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BRITISH BUILDING SOCIETIES
THE ROLE OF MARKETING

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Doctor of Philosophy

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Declaration

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Abstract

This thesis examines the role of marketing in British building societies by reference to the Marketing Concept.

The research investigates the degree of acceptance of the philosophy of the marketing concept, and the extent of its implementation by those societies who are members of the Building Societies Association.

The adoption of the marketing concept is inevitable for financial institutions if they are to survive competitive pressures in an environment now characterised by continual change. Given rapidly changing environmental conditions, marketing allows for a better matching of products and services to customer needs, improving the ability of firms to better withstand competitive pressures, whilst enabling firms to gain enhanced returns on capital invested.

This empirical study was conducted on the top 50 British building societies ranked in size by total assets. Data was collected either by way of questionnaire based interviews (Top 20) or postal questionnaires, from three respondent groups; Chief Marketing Executives, Chief Executive Officers, and Branch Managers.

The research findings show that major differences exist according to the size of building societies in their approach to marketing. The larger societies are in various stages of adopting the concept into their corporate culture and some are beginning the transition towards a market orientated organisation. However, in practice many societies still have not grasped the marketing concept and are continuing to operate from a sales or production orientation.

Differences in the understanding and the degree of orientation towards the marketing concept also varied across the three groups of respondents studied. Of the three groups, the Branch Managers were the least positively inclined towards the marketing concept.

In general, building societies continue to focus on the functional and promotional aspects of marketing rather than viewing it as a guiding philosophy. This is particularly true for the smaller societies.

Chapter One

1.0 Project Introduction

This thesis outlines an empirical study of the Role of Marketing in British Building Societies by reference to the Marketing Concept.

The research examines the degree of acceptance of the marketing concept philosophy, and the extent of its implementation by those building societies that are members of the Building Societies Association.

This is because it is possible to carry out marketing activities and still not really be involved in marketing, as it is more than just a collection of activities - it requires a correct state of mind, an acceptance of the marketing philosophy.

As described in further detail in the following chapters, the Financial Services sector is central to the UK economy. Within this sector the Building Societies are major players, and they have been affected in recent years by deregulation, diversification, and attempts to differentiate themselves in an environment where they are facing a rapid intensification of competitive pressures.

In such an environment, it is essential that they not only understand the marketing philosophy but also implement it in order to ensure their survival in a marketplace where continual change is becoming a permanent feature.

In order to develop the framework for the investigation into the adoption and implementation of marketing in building societies, the following hypotheses were established.

- a) In general, the adoption of the marketing concept by building societies has been slow, and incomplete.
- b) The perception of marketing in the building society industry is often narrow and confined to its functional aspects, rather than as a guiding philosophy for management decisions.
- c) The degree of acceptance and implementation of the marketing concept varies according to the size of the society.
- d) The degree of orientation towards and acceptance of the marketing concept varies across the different management levels within a society.

The broad approach adopted for the research methodology is to investigate the adoption of the philosophy by means of a set of attitude measurement characteristics addressed to three levels of managerial responsibility in the top fifty building societies.

The managerial levels selected for the research were as follows;

- the Chief Marketing Executives (CME's)
- the Chief Executive Officers (CEO's)
- the Branch Managers (BM's)

The primary target group for the study was the Chief Marketing Executive group who were identified on the basis of their marketing responsibilities rather than job title.

1.1 Background

Until the publication of the Wilson Committee Report in June 1980 [1], competition between building societies was severely constrained by the Recommended Rates System (an interest rate cartel).

In such an environment it is understandable that marketing in building societies received little emphasis. During this period societies competed on the basis of the size of their branch networks, which increased rapidly from 2016 in 1970 to 5684 in 1980, a growth rate of over 11% per annum.

However, the abolition of the interest rate cartel, and the rapid transformation of the personal financial services sector through progressive deregulation has broken down the traditional barriers between societies and the different financial sectors and institutions. Together with rapid advances in technology and innovation, this has led to increased competition, new integrated products, and new marketing methods and techniques. These factors are also driving significant changes in terms of processes and market arrangements [2].

Legislative changes in the UK have altered the competitive environment between societies by providing the building societies with new powers and new opportunities to diversify their product base. However, this new and highly competitive environment also presents tremendous threats.

Competitive pressures throughout the Personal Financial Services industry [3] & [4], have therefore increased for all, but these pressures are greater for some, forcing a move away from a supply orientated approach to a market orientation.

1.2 Building Societies: Importance

In the UK, Building Societies are major financial institutions accounting for over half of the total personal sector liquid assets and three quarters of the mortgage market.

The largest British building society the Halifax is the largest in the world with over 18% of the UK residential mortgage market. It is also the UK's highest rated credit institution [5].

Following the introduction of the Building Societies Act 1986, building societies have substantially broadened their product base, by diversifying into a wide range of financial services including overdrafts, credit cards, money transmission services and the like.

Building Societies are therefore major players in the UK economy and changes taking place within the industry are both relevant and important to the national economy.

1.3 Importance of the Study

The 1981 National Economic Development Office Report [6], concluded that a failure to develop marketing expertise was the principal cause of the United Kingdom's poor economic performance over the previous twenty years.

Until relatively recently there has been little empirical attention in the marketing literature to the marketing of services or marketing practice and attitudes [7], [8].

Empirical work on bank marketing by Lewis [9], concluded that banks have been forced to move towards adopting the marketing concept as a result of the changing competitive environment. Another empirical study by Watson [10] has shown that bank marketing is often seen as synonymous with selling.

The absence of similar studies in the building society industry, the growing importance of marketing, and the importance of building societies to the national economy have prompted this study.

1.4 The Research Problems

For much of their history, building societies operated in an environment conducive to their growth, and while changes did occur, these were evolutionary rather than revolutionary. This situation changed considerably in the 1980's as their markets increased in complexity and a more turbulent environment developed.

In such an environment, the determination and ability of building societies to apply modern marketing practices, at a time of increasing competitive pressures

and rapid change, will significantly affect their profitability [11] and chances of survival.

However, this is likely to require a more pro-active stance by the adoption of the marketing concept and the recognition that marketing has a key role to play in their growth and diversification strategies.

This study of the degree of implementation of the marketing concept was complicated by the scarcity of useful specific guidelines that readily translated the philosophy into action. A major problem in this study was to develop a practical framework to form the foundation of the study, to provide the means to measure the philosophical acceptance and the practical implementation of the marketing philosophy.

1.5 The Research Questions

This research proposes to examine the degree of acceptance of the marketing concept by the senior management of British Building Societies.

Ames [12] distinguished between the acceptance of the philosophy and its practical implementation, as it is perfectly possible for a company to carry out all the right marketing activities and still not really be involved with marketing [13]. Marketing is therefore more than just a collection of activities, it requires an appropriate attitude of mind [14].

Therefore the research aims of this study are:

- A) Verification of the degree of acceptance of the philosophy of the marketing concept in British building societies.
- B) and the extent to which the marketing concept has been implemented in British building societies.

Acceptance of the concept refers to whether the organisation has embraced the marketing concepts' philosophical implications for business management.

The practical implementation of the concept is to do with the specific organisational methods for incorporating this philosophy into actual business practice.

As discussed in greater detail in the following chapters, the study was designed to eliminate the effects of the 'trappings' [15] of the organisational arrangements for marketing, and deal with the substance of the managerial attitudes and orientation to the marketplace.

The study therefore primarily focused on the organisational orientation and marketing inputs, rather than simply the Marketing Department outputs. Thus for example, the main target respondent group of the study, the 'Chief Marketing Executive', was identified based on his organisational marketing responsibilities in the society's organisational chart, rather than simply on the basis of a "Marketing" related title.

1.6 Definitions

For the purposes of this research it would be useful at this stage to define both marketing and the marketing concept. These are defined as follows;

1.6.1 Marketing

A survey of current literature reveals a range of definitions for marketing. These are discussed in Chapter Five, together with some of the definitions proposed by different authors. However, for the purposes of this research the definition of marketing provided by the British Chartered Institute of Marketing is adopted. Thus, marketing is defined as follows;

"The management process responsible for anticipating, identifying and satisfying customer requirements profitably."

1.6.2 The Marketing Concept

Similarly, a survey of current literature reveals a number of definitions of the marketing concept by different authors. For the purposes of this thesis, Mcnamara's [16] definition of the Marketing Concept is adopted.

The Marketing Concept:

"a philosophy of business management, based upon company-wide acceptance of the need of customer orientation, profit orientation, and recognition of the important role of marketing in communicating the needs of the market to all major corporate departments."

1.7 Constraints of the Study

The following constraints should be recognised in this study:

1. Only the top 50 British building societies, ranked in order of Total Assets, and who are also members of the Building Societies Association were included in this study.

This concentration on the larger societies could produce a bias, although the top 50 societies account for over 98% the industry's Total Assets, and therefore the most customer accounts.

2. The executives of only the top 20 building societies were interviewed, whilst the executives of societies ranked from 21 to 50 were mailed the research questionnaire.

This might introduce a degree of bias into the findings as the largest societies had a greater opportunity to influence the results, and because of non-response to the mailed questionnaire. Note that the top 20 societies control over 90% of the assets of the industry.

3. The Personal Financial Services market is dynamic. The introduction of new legislation, the entrance of new players, technological advancements, and the frequent mergers between societies and acquisitions by societies (eg. Girobank, FS Assurance etc.) continues to progressively change the structure of the industry.

Research conducted in such an environment thus suffers from rapid time decay of information, and requires continual updating. The fieldwork

was therefore conducted over an eight month period to minimise the impact of these changes on the overall results.

This research therefore provides a snapshot of the Role of Marketing in the building society industry during the period between July 1991 and February 1992.

1.8 Organisation of the Study

This study is arranged in ten chapters. This chapter, provides an introduction to the study and provides background information with particular reference to both the nature of the project and British building societies. It also highlights the importance of the study and its constraints.

Chapter Two provides an insight to the British building society industry, its history, size, structure, and regulatory mechanisms. It reports on the current activities of building societies, taking into account as far as possible, the changes in the personal financial services market.

Chapter Three focuses on the major building society competitors, and provides an understanding of the basis of their competitive stance in relation to the building societies. Major competitors include the Banks, Insurance companies and in recent years the specialised Centralised Lenders.

Chapter Four reports on the importance of services to the economy and identifies the characteristics of a service. This chapter also provides an introduction to the classification of services, and their importance to the

economy.

Chapter Five considers the attributes of marketing and the marketing concept. It provides the conceptual framework for the development of the methodology adopted for the study.

Chapter Six is the first part of the introduction to the procedural aspects of the study. This chapter identifies the research objectives and the characteristics for both the philosophical and implementational studies.

Chapter Seven, the second part of the procedural description, explains the steps taken and the research methodology used to collect the data.

Chapter Eight presents the findings of the first half of the research survey focusing on the degree of philosophical acceptance and understanding of the marketing concept. The response rates to the survey are followed by tabulations of the distributional characteristics of the philosophical study data.

Chapter Nine presents the findings of the second part of the research survey in respect of the implementation of the marketing concept within the building society industry.

Chapter Ten concludes the thesis. The findings of chapters eight and nine are discussed, together with the implications of the results. This chapter concludes with the identification of the limitations of the study and some recommendations for future research.

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Chapter Two

Building Societies: An Introduction

2.0 Building Societies: Introduction

This chapter aims to provide an insight to the background of the British building society industry, its history, size, and structure, together with an overview of the regulatory environment in which the building societies operate.

In recent years the building societies have diversified away from their traditional markets of mortgages and savings, and now offer a range of new products including, unsecured loans, overdrafts, credit cards, travellers cheques etc, all of which are normally associated with other financial institutions such as finance houses and banks.

At the end of 1991 Building Society total assets amounted to over £244bn [1], compared to £371bn total assets [2] of the big four UK Clearing Banks.

The Building Societies together have over 42 million investor accounts and seven million mortgage accounts [3], compared to 72 million bank accounts in the UK [4]. In 1992, the largest building society, the Halifax, had over £52bn of residential loans outstanding, compared to the largest clearing bank, Barclays' £11.5bn [5]. In the UK mortgage market, the Halifax is the biggest lender with a market share of about 18 percent, whilst Barclays is only the tenth largest.

Building Societies in the 1990's are therefore major financial institutions. If the top three Building societies chose to convert to PLC status, they would join the Abbey National amongst the twelve largest UK banks, with the largest building society, the Halifax in the top five [6]. The Halifax is also the UK's highest rated credit institution [7].

In the retail deposit market the Building Societies account for 67% of the total personal sector liquid assets in 1991, compared to 23% for the banks and 8% for National Savings (Table 2.1).

Up to the early 1980's the Building Societies virtually monopolised the mortgage market (Table 2.2). However, in the early 1980's the banks entered the mortgage market and rapidly took 36% by 1982, whilst (see Chart 2.1) the building Societies saw their market share collapse to just under 58%. As the banks rapidly reached their target percentages of mortgage loans in their total portfolios, and the mortgage market became less profitable they withdrew, enabling the building societies to regain their market share to around 85% by 1984.

Table 2.1 The Retail Deposit Market 1986-92 Liquid Assets							
Year	Building Societies		Banks		National Savings		Other
	£m	%	£m	%	£m	%	
1986	11847	50.3	8442	35.8	2523	10.7	761
1987	13635	54.8	8393	33.7	2439	9.8	412
1988	20238	51.4	16821	42.7	1408	3.6	918
1989	17591	45.9	21420	55.9	-1519	-4.0	831
1990	17966	50.1	17167	47.9	783	2.2	-66
1991	17354	66.6	6089	23.4	2174	8.3	425
1992	10657	47.1	5902	26.1	4992	22.1	1071

Source: CSO Financial Statistics No 382

Note: The increase in bank share of the retail deposit market over 1988 and 1989 was largely due to the conversion of the Abbey National into a Bank.

Chart 2.1
Loans For House Purchase

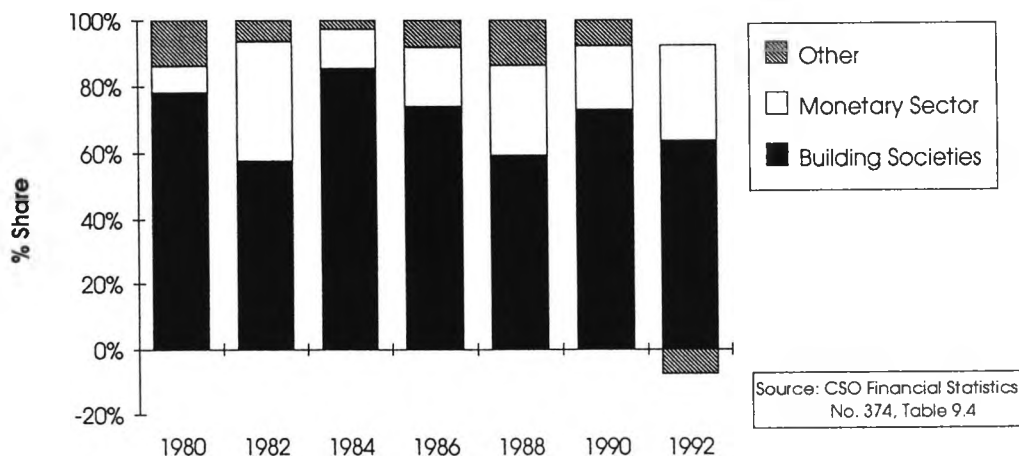


Table 2.2
Loans For House Purchase 1980-92
Net Advances

	Building Societies		Insurance companies & Pension funds		Monetary sector		Misc Financial Institutions		Other		Total
Period	£m	%	£m	%	£m	%	£m	%	£m	%	£m
1980	5722	78.0	264	3.6	593	8.1	-	0.0	754	10.3	7333
1981	6331	66.7	88	0.9	2448	25.8	-	0.0	622	6.6	9489
1982	8147	57.6	6	0.0	5078	35.9	-	0.0	910	6.4	14141
1983	10928	75.2	126	0.9	3531	24.3	225	1.6	-60	-0.4	14525
1984	14572	85.3	254	1.5	2043	12.0	445	2.6	207	1.2	17076
1985	14711	77.0	200	1.1	4223	22.1	425	2.2	-17	-0.1	19117
1986	19072	73.8	173	0.7	4666	18.1	2379	9.2	1,934	7.5	25845
1987	14807	50.6	769	2.6	10112	34.6	3952	13.5	3,568	12.2	29256
1988	23720	59.1	447	1.1	10894	27.2	5234	13.0	-184	-0.5	40111
1989	24002	70.5	30	0.1	7169	21.0	2949	8.6	-96	-0.3	34054
1990	24140	72.8	124	0.4	6411	19.3	2900	8.7	-423	-1.3	33152
1991	20927	78.3	-233	-0.9	4803	18.0	2120	7.9	-881	-3.3	26736
1992	13720	74.9	-76	-0.4	6265	34.2	-1113	-6.0	-471	-2.6	18325

Source: CSO Financial Statistics No 374, Table 9.4

Notes: i) The Monetary sector includes the Banks and Trustee Savings Banks
ii) Other - includes local authorities and other public sector.

