we are offering as opposed to our image.

IS THERE ANYTHING ELSE ?

Differences, well, I think that choice of society depends upon things like convenience, branch location, things like that come into it. The main one is the product offering, then there are things like convenience, familiarity, these would also be important but with a lower priority.

Appendix 5.1

Classification of Image Attributes and Constructs

	Attribute/ Construct	Number Using	Class
National/Local	C	8	1
Memorable/Unmemorable Advertising	C	3	NC
Friendly/Unfriendly	C	1	14
Large/Small	C	24	1
Like Banks/Not Like Banks	C	2	4
Well Known/Not Well Known	C	4	7
Modern/Traditional	C	4	5
Cash Points/No Cash Points	C	1	27
Household Name/Not Household Name	C	1	7
Specialist/Not Specialist	C	1	26
Stuffy/Not Stuffy	C	1	13
Large Branches/Small Branches	C	5	10
Large Advertiser/Small Advertiser	C	8	2
Flexible/Inflexible	C	1	21
Forward Thinking/Archaic	C	1	5
Small In South West/Large in SW	C	1	1
Humorous Ads./Non Humorous Ads.	C	1	NC
Branch in Plymouth/Not in Plymouth	C	5	11
Know Logo/Not Know Logo	C	1	7
Well Advertised/Not Well Advertised	C	1	2
Advertise /Not Advertise on T.V.	C	6	2
Flexible /Inflexible Policies	C	1	21
Impersonal/Personal	C	1	18
Wide Range/Limited Range of Services	C	1	26
Lots of Branches/Few Branches	C	3	11
Reputable/Less Reputable	C	1	NC
Merged/Not Merged	C	2	3
With Estate Agent/Not With Agent	C	4	NC
Branch in Plymstock/Not in Plymstock	C	1	11
Branch in Plympton/Not in Plympton	C	1	11
Seen/Not Seen Advertisement	C	1	2
Old Society/Not Old Society	C	1	3
Cash Machines/No Cash Machines	C	1	27
Lots of Branches/Not Many Branches	C	1	11
Run of Mill Services/Lots of Services	C	1	26
Seen Branch/Not Seen Branch	C	1	11
Cash Cards/No Cash Cards	C	1	27
Quick Decisions/Slow Decisions	C	1	20
National/Regional	C	1	1
Local/Not Local	C	1	1
Northern Based/Southern Based	C	1	9
Restricted to One Area/Widespread	C	1	1
Aggressive Advertising/Non Aggressive	C	1	23
Gimmicks/No Gimmicks	C	1	NC
Safe and Secure	A	4	8
Might go down drain if smaller	A	1	8

	Attribute/Construct	Number Using	Class
Building Societies are not Secure	A	1	8
Relatively safe,not speculative	A	2	8
Fairly safe bets	A	1	8
Legal, decent and honest	A	1	9
Should have adequate sums/not small	A	1	NC
Safest way of investing	A	2	8
Not go bankrupt or be taken over	A	1	NC
Small society might go out of business	A	1	NC
Big is reliable, small should be safe	A	1	8
Money is safe, men are used to handling large sums, solid types	A	1	8
Convenient branch	A	5	12
Handy	A	2	12
Branches everywhere	A	1	11
Convenient to home/work	A	2	12
Near to where I live	A	3	12
I like a branch nearby	A	3	12
I switched for convenience	A	1	12
Good rate of interest	A	7	25
Interest rate relatively fair	A	1	25
Don't get value for investment	A	1	25
Interest rates always going up and down	A	1	NC
Smaller one paying slightly better rates	A	1	25
Large ones have better returns	A	3	25
I get high interest on the money saved	A	1	25
They all pay the same interest rate	A	1	NC
Staff are helpful	A	10	15
Unhelpful staff	A	1	15
They help you	A	1	15
Very helpful	A	1	15
Trying to do too much with too little resources	A	1	6
Lots of services	A	2	26
Too many products and not enough staff	A	1	26
Wide range of services	A	1	26
All have basic accounts with slight variations	A	1	26
Not offer many services	A	1	26
All have too many services	A	2	26
Range of services increasing	A	1	6
Societies have diversified too much	A	1	6
Rigid policy/outlook	A	2	21
Mortgage policy very flexible	A	2	21
Understanding with the mortgage	A	1	22
Flexible	A	4	21
Smaller societies are more flexible	A	1	21
Large societies are more flexible	A	1	21
Efficient society	A	7	17
Not business-like	A	1	17
Quick answer/quick decisions	A	3	20
Like banks	A	3	4