The first of the specialist Centralised Lenders was formed in 1985, and this signalled the entry of new institutions competing on lower management costs and a funding advantage based on the availability of competitive wholesale money market rates, compared to retail rates.

As a result, the banks and specialised lenders took nearly 50% of the mortgage market at the end of 1987. Since then however the market has shifted substantially in favour of the Building Societies, who in 1989 had 71% of the mortgage market, helped by the stock market crash at the end of 1987, and increased wholesale funding costs when compared to retail funds.

2.1 Building Societies: Brief History

The Building Society movement is over 200 years old with the first Building Society being formed in 1775. By the end of the century between twenty and fifty had been established, predominantly in the Midlands, Lancashire and Yorkshire. The oldest society today, the Chesham Building Society, was established in 1845 and is therefore nearly 150 years old.

The early societies were true mutual building societies as they existed to provide each member with a house paid for out of their own funds. The members, generally artisans, numbering not more than twenty, paid an agreed sum fortnightly or monthly into the funds of the society. When sufficient money had accumulated land was purchased and the building commenced. Lots were then drawn to decide the allocation of the houses as they were completed. Members continued to make regular payments until all the members had been

housed, then the society was liquidated. Building societies were therefore originally 'terminating societies', and at one time there were over 3000 societies of this type [8].

In the early nineteenth century the first 'permanent' society was set up. To speed up the process of building houses some societies began to attract people willing to invest but who did not want a house, by paying interest to them; therefore they had to charge interest to those borrowing. By 1895 there were a total of 2795 building societies in the UK.

By 1932 only 16% of societies were of the 'terminating' kind, and no new terminating societies have been formed since 1953. The last terminating society, the First Salisbury and District, was wound up in March 1980 [9].

The first building society legislation was the Regulation of Benefit Building Societies Act 1836, giving societies official recognition whilst the first comprehensive Building Societies Act was enacted in 1874. By the mid-nineteenth century the average society had grown to about 150 members, and the trend towards becoming financial institutions continued as many societies changed to the new 'permanent' format, offering both savings and lending facilities.

The main feature of the 1874 Act was to limit the activities of building societies to building and owning land for the purposes of conducting their business.

At the end of the nineteenth century the largest society in the country, the Liberator Building Society collapsed in 1892. As a result, in order to strengthen

the powers of the Chief Registrar another Act was passed in 1894. This act prohibited some questionable practices such as balloting for mortgages and second mortgages.

2.2 Building Societies: Recent Trends

The past few years have brought dramatic changes to the building society sector. Deregulation in the financial services sector has led to an increase in competitive pressures in their home markets, but building societies have been successful in regaining and defending their market share from the banks and other financial institutions (Chart 2.1 page 32).

The building societies are becoming more like banks as they now offer cheque books, interest bearing current accounts, credit cards, and a wide range of financial services such as stockbroking and estate agency.

The second largest building society, the Abbey National took advantage of new legislation in 1989 and changed its status to become a bank. It is now regulated by the Bank of England. To date this is the only society to convert to a Public Limited Company (PLC).

Over the last few years a number of trends have become apparent in the building society industry. These include;

- An increase in the rate of decline in the number of building societies
- Increasing concentration of assets amongst the largest societies,

- Increased merger activity, and
- Changes in the branch network

2.2.1 The Rate of Decline

The rate of decline of the number of building societies since 1900 is illustrated by Table 2.3. This rate decreased markedly around 1940 as the terminating societies became less important. However, since 1960 the rate of decline has accelerated due to an increase in merger activity.

Table 2.3 Building Societies: Rate of Decline (Nos.) 1900 - 1990.	
Decade	Annual Rate of Decline (Number of Societies)
1900-10	2.8
1910-20	3.0
1920-30	2.1
1930-40	0.7
1940-50	1.5
1950-60	1.2
1960-70	4.0
1970-80	5.5
1980-90	9.7
1990-92	13.5
Source: BSA Bulletin No.52, Oct 1990 & Directory of Members Nov 1992	

The rate of decline has sharply accelerated during the last decade, when the annual rate of decline accelerated to 9.7% from 5.5%, and since 1990 has increased to 13.5% peaking at 20% in 1992. As a result the number of societies has declined from 273 in 1981 to only 88 by October 1992.

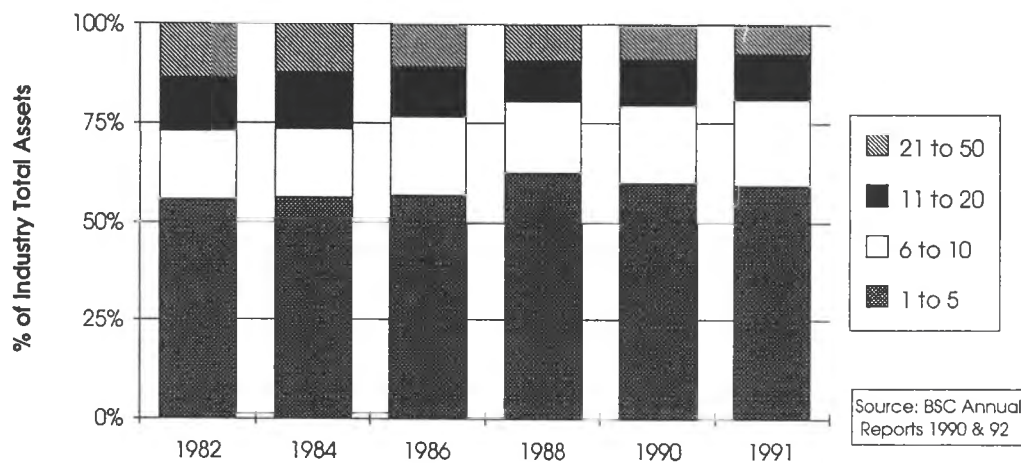
2.2.2 Concentration of Assets

This merger activity has caused a concentration of assets in the industry. It is clear from Table 2.4 that the top twenty societies have increased their market share from 62% in 1950 to 92% of total industry assets by 1991.

Table 2.4 Concentration (Percent) of Total Assets 1950-1991			
Year	1 to 10	1 to 20	All Societies Total £m
1950	48.9	62.5	1256
1955	51.9	64.5	2065
1960	56.9	68.6	3166
1965	61.3	73.7	5532
1970	64.3	77.4	10819
1975	68.2	82.3	24204
1980	71.1	84.4	53793
1985	76.4	88.6	120763
1990	79.9	91.2	216848
1991	81.0	92.5	243980
Source: BSC Annual Reports 89-90 & 91-92.			

However, this concentration of assets is not entirely due to merger activity, as before 1985 the largest five building societies were not involved in mergers. They managed to increase their share of assets from 37% to 57% between 1950 and 1985, due to organic growth of assets. Larger societies tend to have a faster growth rate because the market share of a firm increases faster than the proportional increase in the size of the firm [10].

Chart 2.2
Building Societies: Degree of Concentration
1982-1991 (% of Total Assets)



2.2.3 Merger Activity

The intensification of competitive pressures led to a huge increase in the merger activity among the large building societies. By the end of 1985 significant mergers such as the merger between the Alliance (9th largest) with the Leicester (10th largest) formed the Alliance and Leicester, which then became the fourth largest building society.

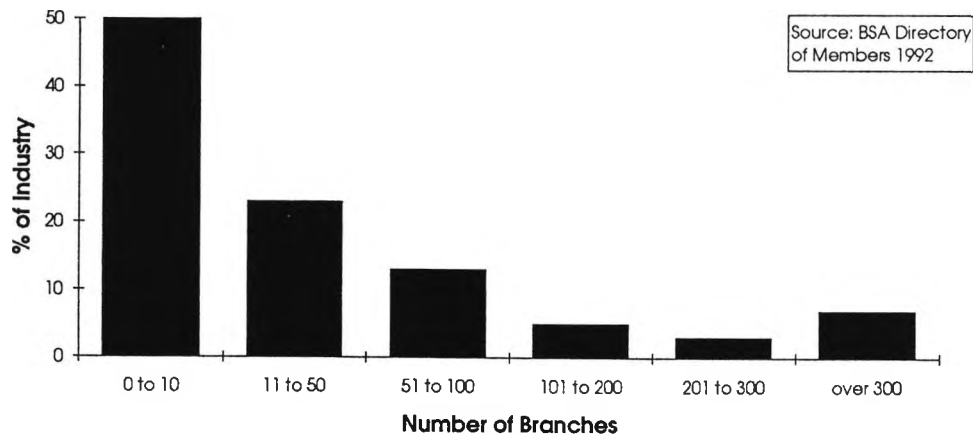
Since 1990 there has been intense merger activity in the building society industry with a number of small societies deciding to merge with larger societies. At the start of 1990 there were 126 societies, this declined rapidly during the following 18 months to just 110. By October 1992 there were only 88 societies left on the register of the Building Societies Association [11], [12].

2.2.4 Changes in the Branch Network

The decline in the number of building societies was accompanied by a rapid increase in the total number of branches in the building society industry. The number of building society branches increased from 2016 in 1970 to 5684 in 1980, primarily because this was the main means of competition whilst the interest rate cartel was in operation. However, the demise of the cartel, intensifying competition and the need for operating efficiency, has reversed the rate of branch expansion. During 1989-91 the branch networks were rationalised, and as indicated in Table 2.5, the total number of branches actually fell by 315 branches [13].

In terms of branch networks there are five very large societies with substantial branch networks throughout the UK, these are followed by a further nine which have significant representation in most regions. These in turn, are followed by a number of regional and local societies, with some operating from a single office.

Chart 2.3
Building Societies: By Branch Networks



Note from the above chart that half of the societies have less than ten branches, and nearly 20% of the industry has only branch.

When compared to the banks, the building societies have a smaller branch network per customer. The Halifax has only 734 branches for its 11 million customers, in contrast Barclays has 2496 branches serving only 7 million customers and National Westminster Bank has 6.5 million customers and 2683 branches, though there has also been a steady decline in the bank branch network throughout the last decade. This decline was especially marked in 1991 when there was a fall of nearly 18% in the number of bank branches (Table 2.5).

Table 2.5 Building Society and Bank Branch Networks				
Year	Building Societies		Banks	
	Number	Ann. % Change	Number	Ann. % Change
1981	6162	8.4	14738	-0.1
1983	6643	2.5	14487	-1.2
1985	6926	1.6	14294	-0.5
1987	6962	0.1	13828	-1.3
1989	6236	-9.8	14110	2.8
1991	5921	-2.1	11110	-17.9
Notes: 1. Abbey National figures included in Building Societies only up to 1988. 2. Girobank (now owned by a Building Society) figures not included. Source: Annual Abstracts of Banking Statistics, Vols 8 & 9, B A, London.				

Building society branches also tend to be smaller than the banks' purpose built

buildings, and most are converted shop premises giving the societies an operational advantage over the banks.

Societies also obtain business through agents, typically estate agents, insurance brokers, accountants and solicitors. For some, particularly the smaller regional and local societies nearly 80% of their mortgage business is obtained through these sources. In recognition of this, and in response to the acquisition of estate agency networks by the banks, societies such as the Halifax and the Nationwide Anglia acquired large estate agency chains and Insurance brokerages.

2.3 The UK Regulatory Environment

The history of the regulation of financial services up to the early 1980's was generally one of restrictions placed upon the range of products offered by firms, and were intended to offer some degree of protection to consumers.

In 1986 the regulatory environment moved from institution based towards a more market based regulatory environment, by the introduction of a number of new regulations. This new system of regulation was based upon the Building Societies Act 1986, and the Financial Services Act 1986. The importance of these two acts has been identified by Thwaites [14] and Watkins [15] and is also commented on below. Additionally, the system of trading (Big Bang) on the Stock Exchange was changed in October 1986.

2.3.1 The Building Societies Act

The Building Societies Act 1986 lifted many of the restrictions on building societies enabling them to compete more effectively in the market [16].

The 1986 Building Societies Act received the Royal Assent on 25 July 1986 and most of its provisions came into effect on 1 January 1987. This represented the first major revision of the legislation governing the building societies since the 1962 Building Societies Act.

Under the new legislation the *principal* purpose of building societies is that of raising funds, *primarily* from members, for making advances to members for their residential use. This relaxation of the regulations enabled the building societies to lend for purposes other than on a first mortgage secured on residential property, and to raise funds other than through membership based retail deposits. It also enabled building societies to provide a wide range of new services from which they were previously prohibited.

These new powers included:

- Money transmission services
- Foreign exchange facilities
- Management of mortgage instruments
- Provision of credit to individuals
- Management of unit trust schemes
- Provision of insurance
- Provision of advice on insurance
- Estate agency services
- Conveyancing

In general, building societies are now able to provide a full range of personal banking and financial services. However, they are still unable to undertake corporate banking activities such as lending unsecured to corporate bodies.

Many societies have taken advantage of these new powers. One of the first was the Nationwide, which launched a interest paying current account called 'FlexAccount' in May 1987. It now has over a million 'FlexAccount' holders, and is now a major competitor in this traditionally banking service.

Other societies acquired estate agency networks, insurance services and networks. In September 1992, a Datamonitor survey found that the Norwich and Peterborough Building Society was the most diversified building society in the UK [17], providing a wide range of services including stockbroking.

The Act also made significant new provisions in respect to mergers. For the first time *borrowers* were given voting rights on proposed mergers, and it included a provision for societies to convert themselves into public limited companies, or transfer to an existing company. Thus, it became possible for the business of a building society to be taken over by a company.

The Abbey National Building Society was the first, and so far only, society to convert itself in 1989 to a public company operating as a bank under the supervision of the Bank of England.

Despite the relaxation of the regulations contained in the Act, increased competition in the personal financial services sector still left the building societies at a competitive disadvantage in relation to the banks [18]. In recognition of

this the Act was reviewed in late 1987, increasing the limits on unsecured lending and enabling societies to offer a wider range of banking and housing related services.

Building societies were also allowed to become involved in the operation of life and general insurance companies, though their involvement in general insurance companies was limited to 15%. As a consequence, the Britannia Building Society became the first building society to acquire a Life Insurance company, when it acquired F.S Assurance, a mutual life insurance company in 1989. In 1992 Britannia Life contributed nearly a third of the societies earned profits [19].

The restriction limiting building societies to a maximum 15% share of non-life insurance companies was relaxed in April 1993 [20], giving building societies the power to set up Mortgage Indemnity Insurance Bodies. These are captive insurance companies used to provide mortgage indemnity insurance. In future building societies will therefore be able to exploit the same advantages identified by the Abbey National when it established its captive insurer 'Carfax Insurance' in April 1993 [21].

2.3.2 The Financial Services Act

The Financial Services Act (FSA) received the Royal Assent in November 1986, and the main provisions came into effect on the 29th April 1988.

The purpose of the Financial Services Act is to define and regulate 'investment' business, and to promote competition in the investment industry. The Act

applies only to investment business and therefore excludes general insurance, short term deposits, mortgages, loans, and Personal Equity Plans. Its primary aim is to provide investor protection across a whole range of financial institutions involved in 'investment business'.

Under the FSA an individual or company transacting investment business has to be authorised by an appropriate Self Regulating Organisation, a Recognised Professional Body, or directly by the Securities and Investment Board.

2.3.3 The FSA: Implications

The mainstream business of the building societies, retail deposits and mortgage lending, is excluded from the Financial Services Act but there are a number of areas of building society activity that do fall within the Act. These include;

- Endowment Assurance
- Personal Pensions
- Wholesale Instruments
- Staff Pension Schemes.

Of these, as long as the society is not seen to be dealing in wholesale instruments, they are in practice, exempt from that provision of the Act.

There are therefore a number of issues arising from the FSA that have implications for building societies in the way that they can market their services. These are:

- Polarisation
- Best Advice and Best Execution and,
- Advertising

Polarisation: This is a key feature of the FSA. Intermediaries who advise on investments have to conform to one of two categories; 'Independent' or 'Tied'. Tied representatives are restricted to selling the products of one company only, and must advise their customers of this fact.

All the clearing banks have now opted for tied status for their branches, the last to do so was the National Westminster Bank which announced in 1991 its decision to abandon its independent status. It is now tied to its subsidiary NatWest Life which commenced business in January 1993. However, all the clearing banks also own insurance broking subsidiaries which offer independent advice.

Of all the building societies only eleven have adopted independent intermediary status [22]. Of the top 10 building societies, only the Bradford and Bingley is independent. However, the others in the top 10 also have subsidiaries with independent status, thus like the banks, in practice providing both tied and independent financial advice.

Best Advice and Best Execution:

All financial advisers dealing with investment products are required to give customers best advice on the type of investment best suited to their needs.

A Tied Financial Adviser is therefore required to select the most suited investment product from the entire product range of his employer. An Independent Financial Adviser must select the most suitable product in the entire market. All advisers must be able to prove (up to five years later) that they had provided 'best advice'.

The provision of such rigorous requirements is intended to prevent financial advisers from simply selecting the most remunerative product from available product portfolios, and thus protect the interests of the customer.

Advertising:

The Securities and Investment Board rules on advertising cover all media and even extends to direct mail. It stipulates that no individual other than authorised personnel may issue an investment advertisement. Each investment firm must therefore appoint a registered individual to approve advertisements.

All advertisements must be a fair representation of the financial product, and fall into a number of specified categories. Each category has different minimum requirements in respect of the amount and type of information that must be provided to the customer. Thus, all building societies advertising investment products would have to appoint a registered individual.

2.3.4 Other UK Legislation

Other legislation may be relevant to building societies and their competitors, in particular new legislation may introduce new products or alter the comparative advantages or conditions attached to one product when compared to another.

The Finance Acts are important in the UK in introducing new products or affecting the comparative advantages of products. In 1984, Life Assurance Premium Relief (LAPR) was abolished and more recently, Personal Equity Plans (PEPs) were introduced by the 1986 Act. PEPs established themselves rapidly as an essential element of marketing strategy with most building societies. Similarly the introduction of Tax Exempt Savings Schemes (TESSAs) and the concept of independent taxation in the 1989 Act, has had considerable influence on the product portfolios of all building societies.

The November 1993 Budget includes proposals to reduce mortgage interest relief. This will affect societies with small average mortgages.

2.4 European Union Regulation

The creation of a free flow of capital and trade in financial services is one of the aims of the European Union trying to create a single internal market.

Thus, other than Greece, Ireland, Portugal and Spain, all European Union member states were required to allow the free flow of capital by July 1990.

The free flow of trade in financial services is based upon a neutrality of buying a

service from a domestic or a foreign institution. The foreign institution may supply the product either directly or via local branch network. Thus, once a provider has been authorised, it would also be licensed to be able to operate in all other European Union countries.

However, there is a distinction to be made between licensing rules and operating rules. Institutions though enabled to operate anywhere in the European Union may face difficulties in operating in European Union markets because of a diversity of operating regulations. For instance, a building society in the UK usually lends money for house purchase on variable rate mortgages, this would be impossible in Belgium as variable mortgage rates are illegal.

It is clear that as markets in the European Union become more integrated, UK building societies will be presented with both the opportunity of a wider market, and a threat from new foreign players entering their home markets.

The impact of these directives are therefore important to the building societies industry and is discussed in greater detail below.

2.4.1 The European Directives

The 1986 Single European Act established the objective of achieving the liberation of capital, and this directive was adopted in November 1986.

Further progress was made by the issue of the draft Second Banking Coordination Directive in January 1988. This established two principles:

- The home country of an institution would be responsible for regulation and supervision and,
- There would be mutual recognition by all member governments of each others regulatory arrangements. However, the host authorities would remain responsible for the regulation and supervision of subsidiaries and branches of non European Union country institutions.

The stated aim of the directive is to create 'a truly internal market in banking in which any credit institution authorised by a member state will be able to establish branches and to offer its services freely through out the European Union'.

A central element of the Second Banking Directive is therefore the concept of a single banking licence. The core banking services which institutions will be able to undertake are listed and include deposit taking, lending, money transmission, securities business, and portfolio management. For services that are not listed host country authorization would be necessary. Thus, financial institutions wishing to operate internationally in the Union are freed from the principle of host country authorization.

The Investment Services Directive allows investment firms to provide their services throughout the European Union without being required to obtain authorization from the relevant host country.

The mortgage markets still have problems in terms of liberalisation, as the free trade in mortgages requires a degree of tax harmonisation which is not yet in

place and not likely to be for some time [23]. Although building societies and centralised lenders are already classified as credit institutions under the Second Banking Directive, it is not clear whether they require their own set of rules to govern mortgage lending. Without a specific set of regulations governing their activities such organisations may lose the opportunity to sell at a European Union level unless they obtain separate approval from each individual member state [24].

2.4.2 The Implications

The creation of a single market in finance creates opportunities for all credit institutions. As a result the competitive environment has intensified after 1992, as institutions from other European Union countries becoming free to enter the UK market and competing for a whole range of financial services.

The implications of liberalisation in the financial services sector are wide ranging, affecting not only the industry and its various groupings, but also the pattern of policy making at a macro level eg the effect of price equalisation across the European Union and the fall in the costs of many financial services [25]. For the suppliers of financial services, the Single Market programme constitutes an important change in the marketing environment and demands a strategic response.

Building Societies would have to operate in the European Union on the basis of UK regulations, which place a number of restrictions upon them, putting them at a disadvantage as these restrictions do not apply to their competitors. The

1986 Building Societies Act specifies that building societies may not operate directly in other European Union countries, without the specific approval of the Treasury, although they may make advances secured upon land outside the UK. Thus, building societies may only operate in the Union via a subsidiary or associated body as indicated in section 18 [26] of the Act:

A building society may invest in or support "bodies formed in another member state for the purpose of carrying on in another member state businesses which consist wholly or mainly in lending money on the security of land and do not include lending on land in the UK".

However restrictions are placed upon societies as;

- only those societies with assets over £100m commercial assets have the power to invest in subsidiaries,
- it does not allow societies to provide a full range of retail financial services as the business of the subsidiary must be wholly or mainly secured upon land, and
- the Act specifies that any investment in subsidiaries should count towards Class 3 Assets, which is set at 5% of commercial assets.

Thus, the societies are restricted in both the range and extent of their diversification into Europe. In contrast, mutual banks in Europe will be able to extend their business in the UK and operate with much greater comparative freedom.

Current regulation in the UK would therefore prevents building societies from capitalising on the opportunities presented by the single European market, whilst they will also see the intensification of competition in their domestic retail financial services market.

As building societies are having to operate in an increasingly competitive market place, the following chapter will provide an introduction to their main competitors; the banks, insurance companies and the centralised lenders.

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Chapter Three

Building Society Competitors.

3.0 Building Society Competitors: Introduction

In order to gain a better understanding of the wider competitive environment in which building societies operate, this chapter will outline the UK personal financial services environment and the factors driving the process of change. It will also identify and provide an insight to the main competitors in both the retail savings and mortgage markets.

3.1 Background

Financial institutions in the United Kingdom were first established in the sixteenth century. These were banks which served the needs of manufacturers and the wealthy. The Trustee Savings Banks and the Post Office Savings Bank were established much later in the nineteenth century.

The late 1980's were a turbulent period for the financial services sector in the UK. There have been a number of changes in the structure of this sector brought about by the erosion of traditional boundaries of the competing sectors.

This is best illustrated by the acquisition of insurance companies by both the banks (eg Lloyds Bank - Abbey Life) and building societies (eg Britannia B S - FS Assurance). Even some of the major stores groups such as Marks & Spencer (in-

house unit trusts) and Burton (Mortgages and Insurance) have also moved into retail financial services [1].

In particular, the UK mortgage market was transformed into a highly competitive sector within the financial services markets following extensive deregulation since 1979 and an influx of new players.

Thus there have been a number of developments which had a dramatic impact on the environment in which the financial services organisations and the building societies compete. Some of these developments have been identified and their possible implications have been examined by a number of authors including Lewis [2], Wright [3] and Middleton [4].

The most important developments can be grouped into three main areas;

- i) Deregulation
- ii) Technology
- iii) Consumer awareness

These changes in the competitive environment of the financial services sector are forcing a change in attitude towards marketing as both a function and a business philosophy [5].

3.1.1 Deregulation

Changing legislation and the global trend toward deregulation has had considerable impact on competition. Brooks [6] found that the primary force

in driving change in the United States banking industry was deregulation, thus allowing for increased competition. Since 1979 the UK financial services industry has been subjected to extensive deregulation and as a result has been radically affected by these changes. The impact of these regulatory changes on building societies has already been discussed in the previous chapter. A summary of key financial deregulation measures since 1979 is set out in Table 3.1 below.

Table 3.1 Key Financial Deregulation Measures: A Summary 1979-1991.	
Year	Deregulatory Measure
1979	• Abolition of foreign exchange measures. • Relaxation of government controls over BSA rates.
1980	• Abolition of the Supplementary Special Deposits Scheme (the Corset).
1981	• Abolition of the Minimum Lending Rate. • Abolition of the banks' reserve asset ratio • Reductions in the banks cash ratio (from 1.5% to 0.5%) • Greater freedom for building societies to compete for retail deposits. • Ending of the BSA mortgage rate cartel.
1982	• Abolition of remaining hire purchase controls.
1983	• Further relaxation of controls over the building societies (access to wholesale funds, sterling eurobond markets). • Banks' cash ratio reduced to 0.45%.
1987	• Building Societies Act (1986) comes into force. • Banking Act (1987) comes into force.
1988	• Further relaxation of controls on building societies (wholesale funds, issue of subordinated debt, provision of banking, investment, and insurance services). • Financial Service Act (1986) comes into force.
1989	• Banks and building societies issue sterling commercial paper.
1991	• Banks' cash ratio reduced to 0.4%. • Building societies permitted to issue Permanent Interest Bearing Shares (PIBS).
Source: Treasury Bulletin, Autumn 1991, p 18-20.	

Of all these financial deregulation measures, the most important are the Building Societies Act 1986, the Financial Services Act 1986, and the Banking Act 1987 which have together combined to remove many barriers to entry and have allowed different competitors to compete on more equal terms.

Of these, the impact of the Financial Services Act is the single most important factor in terms of distribution strategies.

3.1.2 Technology

Technology is one of the key issues in the strategic marketing of financial institutions as recent technological developments have changed the basis of money transmission services and product distribution patterns.

The impact of technology on transmission systems is best illustrated by the introduction of the 'Debit Card' which acts as an electronic cheque book. In less than five years the cards are now used more than two million times each day [7]. As a result, it is expected that the number of cheques will drop 40% in the next decade. As well as paying for grocery purchases, some stores like Tesco and Sainsbury allow debit card users to draw cash, providing an alternative to an ATM or a branch visit.

Deregulation and technological advances have also made it possible to buy and sell unit trusts from a building society through an ATM [8].

In terms of distribution, technology has enabled carefully targeted cross selling

activity based upon the information available to banks and building societies on their customer databases.

Currently the average bank customer buys less than 1.5 products from his bank during his life [9]. This is set to change dramatically as the average bank begins to exploit the vast store of customer information in its records.

In addition, automation has enabled many retail financial institutions to distribute their products by providing electronic banking to their customers, delivering a blend of account information, funds transfer, and bill payment facilities over the telephone. Three banks, Midland, Girobank and TSB and a number of building societies, now offer direct branchless banking, where customers telephone and speak to special banking centres offering a complete range of banking products.

It can be noted from the following table that over twelve financial institutions now provide electronic home banking services.

Table 3.2 Electronic Home Banking Providers 1991	
Banks	Service Name
NatWest	ActionLine
Girobank	Dialog
TSB	Speedlink
Bank of Scotland	HOBS
Clydesdale	Telebank
Royal Bank of Scotland	Phoneline
Building Societies	
Alliance & Leicester	CashPlus
Halifax	Maxim
National & Provincial	MAX
Nationwide Anglia	FlexAccount
Northern Rock	Home Banking
Nottingham	Homelink
Note: Giro Bank is now owned by a Building Society.	
Source: Banking World Jan 1991.	

This integration of computer based services together with self-service, offers considerable savings in transaction costs. These are a significant component of the production cost of most financial services.

Overall, Financial services are therefore undergoing rapid technological change. This is breaking down barriers between institutions and leading to increased competition between them with the generation of new and newly re-packaged

products.

This is because technology is able to establish or remove entry barriers. New players using up-to-date technology gain competitive advantage due to reduced information processing costs [10].

In this environment success depends on the ability of organisations to integrate technology and marketing functions [11]. New players using custom designed systems are better able to exploit marketing opportunities offered by the latest technological advances. Existing players are disadvantaged as they are more likely to have older more inflexible computer systems, geared to securing operational benefits and are therefore less helpful in exploiting marketing opportunities.

In conclusion, financial services is becoming the most automated of all the service industries and the manifestations of the technology are readily apparent. However, the building societies have been slower than banks to introduce new technology but since the mid-1980's have progressed rapidly, and are beginning to challenge the banks as evidenced in Table 3.2.

3.1.3 Consumer awareness

Consumer attitudes in the 1990's have changed due to the rapid inflation in the 1970's, increasing advertising and media interest in financial services products, and the spread of private stockmarket shareholdings [12].

Consumer attitudes towards saving, spending and borrowing have changed to

broader and longer financial horizons. In addition, modified social traditions and values have made credit and borrowing more socially acceptable [13]. Thus, in the last decade the financial services sector has had to deal with a more knowledgeable and increasingly demanding customer. In all segments, customers have developed a more sophisticated purchasing behaviour. For instance, more people than ever before have accounts at banks and building societies, and credit cards are held by over a third of the UK's adult population [14].

These changes have placed increasing pressure on the industry to adapt its operating and marketing practices accordingly. Financial Institutions have responded by introducing new types of accounts, by launching different types of credit cards, and adapting to new customer lifestyles by, for example, extending operating hours.

Financial institutions are also reviewing their focus on service quality, to better match customer expectations. Most financial institutions have begun to appreciate that a strategic advantage can be gained by fulfilling these service expectations [15].

Marketing practices are therefore becoming more important [16] as market research [17], market segmentation [18] and branding [19] become more essential. Financial institutions are therefore having to cultivate more effective marketing departments, primarily as a defensive mechanism.

3.2 Competitors: Banks

There are over 518 banks operating in the UK [20], an increase of 460% since

1950.

Generally, retail banks can be divided as follows:

- the clearing banks; These are the eight main participants of the cheque clearing system in the UK, and handle the cheque clearing for non-participants. The banks are; Bank of Scotland, Barclays, Lloyds, Midland, National Westminster, Royal Bank of Scotland, Standard Chartered, and TSB.
- Other retail banks; This group comprises of those retail banks not included in the clearing system. They comprise of; Co-Operative Bank, Clydesdale Bank (ANZ), National Bank (National Australia Bank), Ulster Bank (NatWest), Yorkshire Bank (NAB), National Giro Bank, and Abbey National.
- Up Market Retail Banks; This is a small group of mainly long established banks. The main Banks are; Coutts (NatWest), Child & Co (RBS), Drummonds (RBS), Holts (RBS).
- Foreign Banks; Most foreign banks are active in the corporate and international business areas, but some provide retail services to meet the special requirements of some groups; such as the Irish, Arab, and Pakistani banks. Other foreign banks such as Citibank and Westpac also provide retail services.