	Attribute/ Construct	Number Using	Class
All societies just like the banks	A	2	4
No difference between banks and societies	A	3	4
Its just an extension of a bank	A	1	4
Banks and societies are becoming closer	A	1	4
Basic interest rate might be different	A	1	NC
All societies should be run with standard interest rates	A	1	NC
I'm not impressed with the interest rates	A	1	25
Charges are reasonable	A	1	25
High interest rates	A	2	25
Most societies have the same rates	A	2	NC
Low interest on borrowing	A	1	25
Interest rates are far too high	A	1	25
Societies not particularly friendly	A	1	14
Staff and manager very friendly	A	1	16
Staff are friendly	A	4	16
They (the staff) have the Woolwich smile	A	1	16
Its a nice, friendly place	A	1	14
They are all very friendly	A	1	16
Has a good queueing system	A	2	19
Fair queueing system	A	1	19
Very busy	A	1	NC
Quiet, never have a queue	A	1	19
Not have to wait too long to be served	A	2	19
Never have to queue	A	2	19
Its lost its humaness	A	1	22
Lack of interest in the individual	A	1	18
If you want to consult, you can't get any attention	A	1	18
Personal service	A	2	18
What they lack in range they make up for in personal service	A	1	18
No customer awareness, impersonal	A	1	18
I know the manager personally	A	1	NC
They know what I want	A	2	22
It has a good reputation	A	3	7
Its a household name	A	1	7
Its well known	A	2	7
A friend suggested the account	A	2	NC
My daughter/sister works there	A	2	NC
It was my mothers/fathers choice	A	2	NC
It has a striking exterior	A	1	NC
Very nice inside the building	A	1	NC
Lots of nice plants inside	A	1	NC
They have superficial differences	A	1	NC
I like the window displays	A	1	NC
Can get at money easily	A	1	24
Can withdraw easily	A	2	24
Put money in and out easily	A	1	24
Can ask for money back at any time	A	1	24
I've never had a problem with my society	A	1	24
I get good service	A	3	24

	Attribute/ Construct	Number Using	Class
They are wonderful, marvellous in every way	A	1	24
Operated by people who do not know what they are doing	A	1	17
They give good sound advice	A	1	17
Staff have a low product knowledge	A	1	17
They seem to know what they are doing	A	1	17
Formal	A	2	13
I felt at ease	A	1	13
They are very stuffy	A	1	13
Total dependence upon the computer	A	1	NC
They always have trouble with the computer	A	1	NC
Their home computer will not catch on	A	1	27
My society has a computer system	A	1	6
Aggressive advertising	A	2	23
Their advertising is pushing for cash, its not pleasant	A	1	23
Layout is the same in all societies	A	1	NC
Walk in layout (open-plan)	A	1	NC
They don't advertise	A	1	2
Advertise on TV	A	1	2
Less gimmicks	A	1	NC
Spend lots of money on stickers	A	1	NC
Courteous staff	A	2	24
Nice clean branches	A	1	NC
Clean branch	A	1	NC
Young girls, not old men work there	A	1	NC
Staff young and quick minded	A	1	NC
Very modern society	A	1	5
An old fashioned society	A	1	5
New Name	A	2	3
Its an Up-Market society	A	2	9

Appendix 5.2

Profile of an Ideal Society: A Breakdown of Responses

No.	Attribute	1	2	3	4	5	Attribute
1	Small Society	2	12	29	27	30	Large Society
2	Large Advertiser	12	23	41	16	9	Small Advertiser
3	Old, Established	41	29	20	6	4	New Society
4	Bank Like	30	24	25	10	10	Not Bank Like
5	Modern	23	28	24	13	11	Traditional
6	Rapidly Changing	11	26	39	19	5	Slowly Changing
7	Well Known	43	35	20	2	0	Not Well Known
8	Safe Place	81	14	2	2	2	Risky Place
9	Up-Market	22	20	43	15	8	Not Up-Market
10	Small Branches	14	23	40	15	8	Large Branches
11	Many Branches	53	30	13	3	0	Few Branches
12	Convenient Location	73	21	6	1	0	Inconvenient Location
13	Formal Atmosphere	7	10	27	29	27	Informal Atmosphere
14	Warm Atmosphere	55	31	8	3	3	Cold Atmosphere
15	Helpful Staff	88	8	3	2	0	Unhelpful Staff
16	Unfriendly Staff	1	3	6	16	75	Unfriendly Staff
17	Competent Staff	86	9	4	1	0	Incompetent Staff
18	Personal Service	73	23	3	1	0	Impersonal Service
19	Long Waiting Time	1	4	6	17	72	Short Waiting Time
20	Quick Decisions	64	20	11	2	3	Slow Decisions
21	Flexible to Customers	69	24	5	2	0	Inflexible to Customer
22	Understanding	75	20	4	2	0	Not Understanding
23	Aggressive Selling	1	2	25	19	53	Non Aggressive Selling
24	Good Service	88	10	2	1	0	Poor Service
25	Good Interest Rate	82	10	5	0	0	Poor Interest Rate
26	Wide Product Range	51	26	20	3	1	Narrow Product Range
27	Up to Date Products	50	25	18	5	2	Traditional Products

Appendix 5.3

Ideal Society by Demographics: Significant Differences (X^2)

a) Significant Differences by Age (%)

MODERN/TRADITIONAL SOCIETY

		18-24	25-34	35-44	45-54	55-65	65+
Modern	1	9	8	8	28	4	9
	2	45	35	24	14	17	24
	3	27	40	45	28	36	45
	4	18	15	24	17	32	15
Traditional	5	0	3	0	14	8	6

Significant at 0.0639

MANY/FEW BRANCHES

		18-24	25-34	35-44	45-54	55-65	65+
Many	1	77	43	42	57	56	52
	2	14	48	37	23	20	36
	3	9	10	11	20	20	6
	4	0	0	11	0	4	3
Few	5	0	0	0	0	0	3

Significant at 0.0665

b) Significant Differences by Sex (%)

RAPID/SLOWLY CHANGING

		Male	Female
Rapidly	1	15	6
	2	24	30
	3	32	45
	4	22	17
Slowly	5	7	2

Significant at 0.0608

CONVENIENT/INCONVENIENT LOCATION

		Male	Female
Convenient	1	66	80
	2	29	14
	3	4	5
	4	0	1
Inconvenient	5	1	0

Significant at 0.0811

COMPETENT/INCOMPETENT STAFF

		Male	Female
Compentent	1	83	89
	2	8	11
	3	5	0
	4	3	0
Incompetent	5	1	0

Significant at 0.0706

c) Significant Differences by Gross Salary (%)

MODERN/TRADITIONAL SOCIETY

		<£6000	£6000 £6999	£7000 £8999	£9000 £10999	£11000 £14999	>£15000
Modern	1	29	18	13	15	33	0
	2	22	27	42	30	44	50
	3	26	36	29	15	0	17
	4	10	9	13	30	22	0
Traditional	5	13	9	4	15	0	33

Significant at 0.0222

QUICK/SLOW DECISIONS

		<£6000	£6000 £6999	£7000 £8999	£9000 £10999	£11000 £14999	>£15000
Quick	1	68	55	52	65	78	17
	2	17	27	26	20	22	33
	3	14	18	4	4	0	17
	4	1	0	13	13	0	0
Slow	5	0	0	4	4	0	33