3.2.1 Branch Networks

Many of the major UK clearing banks grew out of a number of mergers which

resulted in the duplication of branches. This has led to the banks having very high branch/customer ratios. Barclays for instance has 2496 branches for 7m Customers, whilst National Westminster Bank has 2683 branches for only 6.5m customers.

Table 3.3 Major Bank Branches 1991	
National Westminster	2,683
Barclays	2,496
Lloyds	1,929
Midland	1,824
TSB	1,399
Royal Bank of Scotland	805
Abbey National	683
Bank of Scotland	502
Clydesdale	346
Yorkshire	261
Co-operative Bank	107
Source: British Bankers Association 1992	

In an attempt to reduce duplication of branches, over 2300 bank branches were closed in the decade up to 1991, and this overall consolidation in branch numbers is continuing.

As part of this rationalisation process the banks have been trying to separate their corporate business from personal business. Midland Bank now has 65

corporate banking centres specifically designed for corporate customers with incomes over £5 million, whilst smaller corporate customers are dealt with by 120 large area offices. The rest of the network comprising of over 1700 branches are therefore reserved for the exclusive use of personal customers [21].

3.2.2 Bank Services

The retail banks offer a wide range of services to their personal customers in every field of financial services. Competition between banks and competition from building societies has contributed to the process. The typical range of accounts includes; current accounts, high interest cheque accounts, deposit accounts, savings accounts, investment accounts, money market accounts, and special accounts for students and children.

Many have segmented and branded their account ranges to attract specific target customers. The Midland offers the Vector, Meridian and Orchard accounts targeted specifically at different customer segments. In early 1990 the Midland was the first bank to introduce a 24 hour telephone banking service called 'Firstdirect'.

A major recent development has been the development of interest paying current account facilities, as the direct result of competition from the building societies (Nationwide Anglia FlexAccount).

These interest bearing current accounts have been very successful with 35% of all adults with a bank cheque book having such an account, whilst only 62% of all adults have current accounts with a cheque book [22]. These services appeal

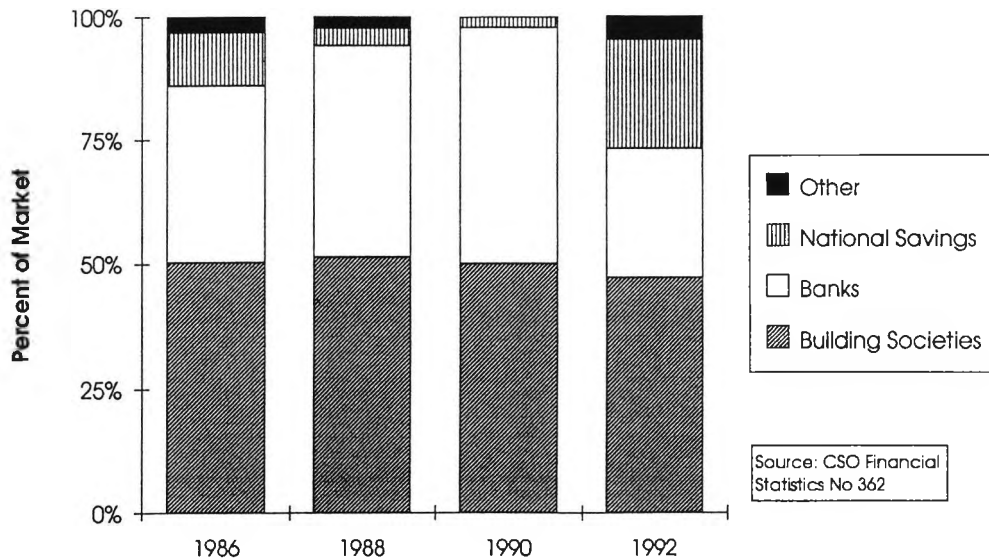
to different customer segments as indicated in Table 3.4 below.

Table 3.4 Bank Services 1989					
% of sample holding	AB	C1	C2	DE	TOTAL
Cash card	51	49	41	22	38
Deposit/Savings a/c	41	41	38	29	36
Interest bearing c/a	46	41	34	25	35
Credit card	57	47	31	15	34
Personal/Bridging Loan	12	8	6	3	7
Mortgage	7	6	4	2	4
Source: Euromonitor					

Consumer saving and borrowing:

Saving and borrowing may be regarded as two interrelated aspects of consumer behaviour. The personal savings ratio i.e. the proportion of total disposable income which is not spent by the consumer, comprises of two elements - discretionary saving and the contractual saving.

Chart 3.1
The Retail Deposit Market
Percent of the Market



Discretionary saving includes the liquid assets held in the banks and building societies, post offices government stock etc. Contractual savings include forms such as pensions life assurance and superannuation fund contributions - over which the customer has little control. These schemes account for half of all consumer saving. Of the remainder the building societies attract nearly 50% and the clearing banks 30% (Chart 3.1), the rest being National Savings schemes. Thus the banks and the building societies are engaged in competing on both sides of the balance sheet for customers.

3.3 Competitors: The Insurance Sector

Insurance is one of the UK's largest industries, and the second most important invisibles exporter.

The insurance industry is made up of five sectors:

- Insurance companies
- Insurance Brokers
- Lloyds of London
- Reinsurance
- Loss adjusters

Of these only the insurance companies and the brokers are active in the retail financial services market, and are seen as competitors to the building societies.

Insurance Companies:

The UK consumer market for insurance is usually divided into the Life and the General insurance companies. The largest insurance companies are active in both markets and are called composites.

The General or non-life sector can be split into property and contents, motor, and personal sectors.

The property sector comprises of structural and home contents insurance. It is the largest single sector in terms of ownership. The mortgage lenders dominate the distribution channels for this type of insurance.

The Motor insurance sector is highly price sensitive and often regarded by customers as a 'distress' purchase as it is mandatory.

The personal sector includes the two main forms of medical insurance; Permanent Health Insurance and Private Medical Insurance.

Insurance companies are active competitors of the building societies for both savings and mortgage products. The insurance companies are major competitors in the savings sector because most life insurance products have built in contractual savings elements, often providing considerable tax advantages for the customer.

The insurance companies and their pension funds are also active in making advances on property, usually secured by way of a mortgage and a life policy. However, insurance companies are not regarded by the building societies as major competitors as they have less than 3% of the mortgage market. However, it should be noted that their tied agent networks are a major source of mortgage business for the building societies.

Insurance Brokers:

The insurance brokers provide an advisory service to those who wish to purchase insurance, and are responsible for placing the business with the insurance companies. As mortgages have a significant insurance requirement in terms of property insurance and life insurance, these brokers can be significant introducers of mortgage business. Building societies therefore make considerable effort to cultivate their insurance broker contacts to maximise their mortgage business.

3.4 Competitors: Centralised Lenders

Centralised Lenders are specialist companies set up to provide mortgages. They are relatively new entrants in the mortgage market taking advantage of the insurance broker networks for mortgage introductions and anomalies in wholesale lending rates to compete with the building societies.

The first of these new players, the Household Mortgage Corporation, became a public listed company in October 1985, obtaining its initial funding from bank borrowing.

By November 1991 there were 16 centralised lenders competing with the traditional mortgage lenders, their numbers having being reduced by the withdrawal of a number of players such as CIBC, Mortgage Express and Bretton Financial Services.

The Centralised Lenders have in the past led the market with innovative and comprehensive products [23]. Few of these companies have high street branches, preferring to centralise their operations and using intermediaries and life offices to sell their products. Most sell through a large number of life companies (eg BNP has a panel of 13 life offices), whilst others sell through any intermediary.

Intermediaries gain from the commissions earned from selling endowments and other related policies. As the centralised lender only offers mortgage products there is little danger of the company stealing clients from the introducers through the cross selling of life and insurance products.

Building Societies fund the bulk of their mortgage lending through retail deposits, but centralised lenders borrow money from the wholesale money markets and then securitise the mortgages, providing additional funds for mortgage lending. The relative costs of retail deposits and money markets is a significant competitive factor.

3.5 Building Society Alliances

The Financial Services Act (1986) came into force in 1988, with the primary aim of providing investor protection across a range of financial institutions providing investment products. Though the mainstream business of the building societies was excluded from the Act, societies were forced to review their relationships with the insurance industry. Polarisation was one of the key features of the Act. Intermediaries acting on behalf of institutions like insurance companies selling investment products, were required to conform to one of two categories; Tied or Independent. Tied representatives are restricted to selling the products of one company only, and must advise their customers of this fact. Thus the building societies and banks were forced to choose between Tied or Independent status. Most societies decided to opt for tied status, only one society in the top ten is independent. The Bradford and Bingley the eighth largest building society, is the biggest society to remain independent.

This relationship between the product provider and a distributor has developed rapidly to the stage where banks or building societies and their insurance partners have started to fully integrate their operations. This phenomenon is

common in Europe and has been described as 'Bancassurance'. In France about 40% of all new Life insurance premiums are generated by the retail banks. In the UK the major banks have set up joint ventures to strengthen their relationships with insurance providers.

In response, Building Societies like the Woolwich have also set up joint ventures to secure their competitive positions in relation to the banks.

The following table illustrates some of the arrangements between the banks, building societies and insurance companies.

Table 3.5 Banks Building Societies and Insurance Companies Ties and Joint Ventures	
Bank/Society	Arrangement
Abbey National	Owns Scottish Mutual
Alliance & Leicester	Tie with Scottish Amicable
Bank of Scotland	Tie with Standard Life
Birmingham & Midshires	Tie with Sun Life
Bristol & West	Tie with Eagle Star
Cheltenham & Gloucester	Tie with Legal & General
Halifax	Tie with Standard Life
Lloyds Bank	Joint venture with Abbey Life
Midland Bank	Joint venture with Commercial Union
Natwest Bank	Joint venture with Clerical & Medical
Woolwich	Joint venture with Sun Alliance
Source: Money Marketing, October 8 1992.	

The developing relationship between the building societies and the insurance companies is best illustrated by the Woolwich building society. Initially tied with the Sun Alliance, it formed Woolwich Life in October 1990, a joint venture company 51% owned by the Woolwich and the rest owned by Sun Alliance [24].

The development of stronger ties and alliances with the insurance industry has speeded up the breaking down of the barriers between institutions and has led to increased competition from players with a wider range of products.

Following the introduction to building societies and their major competitors in the financial service market, the following chapter will provide an introduction to some of the characteristics of Services and Services Marketing. It will also identify the importance of services to the national economy.

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Chapter Four

Service Marketing

4.0 Services : Introduction & Definitions.

Building societies compete in the personal financial services markets, it is therefore important to understand the characteristics of services and service marketing. This chapter will provide an insight to the characteristics of services, and discuss the question whether goods marketing is different to service marketing.

A classification framework for services is also presented, as this analysis provides strategic insights and highlights the characteristics that services have in common.

In addition, this chapter will also try to establish the importance of services in the context of the national economy.

Definitions:

Berry [1] described a service as a "deed, act or performance" and Blois [2] defined a service as "an activity offered for sale which yields benefits and satisfactions without leading to a physical change in the form of a good". Later Kotler [3] defined services along similar lines, as;

"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".

Thus, the production of a service may require the use of tangible goods, but, when used, there is no transfer of title of the tangible goods.

Services are essentially physically intangible in nature, and this characteristic is central to a variety of alternative definitions in the literature. Rathmell [4] defined services as any intangible products that are bought or sold in the marketplace. His preposition is that "Goods are produced, services are performed".

Characteristically, a service is produced in a process which is simultaneously, the service and the output of the production process, and therefore it cannot be separated from the process itself. This entire process usually takes place in the presence and with the cooperation of the consumer.

In the literature a number of different approaches have therefore been taken in trying to define a service. Broadly they could be divided into three groups; illustrative (e.g. Blois), by characteristics (e.g. Kotler), and by listing different types of services (e.g. Stanton [5], and Converse [6]).

These listing approaches have the drawback of becoming outdated rapidly either because new types of services appear, or by service innovation. For instance Converse lists insurance services and investment services separately, but development in the UK of new forms of insurance (such as Linked Unit Trusts) now provide both insurance cover and investment opportunities. The definitions

based on the characteristics of services, are also attracting considerable comment, because the goods/services debate still has to be resolved.

4.1 Characteristics of Services

In most of the above approaches, services are distinguished from goods by the following characteristics;

- (a) Intangibility
- (b) Inseparability
- (c) Heterogeneity
- (d) Perishability
- (e) Ownership

4.1.1 Intangibility

Intangibility means that the buyer having purchased a service comes away empty handed. Whilst a good can be handled and inspected, a service cannot, because a good is produced whilst a service is performed. This is the trait that has been described as the fundamental distinguishing characteristic of services, and is the main reason for the differences between marketing goods and services [7], [8]. It has been described as the only characteristic common to all services.

A service is therefore ephemeral, and its qualities derive from its performance and not from its physical characteristics. As a result, Zeithaml [9] argues that in evaluating a service the consumer has to rely on the 'experience' and

'credence' qualities of the product, rather than the 'search' qualities.

He identified 'search' qualities as those attributes that the consumer can see, touch or feel prior to purchase. 'Experience' qualities are attributes such as taste, that can only be discerned after purchase or during consumption. 'Credence' qualities are attributes that consumers may find impossible to evaluate even after purchase and consumption (eg. a doctors diagnosis), perhaps because they do not have the knowledge or skill to do so.

The development of cues such as brand names and image for services is therefore important in marketing services [10].

4.1.2 Inseparability

The inability to separate the service from the seller, and similarly separate its production from consumption is characteristic of services. This is because the service is consumed whilst it is being performed and the consumer usually participates and cooperates in the production process [11], [12], [13].

Typically in manufacturing, there is a sequential process; the goods are first produced, then sold and then consumed. However, in services this sequence of events is reversed. The sale must be made before the service is produced/performed and simultaneously consumed. The service firm employees are therefore both production workers and salesmen. Consequently, the service has to be marketed and sold before the customer has had any experience of it.

In services, customer contact personnel are the key people in the organisation

[14]. In order to ensure the quality of service delivered there is a need to manage the service encounter, and this in turn generates a greater need for internal marketing [15]. Every service encounter needs to be closely controlled with emphasis placed on the development of high standards of service quality.

It should be noted that though the interaction of the customer with the producer generates problems it also generates benefits; the process has the advantage of constant communication with the customer, this allows for continuous and immediate feedback, allowing for the fine tuning of the service.

4.1.3 Heterogeneity

Heterogeneity means that products cannot be standardised and consistent quality cannot be guaranteed ie. every service is literally unique [16]. This is because the quality of most services depends not only on the performance of the service provider (people based operations are less standardised), but also on how the consumer reacts [17], as he usually participates in the production process.

Thus, the extensive involvement of people in the production of services introduces a degree of variability in the outcome [18]. Because of this, customers perceive a greater risk in purchasing services than they do in purchasing goods [19].

However, customers recognise that the level of risk is dependent upon the degree of human involvement ie whether the service is delivered by man or machine [20], [21]. This is clearly demonstrated by the popularity of Automatic

Teller Machines (ATMs) in the financial services industry, with customers preferring to use ATM's rather than the cashier. This is because, using the ATMs introduces a degree of uniformity in the delivery of the services in terms of transaction and queuing times.

4.1.4 Perishability

Perishability means that service products cannot be stored and if not used their transactional value is lost for ever. They cannot be produced in advance of anticipated peaks of demand and cannot be held in stock until required.

Service organisations are seriously affected by changes in demand, because they do not have the ability to stockpile and thus achieve the flexibility to meet fluctuating demand that physical goods allow. Characteristically, service distribution channels are usually short [22], with most sales being 'direct'.

4.1.5 Ownership

Ownership or rather the lack of ownership is characteristic of a service, as the consumer is merely purchasing access, hire or an experience as it is being rendered. An activity is therefore temporarily possessed by the consumer but is not owned by him. A service therefore gives you the right to use, not the right to possess [23]. The buyer of a service may not use the service as he wishes, as would be the case in the purchase of a good; he must abide by certain conditions laid down by the seller in order for the service to make any contribution [24] eg. the patient-doctor relationship.

The unique traits of services therefore create many problems in the marketing of services. Some of the needs and issues that result from these traits are summarised below in Table 4.1.