Significant at 0.0008

LONG/SHORT WAITING TIME

		<£6000	£6000 £6999	£7000 £8999	£9000 £10999	£11000 £14999	>£15000
Long	1	0	0	0	11	0	0
	2	30	0	4	0	6	33
	3	6	18	4	6	0	0
	4	22	27	22	11	6	0
Short	5	69	55	70	83	89	67

Significant at 0.0063

A107

Appendix 5.4

A Comparison of Unrotated and Rotated Factor Matrices

5.9 a) Unrotated Factors

	F1	F2	F3	F4	F5	F6	F7	F8
A1	-.20	-.59	-.11	.56	-.04	.22	-.02	.10
A2	.49	.37	.43	-.07	.44	.19	-.02	-.05
A3	.73	.21	.31	.03	-.10	-.02	.11	-.09
A4	.72	.06	.22	.01	.34	.08	-.09	.17
A5	.23	.20	.05	.34	.42	-.09	-.33	.47
A6	.37	.36	-.59	.33	-.02	.01	.15	.20
A7	.46	.67	.28	.19	-.13	-.12	-.06	-.10
A8	.56	.39	.12	.19	-.52	-.15	-.24	-.12
A9	.52	.47	-.18	.27	-.11	-.31	.17	.00
A10	-.00	-.39	.25	.49	-.38	.44	-.12	.11
A11	.45	.59	.37	-.19	-.04	.24	.11	.19
A12	.60	.35	-.28	-.15	-.33	.26	-.11	.24
A13	-.17	.03	.51	.00	-.08	.24	.65	.05
A14	.73	-.33	-.11	-.09	-.05	.05	-.02	-.29
A15	.75	-.31	.19	.17	-.07	-.09	-.14	-.07
A16	-.44	-.09	.21	.15	-.09	-.37	.31	.41
A17	.77	-.13	.30	.14	.07	-.00	.01	-.10
A18	.70	-.45	.07	-.07	.21	.01	-.23	-.11
A19	-.54	.13	.43	.28	.13	-.48	-.05	-.18
A20	.73	-.30	.06	-.15	.00	.04	.22	.19
A21	.70	-.38	-.20	-.25	-.01	-.22	.13	.23
A22	.78	-.34	-.04	.08	.16	-.02	.06	.14
A23	-.51	.29	-.05	.38	.30	.39	.10	-.23
A24	.82	-.27	.25	-.05	-.17	-.01	-.01	-.06
A25	.58	-.32	-.12	.40	.12	-.19	.31	-.21
A26	.51	.46	-.41	.11	.09	.08	-.00	-.06
A27	.56	.14	-.47	.03	.17	.05	.30	-.23

5.9 b) Rotated Factors

	F1	F2	F3	F4	F5	F6	F7	F8
A1	.05	-.38	.03	.77	-.14	-.01	-.08	-.09
A2	.25	.29	-.01	-.28	-.03	.53	.36	.40
A3	.52	.56	.14	-.10	.05	.11	.25	.12
A4	.56	.19	.10	-.12	.11	.54	.12	.19
A5	.06	.09	.14	.06	-.02	.80	-.18	-.11
A6	-.02	.15	.81	.05	.26	.15	-.13	-.08
A7	.03	.82	.21	-.16	-.05	.23	.12	.10
A8	.22	.87	.13	.06	.12	-.05	-.17	.03
A9	.16	.53	.61	-.15	-.03	.09	-.03	-.14
A10	.10	.09	-.21	.86	.09	-.02	.11	.00
A11	.07	.55	.02	-.27	.37	.32	.45	.12
A12	.19	.41	.31	-.05	.70	.07	-.08	.10
A13	-.07	.01	-.14	.08	-.07	-.13	.84	-.16
A14	.75	.09	.17	.02	.11	-.18	-.10	.31
A15	.79	.29	.02	.19	-.04	.11	-.10	.09
A16	-.21	-.12	-.13	.06	-.22	.02	.18	-.72
A17	.72	.32	.08	.07	-.07	.19	.14	.18
A18	.82	-.04	-.05	.02	.02	.16	-.18	.29
A19	-.38	.13	-.28	-.05	-.74	.07	.00	-.23
A20	.77	.01	.12	-.04	.28	.07	.19	-.06
A21	.80	-.10	.19	.07	.28	-.03	-.13	-.21
A22	.81	-.02	.25	-.18	.11	.22	-.01	.02
A23	-.64	-.16	.18	.23	-.26	.12	.25	.35
A24	.84	.33	-.04	.07	.13	-.01	.07	.10
A25	.65	.01	.49	.19	-.32	-.05	.05	.01
A26	.08	.29	.63	-.16	.23	.17	-.11	.27
A27	.32	.01	.70	-.19	.10	-.07	.04	.27