4.2 The Goods and Services Debate.

Generally, it has been argued in the literature that the goods and services debate is largely based upon semantics. Typically Stanton [25] contrasts product marketing and service marketing, Baker [26] products and services, whilst Levitt [27] concentrates on tangibles and intangibles. In contrast, Wyckham et al [28] found that "services are not different from products", and Gronroos [29] argues that "services do differ from goods as objects of marketing...". Even Shostack who proposed a molecular analogy and systems view of services, still distinguishes between products and services.

The question of whether goods and services are different, has therefore become a classic debate in marketing, and the keynote of a number of conferences.

Table 4.1 Service Traits: Summary of Marketing Issues.		
Service Trait	Need	Issue
Intangibility	- Increase the degree of Tangibility - Develop Cues, Image and Brands - Control the Delivery Phase - Ensure access and availability of the delivery system.	- Enhance the client relationship - Control the customer interaction process - Develop price/quality relationships - Develop communication strategies
Inseparability	- address simultaneous production & consumption - address customer involvement in the production process - develop service quality standards - coordinate demand and supply - address internal marketing issues - manage continuous customer feedback	- How to integrate the customer into the production process - How to develop marketing strategies before the customer has experienced the service - Need to control the service encounter - Need to overcome cultural problems
Heterogeneity	- address quality control issues - identify the balance for automation	- Standardise the service offering - Control output - Develop Service standards - Reduce the customers perception of risk - Integrate internal marketing
Perishability	- Find a Pricing strategy to control peak demand periods. - Find the appropriate level of Automation	- Deal with demand fluctuations - Manage capacity restrictions - Develop levels of efficiency
Ownership	- Address lack of ownership issues - Address need for customers to abide by conditions of use.	- Deal with issues of possession - Optimise the usage of the service
Adapted from S.J. Edgett: New Product Development Practices in the Financial Services Industry. A Model of Successful determinants for New Product Development. PhD Thesis: University of Bradford 1991.		

Bateson [30] has traced this question through the literature. He concluded that the principal distinction is in the tangibility of the offering. However, two concepts bringing closer together tangibles and intangibles are also generally accepted. The first is Shostacks continuum, which suggests that only at the extreme ends of the tangibility array are there real differences. The second is the notion of the argumented product or the goods/service bundle proposed by Levitt and applied to services marketing by Gronroos [31]. Here, the argumented product includes a service component and therefore reduces the usefulness of the tangibility criterion. Thus, it can and has been argued that the marketing of goods and services have much in common.

However, there are also a number of compelling arguments in the literature stressing that there are important distinctions between goods and services. In particular the fact that services are doubly intangible ie. they are impalpable and are hard to grasp mentally. There is also the issue that production and consumption are inseparable and at the extreme, the service cannot be produced without the participation of the customer. Levitt [32] has therefore recognised that there are unique problems created by the involvement of the customer in the production process of services.

In view of the continuing debate it is concluded that there are sufficient differences to proceed along the lines that there are varying degrees of differences between the marketing of services and the marketing of goods.

The academic debate therefore continues, though for the purposes of this thesis, the argument has been set aside on the grounds that its resolution would not impact on the results.

4.3 Classification of Services.

Hunt [33] emphasised the usefulness of classification in marketing, this is because a recognition of the distinctions by marketers assists them in the development of different and more appropriate strategies to be directed at each of the groups. This type of analysis provides strategic insights and highlights the characteristics that services have in common.

Various attempts and a number of approaches in the literature have been used to classify services.

In 1964 Judd [34] proposed a classification scheme based on whether the services depended on goods based services (rented or owned) or non-goods services. Thus, this classification depended on whether goods were used in the delivery of the service, such as the repair of a motor car or the hire of a taxi, or whether the service delivered an experience eg. entertainment or a medical consultation. The classification provides for two goods based specific categories whilst the other is too broad for practical use as it ignores services such as banking and insurance.

Rathmell [35] based his classification system on the following;

- type of seller/buyer
- buying motives
- buying practice and
- degree of regulation

This system is modelled upon traditional goods marketing and could therefore be

equally applied to goods or services. However, the rational/emotional reasons why people make purchases have always been difficult to identify, and this is particularly the case for services.

As we have already seen, Shostack [36] in emphasising that there are few pure goods or services in the marketplace, attempted to define a framework based on the dominance of either the 'goods' or 'services' content.

Thomas [37] based his classification on whether the service is equipment or people based, and Chase [38] based his classification on the degree of customer contact required to deliver the service.

In 1982 Kotler [39] synthesised the above work, in recognising the differences in the purpose of service organisation. Thus, his system was based on;

- People vs equipment based
- Need for consumers presence
- Personal vs Business needs
- Public vs private, profit vs non-profit.

Soon after, Lovelock [40] proposed a more practically orientated classification scheme based on the following;

- (a) Nature of the service act
- (b) Customer relationship
- (c) Degree of customisation possible
- (d) Nature of demand/supply
- (e) Delivery mechanism

Of the schemes discussed above, this scheme is the most useful in classifying services because of its practical orientation. Each of the above points is therefore worth examining in greater detail.

4.3.1 Nature of the Service Act

This is based upon to whom or what the service is directed, and whether the service is tangible or intangible. This can be developed in to a matrix as follows;

Table 4.2 Lovelocks Service Matrix		
	PEOPLE	THINGS
TANGIBLE ACTIONS	Services directed at people e.g. health care, transportation, restaurants etc	Services directed at goods or physical possessions e.g. equipment repair, dry cleaning etc
INTANGIBLE ACTIONS	Services directed at people's minds eg. education,radio, etc.	Services directed at intangible assets eg. banking, insurance etc.
Source: Lovelock, C.H. Journal of Marketing 47, 3:9-20		

This mechanism clarifies whether the customer needs to be physically present (e.g. haircut), or just present mentally (e.g. radio). If physical presence is required, then the service is influenced by the interaction of the customer with the facilities and personnel. However, if the customer never sees the service facilities the outcome of the service becomes more important. This distinction

may allow new approaches in the delivery of a service e.g. the development of new electronic distribution channels makes it possible to deliver financial services to a number of different locations such as the customers home (home banking), or shopping centre (SWITCH payments).

4.3.2 Customer Relationship

In services the consumer may enter into an ongoing relationship for the provision of the service. Thus, the service organisation may enter into a 'membership' relationship with the consumer e.g. telephone services. The advantage here is that the characteristics of the consumers are known and so is the degree to which they make use of the services. This would allow the effective use of alternative communication means and delivery mechanisms.

4.3.3 Degree of Customisation

Most consumer goods are purchased 'off the shelf', and are rarely supplied to order. However, as services are created as they are consumed, and the consumer is frequently involved in the process, there is considerable scope for customisation. Services could therefore be classified according to the degree of customisation possible e.g. public transport is rarely customised whilst medical or legal services almost always are.

It is necessary to recognise that customisation though frequently possible, is not always important [41] in order to succeed in service marketing.

Industrialising a service, to take advantage of economies of mass production may

actually increase consumer satisfaction as speed, consistency of service, and price may be important ingredients in the service mix e.g. the McDonalds menu, premises and speed of service and standardisation are universal worldwide.

4.3.4 Nature of Demand and Supply

As services cannot be stockpiled, it is difficult to meet fluctuations in demand and supply. Managing demand fluctuations is therefore more important in services, and the strategies, constraints, and degree of fluctuation can be used as a basis of classification. In periods of excess capacity, one strategy may be the use of special discounts to alter the level of demand, similarly a rationing or queuing system may be developed to deal with excess demand.

4.3.5 Delivery Mechanism

In this classification mechanism, availability of service outlets and the nature of the consumer interaction are used. It may be possible to separate some components of the service from the core product and then to handle them separately e.g. life insurance is routinely delivered through brokers.

Such classification systems give a better understanding of the nature of the service product, and the factors that affect the marketing task.

4.4 Services in the Economy: Their importance.

As early as 1900 America and Britain both had more jobs in services than in industry. In 1992 services employed 76% of all American workers and the American service sector accounts for 72% of its Gross Domestic Product (GDP) [42].

In all the major economies the share of manufacturing has continued to fall. It accounts for only 23% of America's GDP. In the UK and Canada manufacturing accounts for only 20% of output. Even in the industrial strongholds of Japan and Germany, manufacturing now accounts for no more than 30% of GDP. Thus, one of the main features of modern developed countries is the growth of the service sector economy.

In the developed countries as people and economies grow more affluent, they have a greater desire and need for services such as health, education, travel and banking. As Maslow's model [43] reminds us, we progress upwards from satisfying basic physiological needs through the higher order needs of safety, love and esteem before arriving at the point where we have sufficient material satisfaction to become concerned with more abstract and spiritual "better" things of life (self-actualization needs). The consumer therefore moves through the basic needs stage to status and social relationship. His wants therefore turn to an increasing need for more service activities.

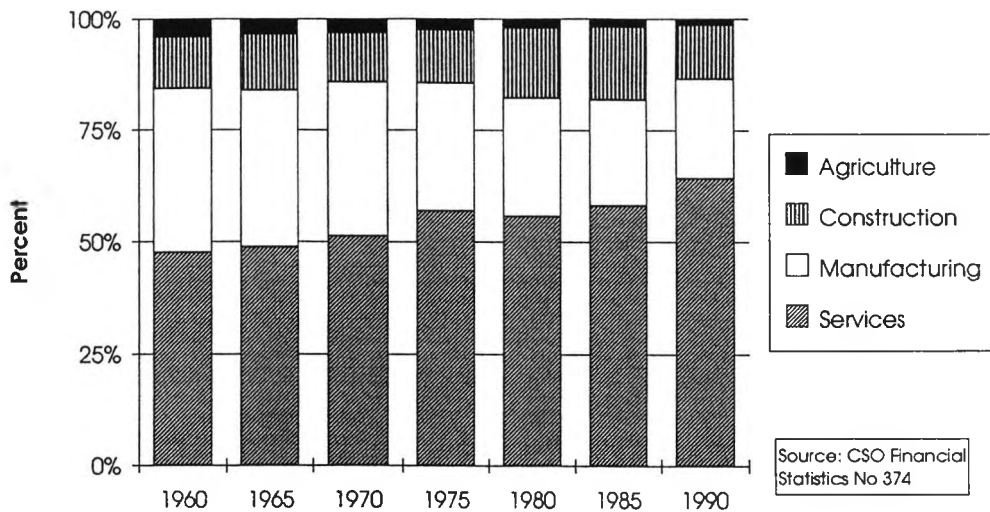
Fuchs [44] pointed out "as income rises, the demand for goods tends to rise less rapidly than the demand for services. Hence the importance of services in the economy will rise." He proposed that the major reason for this shift in employment is lower output per man in services when compared to industry. This could be due to rapid technological changes benefitting industry more than services, and a decline in the number of working hours in services.

As affluence and discretionary spending increases, there is also a greater demand for services such as travel, entertainment, medical care, education and the like [45]. Technically advanced economies therefore undergo transformation to a post-industrial age which is characterised by diminishing dominance of industrial production as a social function and by the increasing prominence of service and knowledge orientated industries. Services therefore bring together the benefits of specialisation, rapid technological change, and the desire for flexibility.

4.4.1 Importance by GDP.

The relationship of the service industries to the rest of the economy can be clearly demonstrated by Chart 4.1, which shows the contribution of UK service industries to the gross domestic product.

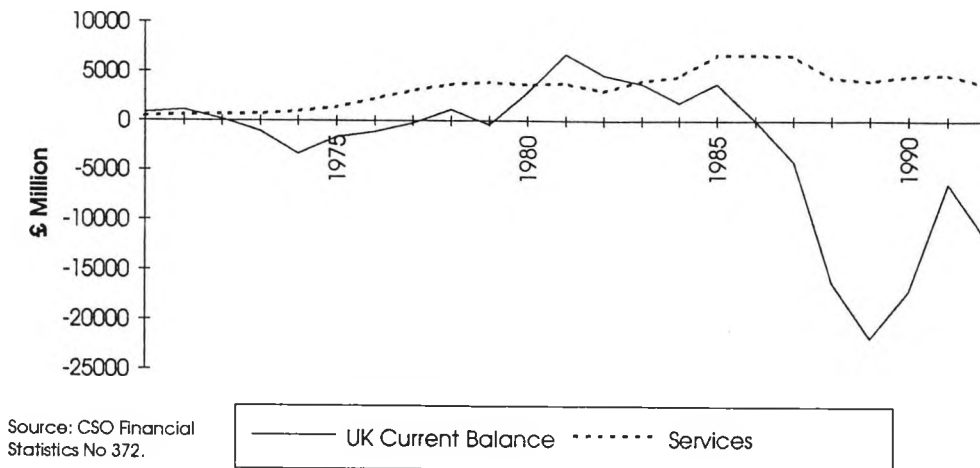
Chart 4.1
Gross Domestic Product: By Industry 1960-90
(Percent of Total)



The expansion of the contribution from the service industries to the gross domestic product has risen to 64% from 48% in the last three decades alone, whilst the output of the manufacturing industries declined over the same period from 37% to under 25%. These figures conceal a significant 'hidden' services sector, as most nominally manufacturing industries have expenses and revenues represented by pre- and post-purchase services such as repair, maintenance, delivery, book-keeping and information technology.

As can be seen from Chart 4.2, Britain's current trade account has fluctuated chronically between surplus and deficit.

Chart 4.2
UK Current Account & Services Balance 1970-92.



However, Britain has operated a continuous surplus from the sales of services (invisibles). In contrast to the sales of goods, our service industries therefore have a superior trading performance.

Financial Services:

Financial and business services play a key part in the growth rate of the whole of the UK economy. In the 1980's, the rest of the economy grew by 1.8% in real terms. The 6.7% growth of financial services raised the growth rate of the whole economy to 2.3%. If financial services had grown at the same rate as the rest of the economy, total GDP growth rates would have been reduced by 0.5% per annum [46].

Thus during the 1980's the financial services industry (including business services such as those relating to investment advice) was the most successful sector of the UK economy in terms of output growth. The real output of financial services doubled (with an average annual rate of increase of 7.3%) while real output for the economy as a whole rose by only one quarter over the whole decade 1979-1989.

During the same period the average annual rise in employment in the financial services sector was 5.1% with a 2.1% increment in labour productivity.

4.4.2 Importance by Employment.

The transfer of labour from the inefficient manufacturing industries has been accelerating.

Chart 4.3
UK Employment: Services & Manufacturing 1972-93.
(Total Number Employed)

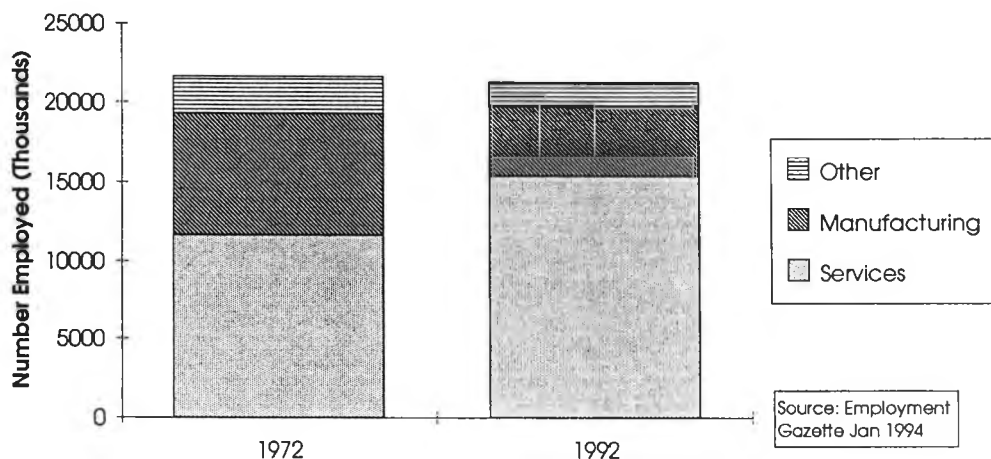
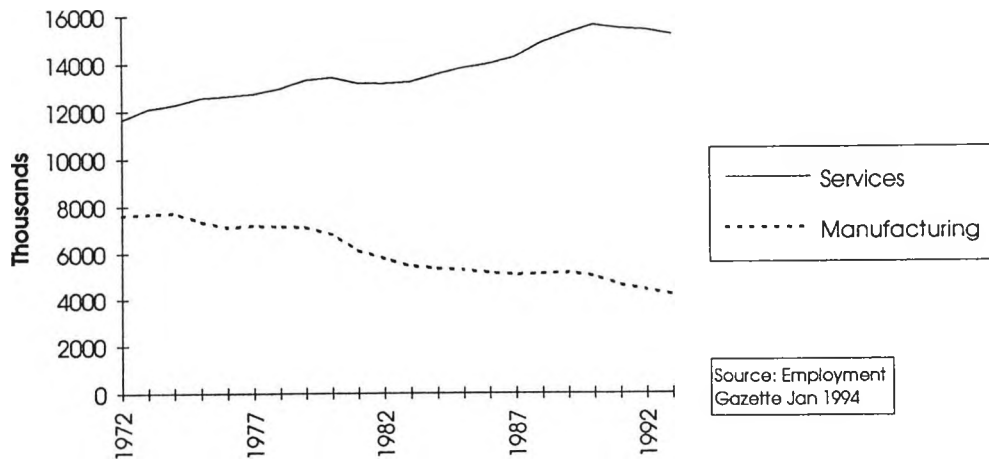


Chart 4.4
UK Employment By Industry Sector
Percent of Total (Seasonally Adjusted)



It is clear from Chart 4.3 that there is a growing increase in the proportion of employees in the service industries. Service employment rose from 54% in 1972 to 69% in 1990. During the same period manufacturing employment declined from 35% to 22% [47].

In terms of employment therefore, the importance of the service industries is clear, as is the decline of the manufacturing sector.

Employment in the Financial Services sector accounted for 12.2% of the workforce in 1992 [48], and contributed 959,000 new jobs over the ten year period from 1978.

In the light of the superior trading performance of our service industries, there is considerable popular support for the view that accelerating the transfer of labour and capital from our inefficient manufacturing industries to efficient service operations can only be to the good [49].

4.4.3 Financial Services Employment

During the 1980's, financial services generally was the most successful sector of the UK economy in terms of employment creation and output growth [50].

The expansion of financial services has been due to three main trends;

- (a) consumption has increased with income, but at a faster rate
- (b) Both business and government are becoming more sophisticated in their operations and now require more expert services from outside. Some of the decline in the manufacturing industry statistics may be due to the externalisation of services in this way.
- (c) Regulatory changes, leading to the diversification of services available, coupled with a greater commitment towards supervision.

Financial services have therefore enjoyed rapid employment growth, at an annual rate of 5% since 1979. The number of jobs has risen from 1.6m in 1979 to 2.8m in 1990 (Table 4.3).

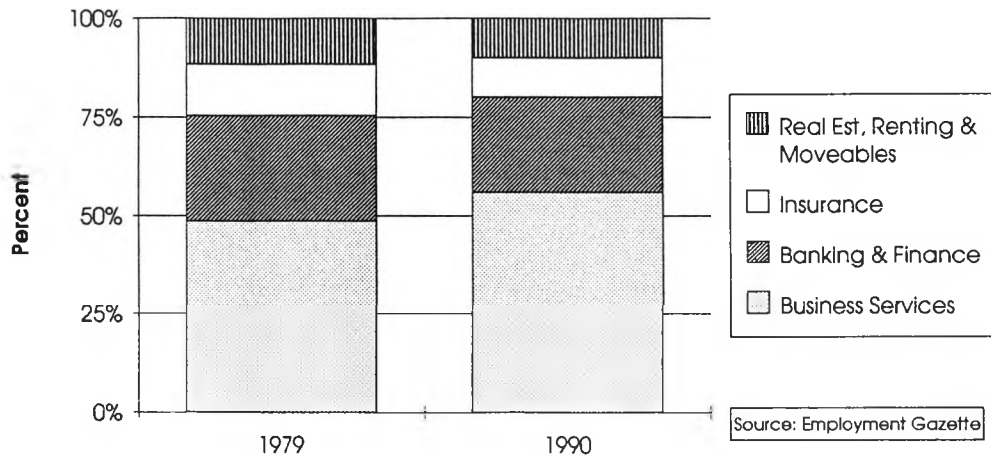
Over the same eleven years the total number of jobs remained about the same. The number of financial services jobs rose by 1.2m, making up for 60% of the

2m jobs lost in manufacturing, and they rose from 7% to over 12% of UK employment.

Note from Chart 4.5 that the composition of employment within financial services has changed.

Table 4.3 Employment in Financial Services 1979 & 90. Great Britain: Employees by Employment.						
	1979		1990		Change	
	'000s	% of Fin. Services	'000s	% of Fin. Services	'000s	% Year
Banking & Finance	434.2	26.8	680.9	24.2	246.7	4.2
Insurance	212.2	13.1	277.4	9.9	65.2	2.5
Business Services	788.6	48.6	1574.9	56.0	786.3	6.5
Renting & Moveables	97.4	6.0	123.1	4.4	25.7	2.1
Real Estate	89.1	5.5	156.6	5.6	67.5	5.3
		% of Total Employment		% of Total Employment		
Total Financial Serv.	1621.5	7.2	2813.0	12.4	1191.5	5.1
Manufacturing	7107.3	31.4	5095.7	22.4	-20116.6	-3.3
All	22638.2		22705.7		67.5	
Source: Employment Gazette Table 1.4						

Chart 4.5
Employment in Financial Services



The numbers in banks, building societies and securities houses rose by 250,000 but at the same time fell to less than a quarter of the total. The biggest increase has therefore been in business services where the proportion has increased from 49% to 56% of the total.

4.5 The Marketing of Services.

In the literature concern has been expressed over the tardiness of the service sector in adopting the marketing concept: 'It is ironic that the service businesses, which are necessarily in the most direct contact with the consumers, seek to be the last kind of firm to adopt a consumer marketing orientation' [51].

As discussed, the special characteristics of services present a number of

implications concerning their marketing. Although many marketing concepts and tools are applicable to both goods and services, the relative importance and how they are used are often different. For instance, in labour intensive services the service outcome largely depends upon the interaction between the service provider and consumer. Thus the human resource becomes an important means of competition in service marketing [52].

However, Watson [53] found evidence of rejection of marketing by financial services management, and research by Turnbull and Wotton [54] found that the bank manager dislikes the marketing approach being forced upon them. These managers demonstrated a lack of understanding of the marketing concept. Most equated marketing with selling and few recognised the need for understanding customer needs, researching the market or product planning. However, most recognised the importance of good personal relationships with customers, though such contact was limited. They concluded that the managers lack of knowledge of the principles of marketing and commitment to implementing them due to lack of motivation, ability and time.

4.5.1 The Importance of Marketing

The marketing function is considered to be of critical importance to the success of an organisation [55] & [56], as it provides invaluable information about the total environment in which the organisation operates. Toffler [57] suggests that today's corporate environment has become increasingly unstable, accelerative and revolutionary. Key events in the environment therefore become more novel, less predictable and harder to anticipate. This makes all

organisations extremely vulnerable to outside pressures and forces. For example, deregulation in banking and other service industries has forced the players to adapt rapidly to a radically different business environment, of which they have little experience. Thus, strategies which were once successful can become rapidly inappropriate for such an environment.

Failure to recognise and adapt to environmental change poses a severe threat to the survival of an organisation. Service sector organisations thus need to monitor environmental changes and select appropriate strategies to meet these new challenges.

4.5.2 Internal Marketing

George and Gronroos [58] described internal marketing as a philosophy for managing the organisation's human resources based on a marketing perspective. The premise of this philosophy is that if management wants its employees to do a great job with its customers then it must be prepared to do a great job with its employees.

Thus, the internal communication exchanges must be operating effectively before the organisation can be successful in achieving goals regarding its external markets. The internal market of employees must be motivated for customer orientated behaviour, by an active marketing like approach, using marketing like activities internally [59].

Piercy and Morgan [60] therefore argue that marketing planners should formalise the internal marketing programme into product, price, communications

and distribution issues. This framework should be used to set goals and plan actions which parallel the planning for customer markets. Thus the internal marketplace should also be segmented into key groups.

The Product here is the set of values, attitudes and behaviours necessary to make the marketing plan work. The Price is what we are asking our internal customers to 'pay' when they buy into the product/project. Communications is the means and media used to inform and persuade key personnel in the internal marketplace. The Distribution element is concerned with the physical requirements needed to deliver the product and communications e.g. meetings, committees, written reports etc.

In a company, marketing can therefore be viewed as an integrative function, which is responsible for the coordination of the other company functions, so that the performance of the company will be marketing orientated [61]. The marketing concept can be developed internally as a means of integrating the different business functions, which are vital to the customer relation of service companies. Marketing can therefore be said to have an integrative role.

Additionally, the objective of internal marketing is to get motivated and customer conscious personnel [62]. In service firms the interface with the customer is particularly broad and intense, it is therefore essential that all contact personnel are well attuned to the mission, goals, strategies and systems of the firm. Otherwise they cannot handle the points of marketing that occur in the interaction with the customers [63].

Customer contact personnel must also be conscious of their position not only as a production resource but also as an income generating marketing resource.

New services and campaigns must be first sold to employees. If the company does not succeed in this its first, internal market - the employees, then it will not succeed in its ultimate market, the customer [64].

If the consumer is the first person to tell the employees of a new service or campaign then the internal environment will not support customer consciousness. Internal information systems must therefore be effective and the employees informed before the customers.

The following chapter further develops the idea of achieving customer focus through the marketing concept in order to provide the philosophical and operational perspectives of marketing in the organisation. This prepares for the identification of the characteristics and indicators of the Marketing Concept, needed to develop the practical implementation of this project.

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Chapter Five

Marketing and the Marketing Concept.

5.0 Marketing and the Concept: Introduction

In this chapter the nature of marketing and its philosophy are described in greater detail, together with the operational perspectives of the marketing concept.

First a general overview of marketing is presented, then its history and evolution is outlined, followed by the identification of the 'three pillars' of the marketing concept.

5.1 Marketing: Definition

Until the 1950's the role of marketing had been "sell hard what you make" to an affluent and impressionable consumer. However, as the consumer became more discriminating, marketing had to evolve into the role of 'make what you can sell', ie it had to respond to the expressed or implied wants of the consumer for more desirable products.

This changing role of marketing is reflected by a multiplicity of definitions in

the literature, and there is still no widely accepted definition of what marketing is about. This is because practitioners and academics have defined marketing according to their perceptions of its role.

A review of the definitions of marketing offered by the official marketing organisations in Britain and the USA is a good example of the difficulty in arriving at a definitive definition of marketing.

The British Chartered Institute of Marketing defines marketing as;

"The management process responsible for anticipating, identifying and satisfying customer requirements profitably."

Whilst the American Marketing Association defines marketing as;

"the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to create exchanges that satisfy individual and organisational objectives" [1].

Many marketing authors have preferred to offer their own definitions of marketing, for example, Kotler has described Marketing as;

"a social process by which individuals and groups obtain what they need and want, through creating and exchanging products and value with others" [2].

For the purposes of this thesis we shall use the definition of marketing provided by the British Chartered Institute of Marketing.

5.2 Marketing Orientation

Modern conceptions of the marketing function can be traced back to the early part of the twentieth century. Many writers have identified a process of evolution in marketing thinking with three distinct stages in the development of marketing, ie production orientation, sales orientation, and market orientation [3]. Each of these is discussed in more detail in the following sections.

This three stage approach to the development of marketing is preferred over the five stage approach suggested by Kotler [4] for bank marketing, as the three stage approach is discussed in the literature by a number of different authors, giving more opportunity of developing a practical framework to form the foundation of this study.

5.2.1 Production Orientation

This is the earliest identifiable stage in the evolution of marketing. It holds that consumers will favour products that are available and highly affordable. Management was therefore expected to focus on the production process, improving production, distribution efficiency, and looking for ways to produce their goods faster and more efficiently.

Production orientation is characterised by industries which enjoy sellers markets, where demand exceeds supply and firms need to streamline production methods to meet existing demand e.g. Henry Ford's Model T.

5.2.2 Sales Orientation

In this stage it is widely believed that the customer will not buy enough of the product unless there is a major selling and promotional effort. Firms therefore believe that success lies in out-selling the competition.

The role of marketing during this stage is therefore to emphasise product promotion, and find out how to get the customer to buy the company's products. Typically firms form sales forces and establish relationships with dealers and other firms that could push their products in the market.

Advertising and promotion is important at this stage.

5.2.3 Market Orientation

The last stage in the evolution of marketing is the market or customer orientation. This is the method of achieving business success by finding out what the customer wants and fulfilling these needs profitably.

To apply this concept firms must be sensitive to customer needs and wants, achieve and maintain long term profitability, and integrate marketing with the other functions in the firm [5].

A short term view point is replaced by long term strategic orientation, and the key to success is not current sales volume and profits, but long term customer satisfaction and profitability.

This focus on long term profitability generates a need to make the appropriate investments in research, new products, customer services and other elements

needed to satisfy customer needs.

5.2.4 Alternative Orientations

A review of the literature reveals that some scholars have proposed alternatives to the traditional three orientations described above. In this section some of these alternatives are considered in greater detail.

Product Orientation: Kotler [6] distinguishes between production orientation and product orientation. Here production orientation is to do with improving production and reducing prices, whilst product orientation is to do with offering products with the best quality, performance and features. However, many writers in the literature believe that product orientation is a subset of production orientation.

Societal orientation: As a result of the more recent social trend towards becoming socially responsible, Bell and Emory [7], Abratt and Sacks [8] and others have proposed an apparent conflict between the traditional marketing concept and the companies' social responsibility to consumers.

According to this view the marketing concept is inadequate because of its focus on operational profit, which means that the satisfaction of the customer is not a goal in itself, but a means to achieving a company's profit objective and does not imply protection of the customer's welfare. They argue that the customer does not always act in his own or society's best interests, so it is the duty of business to promote proper consumption values.

From this perspective, a business is a total operational system with consumers and social problems taking precedent over operational considerations in all functional areas [9]. Thus, profits are the residual results of efficiently supplying customer satisfaction, whilst promoting proper consumption values [10], and achieving long run consumer welfare [11].

Thus, in order to accommodate these long term consumer interests, a fourth stage in the evolutionary process - 'societal orientation' has been suggested by some scholars. However, it could be argued that profit is the most basic condition necessary for the survival of the firm in a capitalistic market, and that a firm should not be expected to compete in a market by prescribing values and priorities for a society. Social values are better established and defended by alternative mechanisms such as laws and regulations that protect customers and social values. Societal orientation is one of the newer marketing philosophies proposed in the literature, but it still has to gain wider acceptance.

Competitor Orientation: Oxenfeldt and Moore [12] have also proposed an alternative to market or customer orientation - the concept of 'Competitor Orientation'. In this concept the customer is seen as the ultimate prize gained at the expense of rivals, using more than simply offering a better match of products to the needs of the customer. They argue that as the emphasis shifts from 'growing the market' to increasing market share, firms need increasingly to shift their attention from the needs of customers to the activities of competitors.

However, it could be argued that the scope of a market orientation already takes into account this type of competitor development and activity.

Financial Orientation: Doyle [13] has suggested another alternative for the

fourth stage of marketing evolution. He noticed that the visible success of several British companies (e.g. Hanson, BTR) would suggest an alternative type of orientation - the financially orientated business.

He defined financial orientation as;

"the management view that success is about using assets and resources to optimise profits and the return on capital employed".

This type of company regards itself to be "in the business of buying companies rather than running them". For these financially orientated companies therefore the central goal is the return on investment and profits. Thus, financial rather than marketing plans would set the corporate direction.

In his study, Doyle found that 19% of British companies surveyed were financially orientated. Hunt [14] however, felt that the various stages in the development of marketing are only differences of perspective.

For the purposes of this study, the alternatives proposed by Bell & Emory, Doyle and others are disregarded as they still have to find general acceptance in the literature, whilst the marketing concept is widely accepted as the cornerstone of marketing [15].