Appendix 5.5

Mean Factor Scores: Image Dimensions and Consumer Financial Behaviour

	Building Society Account								Bank Account					
	Deposit		High Int.		Current		Mortgage		Any		Deposit		Current	
	Y	N	Y	N	Y	N	Y	N	Y	N	Y	Y	Y	N
D1	.057	-.254	-.199	.105	.104	-.037	.254	-.132	-.006	-.061	.073	-.045	-.015	-.007
D2	-.017	-.009	-.058	.021	-1.059	.038	-.060	.001	.065	-.504	.183	-.084	.071	-.415
D3	.091	-.199	-.070	.075	-.420	.031	-.101	.050	.056	-.061	.244	-.034	.076	-.135
D4	.010	.061	.149	-.077	.582	-.004	-.241	.120	.044	-.322	.062	-.030	.070	-.371
D5	.031	-.266	-.216	.080	.020	-.055	.001	-.072	-.011	.061	-.015	.003	.005	-.034
D6	.043	-.097	-.035	.035	-.029	.055	-.157	.061	-.010	.258	-.155	.093	.033	-.003
D7	.050	-.171	-.041	.011	.012	-.013	-.164	-.075	-.075	.230	-.119	.070	-.055	.071
D8	-.032	.238	.054	.036	.023	.045	.073	.033	.082	-.264	-.036	.061	.120	-.375

	Savings and Investments																	
	Unit/Invest trusts		Stocks/Shares		Premium Bonds		Nat. Savings Bank		Nat. Savings Certifs		T.S.B.		S.A.Y.E.		Life Policy		Pension	
	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N	Y	N
D1	-.145	.012	.095	-.061	.035	-.047	-.119	.013	-.473	.034	-.412	.024	1.121	-.065	-.023	.003	-.383	.088
D2	-.219	.028	-.096	.023	-.150	.079	-.064	-.000	-.013	-.016	.208	-.034	.048	-.016	-.111	.160	-.259	.055
D3	.067	.035	.065	.029	.124	-.017	.349	-.038	-.165	.061	.435	.003	.463	.021	.088	-.044	.144	.011
D4	.051	-.017	.212	-.100	.171	-.125	.302	-.084	.095	-.016	-.120	.005	-.398	.012	.455	-.097	.132	-.044
D5	.130	-.028	.113	-.051	-.126	.083	-.101	.023	-.134	.012	.065	-.008	-.401	.016	.136	-.247	.253	-.072
D6	.236	-.015	-.157	.106	.088	-.014	.062	.018	.008	.029	-.388	.066	-.075	.031	.019	.040	.142	-.005
D7	.057	-.051	-.100	-.004	-.069	-.009	-.025	-.036	.224	-.060	.101	-.046	-.023	-.034	.070	-.218	-.102	-.015
D8	-.030	.048	.149	-.015	.282	-.132	-.279	.114	-.448	.085	.588	-.018	-.575	.062	.071	-.030	-.349	.140

BUILDING SOCIETY MARKETING STRATEGIES:

THE ROLE OF SERVICE IMAGE