5.3 The Marketing Concept.

One of the earliest proponents of the marketing concept was Peter Drucker [16] who argued that creating a satisfied customer is the only valid definition

of business purpose. Thus the purpose of the organisation is to respond to the customer rather than attempt to change the customer to fit the organisations' purposes.

The Marketing Concept defines the philosophy of marketing. According to the Marketing Concept the firm should base all its activities on the needs and wants of customers in selected target markets. At the same time, restrictions due the surrounding society (laws, norms etc) should be recognised. If this basic philosophy is taken into account the firm and its operations should be successful and profitable [17].

The marketing concept is therefore essentially a business philosophy or policy statement which suggests that the long term purpose of the firm is to satisfy customer needs for the purpose of maximising profits [18].

5.3.1 Definition

Just as the term marketing has a multiplicity of definitions in the literature, the literature review also revealed a number of diverse definitions of the Marketing Concept.

Felton [19] defined the Marketing Concept as;

"a corporate state of mind that insists on the integration and coordination of all the marketing functions which, in turn, are melded with all other corporate functions, for the basic objective of producing maximum long range corporate profits."

However, Mcnamara [20] took a broader view and defined the concept as;

"a philosophy of business management, based upon company-wide acceptance of the need of customer orientation, profit orientation, and recognition of the important role of marketing in communicating the needs of the market to all major corporate departments."

Variations of this are offered by Lavidge [21], Levitt [22], and Stampfl [23].

The importance of using information from the customers served as the basis for Kohli and Jaworski's [24] definition of marketing concept;

"...is the organisation wide generation of market intelligence pertaining to current and future customer needs, dissemination of the intelligence across departments, and organisation wide responsiveness to it."

For the purposes of this thesis Mcnamara's definition of the marketing concept is adopted.

5.3.2 Performance Relationship

Despite the fact that the importance of the marketing concept has been universally accepted by both academics and practitioners, there have been only two published empirical studies which examine the impact of marketing concept orientation on business performance.

Narver and Slater [25] used a sample of 140 business units from a single US

Corporation to examine the relationship between the degree of marketing orientation, and the profitability of the business unit for both commodity and non-commodity business.

In both types of business they found a substantial positive effect of a market orientation on the 'Return on Assets' for the business.

The second study, by Ruekert [26] two years later, was conducted on a US Fortune 500 high technology company with five operating divisions and 34,000 employees. This study found that in all cases, the high performing business units had higher level of market orientation and market orientated processes than the lower performing counterparts.

Therefore although there is a paucity of empirical evidence of the relationship between marketing orientation and business performance, there is some evidence to support the universal acceptance of a positive relationship between a marketing orientation and profitability. In addition, it has also been shown that greater the market turbulence, the stronger the relationship between market orientation and business performance [27], and that this relationship is stronger if there is greater competition or a weak general economy.

5.4 The Concept: The Three Pillars

The Marketing Concept does not simply consist of advertising, selling, or promotion. It is a basic willingness to recognise and understand the consumers needs and wants, and a willingness to adjust any of the marketing mix elements, including product, to satisfy those needs and wants.

Kohli and Jaworski in their review of the literature of the last 35 years feel that relatively little attention has been paid to the marketing concept [28].

According to them, the research primarily comprises of work on:

- descriptive efforts on the extent to which organisations have adopted the concept, (usually in the manufacturing sector).
- essays on the virtues of the business philosophy
- the limits of the concept and,
- the factors in the implementation of the concept

However, they found the literature silent on the development of frameworks to understand the practical implementation of the concept.

Barksdale and Darden [29] also point out that many definitions of the marketing concept are of limited practical value as the;

"major challenge is the development of operational definitions for the marketing concept which will allow the idea to be implemented on a day to day basis".

It is therefore hard to be specific from the literature about the organisational activity that translates the philosophy into action, thus developing a practical market orientation.

However, in agreement with Narver and Slater [30] it is reasonable to conclude from the literature that a market orientated organisation, is one in which the three pillars of the marketing concept; customer focus, coordinated marketing, and profitability exist operationally.

Each of these 'three pillars' of the marketing concept is discussed in greater detail below.

5.4.1 Customer Focus

The central element of market orientation is customer focus. This goes beyond obtaining information about their needs and preferences, it also involves taking action based on a broad concept of market intelligence. This would include consideration of broader strategic issues related to customers such as;

- Exogenous market factors (e.g. Competition and regulation) that effect customer needs and preferences.
- Future, as well as current, needs of customers.

Thus, customer focus requires that a seller understand the buyers entire value chain [31], not only as it is today but also as it will evolve over time subject to internal and market dynamics.

The short term strengths and weaknesses, together with the long term capabilities of both current and potential competitors also needs to be understood. Customer analysis and competitor analysis must therefore include the entire set of technologies capable of satisfying the current and expected needs of the customer [32].

Thus, customer focus is to do with 'know your customer' and the generation of intelligence.

5.4.2 Coordinated Marketing

Market orientation is not solely the responsibility of the marketing department, and it is important that all departments are aware of customer needs and be responsive to these needs. It is therefore important in operational terms for the various departments of a building society, to have a focused and integrated view of the necessary actions implemented in a concerted way.

Achieving this type of interfunctional coordination requires, among other things, an alignment of existing incentives, and the creation of interfunctional dependencies so that each area sees an advantage in cooperating closely with other functional areas. If every functional area is rewarded for contributing to creating superior value for the customer, self interest will lead to stronger interfunctional cooperation [33].

5.4.3 Profitability

Felton [34] and McNamara [35] are of the view that for businesses, the overriding objective in a market orientation is profitability. However, in their field study Kohli and Jaworski [36] found that profitability can sometimes be viewed by practitioners as a consequence of market orientation.

Levitt [37] had strong objections to viewing profitability as a component of market orientation, which he asserts is "like saying that the goal of human life is eating".

Narver and Slater [38] proposed a compromise by suggesting that though

profitability is closely related to market orientation, it is properly perceived as an objective of a business.

It is argued therefore that long term profitability is essential to marketing orientation. Long term profit considerations thus outweigh short term profit perspectives.

5.5 Conclusions

In this chapter the definitions of marketing and the marketing concept have been explored together with 'the three pillars' of the marketing concept.

Three distinct stages in the development of the marketing concept were identified. Briefly these were; production orientation, sales orientation and, marketing orientation.

Production orientation is to do with an over emphasis on the production aspects of the business, and focuses on improving production and distribution efficiency.

With a sales orientation, more is better, every order is a good order, and every customer is a good customer despite conflicting demands on the limited resources of the organisation. In these organisations, marketing exists as a functional area, focused on short term tactical gains.

According to the marketing concept however, the firm defines itself as the satisfier of the customer wants and needs. It has a strong customer orientation which helps it to anticipate and adapt to changes in customer demand [39].

A short term view point is therefore replaced by a long term strategic orientation. The key to profitability is not sales volume but long term customer satisfaction.

In this chapter the three pillars of the marketing concept were also identified, these are; Customer Focus, Coordination, and Profitability.

In the following chapter these are further developed by drawing upon relevant background literature to identify the key characteristics that are supportive of a marketing orientation. In addition, the research objectives and indicators used are also introduced in the next chapter, these provide the research foundations for this project.

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Chapter Six

Fieldwork I: Objectives and Indicators.

6.0 Fieldwork I: Objectives Introduction

The overall purpose of this chapter is to describe the foundations to the design of the research project, and to explain the selection of the methodology used to achieve the objectives. Following the introduction of the research objectives and a review of relevant background literature, the characteristics that are supportive of a marketing orientation are identified and used to build a practical model to determine market orientation.

The approach used to collect the data is outlined in the second part of methodological description in chapter seven.

6.1 Hypotheses

An investigation of the literature reveals (eg. [1]) that the introduction of marketing in Retail Financial Services, and British Building Societies in particular, is still developing. Studies have indicated that some have not wholly accepted or implemented the idea of the marketing concept philosophy.

To guide the collection and analysis of the data the following hypotheses were established:

- a) In general, the adoption of the marketing concept by building societies has been slow, and incomplete.
- b) The perception of marketing in the building society industry is often narrow and confined to its functional aspects, rather than as a guiding philosophy for management decisions.
- c) The degree of acceptance and implementation of the marketing concept varies according to the size of the society.
- d) The degree of orientation towards and acceptance of the marketing concept varies across the different management levels within a society.

These hypotheses influenced the identification of the survey target groups and the development of the practical indicators used in the survey.

6.2 Research Objectives: Identification

Ames [2] distinguished between the acceptance of the philosophy and its practical implementation, as it is perfectly possible for a company to carry out all the right marketing activities and still not really be living by them. Marketing is therefore more than just a collection of activities, it requires an appropriate attitude of mind [3].

Therefore the research aims of this study are:

- A) Verification of the degree of acceptance of the philosophy of the marketing concept in British building societies.
- B) and the extent to which the marketing concept has been implemented in British building societies.

Acceptance and adoption of the concept refers to whether the company has embraced the concepts' philosophical implications for business management.

The practical implementation of the concept is to do with the specific organisational methods for incorporating this philosophy into actual business practice.

The logic for justifying the first research aim is that few empirical studies have been identified which investigate the stage of marketing evolution in the orientation of the financial services sector, and in particular British building societies. Marketing orientation requires the philosophical acceptance of the marketing concept as the corner stone of marketing. There are few studies in the literature which identify the degree of acceptance of the marketing concept in the financial services context.

The second research aim is to examine the extent to which the marketing concept has been implemented in the building society industry. Again, this research aim is justified by the lack of research undertaken on the substance of marketing in the financial services industry. On the basis of preliminary

fieldwork, it is evident that marketing in the building society industry is often confined to its narrow functional aspects, though variations do occur according to the size of society.

6.3 Research Method

The methodology employed recognises that the theory for marketing applications cannot be developed in isolation from the business environment that is comprised of practising marketing managers. This ensures that the theory and the practical application meet and support each other.

The broad approach adopted for the research methodology is to investigate the adoption of the philosophy by means of a set of attitude measurement characteristics. These are addressed to three levels of managerial responsibility of building societies forming the primary and secondary target groups. This is tackled through the survey approach, using semi-structured interviews and mailed questionnaires. This approach incorporating both qualitative and quantitative methods, sought to maintain the quality of the data collected in terms of inferential reliability and validity. It also allowed for responsive cross checking and amplification of the data.

The main survey techniques employed were therefore (i) questionnaire based interviews and (ii) mail questionnaires.

(i) Questionnaire based interviews

All the Chief Executive Officers and the Chief Marketing Executives of the Top 20 building societies were surveyed using the semi-structured questionnaire based interview process.

The interview process is a research technique comprising of a number of differing methods which vary according to the degree of structuring. All interviews can therefore be placed on a continuum between structured and unstructured, though no interview is totally unstructured, as the interviewer appraises the meaning of emerging data and uses the resulting insights to phrase further questions [4]. Here, the semi-structured interview technique was selected for its flexibility, allowing new and unexpected information arising during the interview to be easily accommodated.

In any interview situation there will always be some degree of bias, intended or unintended due to the necessary interaction between the interviewer and the interviewee. Awareness of the possible sources of bias [5] enables the interviewer to take steps to minimise it. In this study the interviews were focused on the subject areas of the questionnaire, and the respondents views and opinions. The interviewers inputs were thus minimised to simple probes asking the respondent to expand on statements.

(ii) Mail Survey

The mail survey technique was employed to collect data from the Chief Marketing Executives of the building societies ranked from 21 to 50, and all branch managers.

This technique was employed because of the large number of respondents and the wide geographical spread of individuals. It also provided the opportunity of collecting quantitative data open to analysis. The questionnaire was of course less responsive than the interview process used for the larger societies. This was considered acceptable, since the pilot study contributed to the final questionnaire design, and the Top 20 societies represent over 90% of the industry by assets.

One frequent criticism of this technique lies in the response rate. Low levels of response rates are common, and may be indicative of the respondents limited interest in the subject matter [6], thus introducing a potential source of bias. In order to minimise non-response, the mail survey followed recommended best practice;

- covering letters used personal salutation and were individually signed [7];
- all letters were mailed to the respondents first class emphasising importance, and encouraging a prompt reply;
- the letters were sent on the University letterhead, thus identifying the research as non-commercial, confidential and independent of any building society or other competitor;
- the follow up technique used was a personal phone call to the respondent.

This process achieved a response rate for the primary target group of 70%

overall, rising to 80% for the top 20 societies.

The procedural details of both the interview and mail surveys are discussed in greater detail in the following chapter.

6.4 Identification of Characteristics

In order to achieve the aims of the project, current literature was reviewed to identify those characteristics that are indicative of having and implementing a marketing orientation. Separate characteristics needed to be identified to rate each of the two dimensions of the marketing concept i.e.

- the Philosophical Acceptance
- the Practical Implementation

This process would also identify whether there is a gap between acceptance of the concepts and effective implementation in practical terms.

The study was designed to eliminate the effects of the 'trappings' of the organisational arrangements for marketing, and deal with the substance of the managerial attitudes and orientation to the marketplace [8]. This is done by identifying characteristics indicative of the range and quality of marketing inputs in the organisation rather than simply the marketing department outputs.

Each of these two dimensions is now discussed in more detail.

6.4.1 Philosophical Acceptance

The pattern of shared values and beliefs is instrumental in determining the culture of the organisation. This in turn exerts a tremendous influence on the behaviour and productivity of employees, perhaps more so than formal written policies or guidelines [9]. The importance of organisational culture in the management of the marketing function has only recently been recognised. Schneider's [10] analysis of the relationship between organisational culture and the marketing of services found that in service firms culture is of particular importance. However, a positive cultural orientation towards marketing depends on awareness and understanding of the marketing concept. A crucial research objective is therefore to examine the degree of such awareness and understanding.

As discussed in the previous chapter, the multitude of definitions of the marketing concept generally have a common core of three themes - the 'three pillars' of the marketing concept, these are:

- Customer focus
- Coordinated marketing and
- Profitability

The firm should have customer focus with customer orientated values and beliefs, based on a through knowledge of the customer and an understanding of his needs and wants. Thus, customer behaviour should be the focal point of all business activity. To achieve this, the entire firm must be in tune with the market by emphasising the integration of the marketing function with research,

product development, sales, advertising etc., thus ensuring a coordinated marketing approach.

The marketing concept is intended to focus attention on profit rather than simply on sales volume. Profitability should therefore be a driving factor.

Based on the above three themes, the literature search revealed five good indicators of an understanding of the marketing concept. These were as follows;

Customer Focus:

- i) Industry perspective
- ii) General Marketing attitudes
- iii) Attitude to intelligence generation

Coordination:

- iv) Status and Integrative role

Profit:

- v) Attitude to Profit

i) Industry Perspective: An important feature of a firm is the definition of its market, as this determines the nature of its business, products, customers and competitors. A market orientated firm in keeping with the marketing concept,

views its business much more broadly.

A good indicator therefore of the orientation of a firm is its definition of its products and industry perspective. Firms with a narrow product and industry perspective are preoccupied with the actions and reactions of their immediate competitors [11] and are likely to have an inbred management who have spent their entire career in a single industry. Since these managers consider their industry unique, they are unwilling to learn from other industries. This lack of cross fertilisation limits the strategic alternatives available to them.

ii) General Marketing Attitudes: Customer orientated values and beliefs supported by top management are a basic requirement of a Marketing orientated firm [12].

It has also been shown that, the attitude of the Chief Executive Officer is crucial to the adoption of the marketing concept [13].

iii) Attitude to intelligence generation: The fulfilment of the needs and wants of customers should be the common focus of all marketing decisions. Thus, the starting point of market orientation is intelligence generation or marketing research. Marketing research has been defined as research that seeks to forecast the results of alternative business decisions and searches out additional profit opportunities in the market place [14].

A broader definition comes from the American Marketing Association [15];

"the function that links the consumer, customer, and public to the marketer through information - information which is used to identify and define marketing opportunities and problems; generate, refine, and evaluate marketing actions; monitor marketing performance; and improve understanding of marketing as a process. Marketing research specifies the information required to address these issues; designs the methods for collecting information; manages and implements the data collection process; analyses the results; and communicates the findings and their implications."

Intelligence generation therefore has a broader concept than simply identifying the verbalised needs and preferences of the customer. It includes an analysis of exogenous factors such as government regulations, technology, competition etc., all of which have an impact on the customers needs and wants.

Strong competition leads to multiple choices for customers. This means that an organisation must constantly monitor and respond to customers changing needs and preferences, to ensure that customers select its offerings over competing alternatives.

This understanding of customers needs and wants, extends not just to end customers but also includes retailers through whom the products are sold e.g. financial intermediaries. Increased competition among building societies due to the proliferation of savings and mortgage products, reflects the increasing power of intermediaries such as estate agents and the independent financial intermediary network.

In addition, effective market intelligence concerns not just current needs, but future needs as well. Houston [16] urges organisations to anticipate needs of

customers and initiate steps to meet them (cf. 'find a need and fill it').

By continually focusing the managements attention on the consumer, marketing research keeps the philosophy of the marketing concept alive. A firm's market research effort thus provides a useful indicator to measure both dimensions (philosophy and implementation) of the concept.

iv) Status and Integrative Role:

One prerequisite for the implementation of the marketing concept is the replacement of fragmented functional activity by coordination and integration of the various departments of the organisation, with all business functions orientated towards market requirements. This integrative role is facilitated by the appointment of marketing executives at a senior level to ensure that the customer perspectives are represented at the highest decision making levels. Anderson [17] therefore suggested that marketing managers need to be effective communicators with managers of other functional areas. The marketers' most important role may therefore be within the firm.

The marketing department needs to be involved in all aspects of the business, and on a functional level this is most important. Thus the way in which the marketing department is perceived, in relation to other functional groups within an organisation, is an indicator of the value placed on marketing by the organisation and/or how marketing fits within the culture of the organisation [18].

v) Attitude to Profit:

The marketing concept is focused on profitability rather than simply sales volume. The objective is long term profitability rather than short term gains. Attitudes to profit are therefore a good indicator of overall acceptance of the marketing concept.

6.4.2 Practical Implementation

To implement the marketing concept successfully the organisational environment and structure needs to be both conducive and supportive. Parasuraman [19] has pointed out that practical organisational constraints and barriers can stand in the way of successful implementation. The structure of organisational systems can therefore serve to foster or inhibit a marketing orientation.

Within the context of 'the three pillars' discussed earlier, Webster [20] identified several good indicators from a practical perspective of a true marketing orientation. These are as follows:

- The top marketing executive reports to the chief executive officer and has line responsibility for both the sales function and other marketing activities such as market research, product development, distribution, advertising and sales promotion.
- There is a marketing research or a market intelligence generation system that fulfils marketing's fundamental responsibility of being an expert on the

customer.

- In market orientated firms sales management is guided by and tied to marketing strategy; it does not operate as an autonomous management function.
- The firm's business strategies have a clear and strong marketing component built around precise definitions of market segments, and careful analysis of those target segments, customers, and the firms unique competitive advantage in those segments.
- There is an organised and active product development function, and Research and Development is guided by good market information and marketing direction.
- There are key account strategies for dealing with major customers and distributors, who are regarded as business assets and managed as long term relationships.
- In a marketing orientated company the management is seeking profitability not just sales volume.
- It is customer focused and market driven, putting the interests of the customer ahead of all the other claimants on the companies resources.

From these guidelines it is possible to identify a number of additional elements indicative of the practical implementation of the marketing concept, whilst

eliminating the effects of the 'trappings' of the organisational arrangements. Some of these are discussed below;

Training:

Formal training, recruitment and planning are important structural ingredients in the development of marketing orientated corporate cultures. Hooley et al [21] have shown a clear association between marketing orientation and importance attached to training. Thus the training system can give support to a market orientated strategy, increasing employee sensitivity to customer needs and fulfilling them in an efficient manner.

In service firms where the interface with the customer is particularly broad and intense, it is essential that all personnel are well attuned to the mission, goals, strategies and plans of the organisation [22], 'otherwise they cannot handle all those natural points-of-marketing that occur in the interaction with the customer'.

Formalised Planning:

Another measure of a marketing orientation is the degree to which the strategic planning process explicitly considers customer needs and wants and develops specific strategies to fulfil those demands. The organisation should therefore have a set of well developed and documented statements of its mission, goals, strategies and plans.

It should be noted that strategic plans are usually the outcome of a bargaining process among the functional areas [23], and the degree of marketing orientation of these plans could thus reflect the strength of advocacy position of the marketing department within the firm.

Backgrounds of Senior Executives:

Top managers have a critical role in fostering a marketing orientation [24]. Webster [25] has argued that a market orientation originates with the top management and that "customer orientated beliefs and values are uniquely the responsibility of top management". Thus the commitment of the top management is an essential prerequisite to a market orientation.

Felton [26] argues that the most important ingredient of a market orientation is an appropriate state of mind, and that is attainable only if;

"the board of directors, chief executive, and top echelon executives appreciate the need to develop this marketing state of mind".

The commitment of top managers has therefore been shown to be an essential pre-requisite to a market orientation, and these senior executives must clearly communicate their commitment to all concerned in an organisation. However to be effective, their actual behaviour must conform with their verbal espousals of a commitment to market orientation. Ames [27] suggested that in a surprising number of cases, management does not fully understand the market concept and where it does understand the implications it fails to commit itself to the actions and decisions that are needed to reinforce it.

Hambrick and Mason [28] suggested that organisations that are led by young managers, with extensive formal education, are more likely to pursue innovative strategies. Willingness to innovate and adapt on the basis of consumer and market analyses is the hallmark of a market orientated firm. Formal educational attainment of senior managers and greater marketing orientation [29] have been shown to be linked.

Doyle [30] also identified the lack of background and expertise of Chief Executive Officers explained their failure to provide the leadership in marketing. He felt that it is the British Chief Executive Officer and their Boards which provide the biggest barriers to a greater marketing orientation;

"Chief Executives can do much to reduce the cultural resistance to marketing, but many CEO's have a limited grasp of what real marketing means and many confuse it with better selling or promotion".

Corporate Culture:

Pfeffer [31] has argued that culture represents the institutionalised power of the dominant interests of the organisation. Note that a major influence on the development of the corporate culture in an organisation is its structure.

Corporate culture was defined by Deshpande and Webster [32] as;

"the pattern of shared values and beliefs that help individuals understand organisational functioning and thus provide the norms for behaviour in the organisation".

Thus, customer orientation should be regarded as a type of organisational culture. Most literature on corporate culture emphasises the top down phenomenon with the role of the Chief Executive Officer being critical in establishing the norms and overseeing their diffusion in the firm [33]. Thus, both recruitment and training of marketing and sales personnel are culture related activities [34] and are often seen as symbols of formal and informal socialisation.

Examination of the culture, recruitment and training practices of societies is indicative of their marketing orientation.

Segmentation:

Building on Webster's indicators discussed above, an organisation should realise that it cannot serve all the customers in its market. In exploiting its competitive strengths it is better placed to serve particular segments in its market. The firm should therefore identify the most attractive parts of the market that it can serve effectively and profitably.

Market segmentation is the act of dividing the market into distinct groups of potential customers, developing profiles of the customers in those segments, and evaluating the attractiveness of each segment [35]. Any segmentation strategy clearly must focus on the customer. According to the marketing concept, the society's marketing strategies should be built around precise definitions of market segments, careful analysis of customers in those target segments, and the firms' unique competitive advantage in those segments.

Competitive position:

There are three main features of competitive advantage; the source of competitive advantage, the firms competitive positioning, and the final performance outcome. Monitoring the competitive position of the organisation should take into account these features.

However, it has also been found that solely competitor centred measures have their drawbacks. First, a preoccupation with costs and internal activities can obscure opportunities for differentiation through creative linkages of the seller, distributor, and buyer value chains. Secondly, it deflects attention from changes in market segment structures or customer judgements and thirdly, it assumes that the competitors are doing a proper marketing job.

Research by Day and Wensley [36] indicates that managers with a solely competitor centred approach of measuring their competitive position in the market, are likely to simply emulate their competitors when they select their strategies.

Thus they are unlikely to consider strategies that "change the game" with new types of services and delivery mechanisms favourably altering the basis of competition.

Distribution Channels:

Traditionally, the distribution channel is seen as the sequence of events and individuals involved in moving a product from the producer to the user. The

channel may be direct or indirect containing one or more institutional middlemen.

However, as discussed in chapter 4, services cannot be transported or stored, and since they cannot be separated from the seller, they must be created and distributed simultaneously.

Within these constraints, it is hard to accommodate the role of the financial intermediary. In the context of this research, the definitions need to be modified to allow for indirect service delivery channels. The financial intermediary may be defined as any extra corporate entity between the producer of a service and prospective users, that makes the service available and or more convenient [37]. In some service industries, these financial intermediaries can be critical in the delivery of services to the end user. Marketing strategy and orientation must therefore include the financial intermediary. The market research activity should also seek to understand the financial intermediaries needs and wants.

An assessment of the dependence and knowledge of these indirect delivery mechanisms is therefore a useful indicator of a marketing orientation.

6.5 Conclusions

In this chapter the hypotheses used to guide the collection and analysis of the data were introduced. Then the research objectives were identified together with an introduction to the background of the research method adopted for this project. The indicators and characteristics of both the philosophical and practical

implementation of the marketing concept were also discussed. In the following chapter these are further developed and refined into the characteristics used to identify the acceptance, and implementation of the marketing concept. These are used to develop the questionnaire used in the fieldwork.

The next chapter outlines in greater detail the methodology adopted in collecting the research data, and the processes used to identify the target survey groups.

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Chapter Seven

Fieldwork II: Design & Methodology

7.0 Fieldwork II: Methodology Introduction

The overall purpose of this chapter is to explain the steps taken and the research methods used to collect the data for this study. The analysis of the data collected, and the findings are set out in the following chapters.

7.1 Design Objectives

The objective of the research was to;

- A) Verify the degree of acceptance of the philosophy of the marketing concept in British building societies.
- B) Determine to what extent the marketing concept has been implemented in British building societies.

The Marketing Concept defines the philosophy of marketing. According to the Marketing Concept the firm should base all its activities on the needs and wants

of its customers for a profit.

In the previous chapter a number of general indicators were identified from the literature as being indicative of adopting a marketing orientation. These general indicators and the work of Webster [1] and Kohli and Jaworski [2] were particularly useful in developing good practical operational indicators of a true marketing orientation.

The indicators adopted for the assessment of the acceptance of the marketing philosophy and the degree of its practical implementation are identified below.

7.2 Philosophical Indicators

The philosophical indicators of the acceptance of the marketing concept can be grouped under two main headings; attitudes and general orientation towards marketing. These are;

I. Attitudes

- a) Marketing Attitudes
- b) Research Attitudes
- c) Profit Attitudes

II. Orientation

- a) Respondents Orientation
 - b) Cultural Orientation
 - c) Self Perceptions
-

- d) Corporate Goals and Success Factors
- e) Integrative Role of Marketing

7.2.1 Attitudes

The general attitude of the respondents towards marketing, research and profit are indicative of their understanding of the marketing concept.

a) General attitudes towards marketing can be determined by examining the respondents;

- Industry perceptions
- Perceptions of its relevance to services
- The characteristics of Marketing

A good indicator of the overall attitudes of the firm is the scope of its definition of the industry. A marketing orientated firm views its industry broadly. This is because product orientated companies view themselves as the suppliers of products rather than the fulfillers of customer needs and wants [3].

Given the origins of marketing in the manufacturing industry, the acceptance of its concepts may be difficult for respondents in the service industry, therefore their perceptions of the role of marketing may be limited to focusing on its functional characteristics such as advertising and promotion.

b) Research Attitudes

The common focus of all marketing decisions is the fulfilment of customer needs. The need for intelligence generation has already been discussed in Chapter six. Acceptance of the need for marketing research is therefore a prerequisite to the acceptance of the marketing concept.

c) Profit Attitudes

One of the three pillars of the Marketing concept introduced in the previous chapter is profitability. The over-riding objective of the marketing concept is therefore long term profitability. In a marketing orientated company the management is seeking profitability not just sales volume. Thus a generally positive attitude to profitability is indicative of the acceptance of the marketing philosophy.

7.2.2 Orientation

Acceptance of the marketing concept philosophy is to do with a strong customer orientation. The firm should be customer focused and market driven, putting the interests of the customer ahead of all other claimants on the companies resources.

In Chapter five the evolution of marketing from a production to sales and then customer orientation was discussed. It is possible to identify the evolutionary

stage of development of marketing in building societies by studying the overall orientation of the organisation. In particular whether it is production, sales or marketing orientated. This can be achieved by determining whether the respondent feels that the role of marketing is that of supporting sales/production or a wider more integrated role.

The influential role of corporate culture has already been discussed. Thus a positive corporate cultural orientation of the building society towards marketing is essential for its acceptance. The prevailing cultural attitudes in building societies are often shaped by the senior executives, particularly the Chief Executive Officer who is in a position of power and influence. A positive attitude towards marketing by the Chief Executive Officer will therefore positively affect the culture of the society towards marketing.

Similarly, the integration of the marketing philosophy into the corporate philosophy will be reflected by the corporate goals and perceived success factors of the society.

The importance of inter-functional cooperation and coordination as a prerequisite for the implementation of the marketing concept has already been discussed. Thus, it is important that all departments of a society to have a focused view of fulfilling customer needs. This integrative role of marketing can be assessed by studying the relative functional influence of marketing over functional departments. This is usually facilitated by the relative status of the Chief Marketing Executive.

7.3 Implementational Indicators

The implementational indicators of the acceptance of the marketing concept can be grouped under five main headings as follows;

- i) Marketing Organisational Structure
- ii) Research Organisational Structure
- iii) Coordination between functional areas
- iv) Segmentation
- v) Responsiveness

Each of the above are discussed in greater detail below.

7.3.1 Marketing Structure

The formal organisation of the marketing effort in the society is important. Thus the existence of the marketing effort as a separate formal entity, its size, maturity, scope and depth of functional responsibility are indicative of the degree of implementation of the marketing concept.

In fulfilling its role as the integrator of all marketing activities, the marketing department should be able to influence all other departments and provide the customer's perspective at the highest executive level. Given greater levels of competition in the markets, an overall growth in the status of marketing is an essential ingredient for success [4]. Thus the relative status of both the marketing department and the Chief Marketing Executive are good implementational indicators.

In this case, the top marketing executive reports to the chief executive officer and has line responsibility for both the sales function and other marketing activities such as market research, product development, distribution, advertising and sales promotion. As a member of important committees and groups, the top marketing executive would be in a position to bring the customer point of view to top management decisions.

7.3.2 Research Structure

There should be a marketing research or a market information system that fulfils marketings' fundamental responsibility of being an expert on the customer.

Thus the existence, size, maturity and sophistication of a formal research unit is a useful implementational indicator.

There should be an organised and active product development function, and all research and development should be guided by good market information and marketing direction.

7.3.3 Coordination

In market orientated firms functional management is guided by and tied to marketing strategy; they do not operate as an autonomous management functions. The marketing concept thus replaces the functional fragmentation of corporate activities, with integration of all business functions orientated toward market requirement.

The integrative role of marketing is facilitated by the appointment of marketing executives at senior levels. Marketing should therefore be treated as a coordinated and integrated system of related activities which are placed under the top marketing executive. Thus the degree of influence of the marketing department over the other functional areas can be used as a reliable indicator of marketing orientation.

7.3.4 Segmentation

The society's business strategies should have a clear and strong marketing component built around; precise definitions of market segments, careful analysis of those target segments, customers, and the firm's unique competitive advantage in those segments.

There should also be key account strategies for dealing with major customers and distributors, who should be regarded as business assets and managed as long term relationships.

7.3.5 Responsiveness

The fifth element of a marketing orientation is responsiveness to market intelligence. An organisation can generate market intelligence and disseminate it internally; however, unless it responds to market needs this effort is wasted. Responsiveness is therefore the action taken in response to market intelligence that is collected and disseminated e.g. new products should be based on market research.

Responsiveness to market intelligence may take the form of selecting target markets, designing and offering products/services that fill current and anticipated needs, and producing, distributing and promoting products in a way that generates a favourable customer response. Nearly all departments, participate in responding to marketing trends in a market orientated company.

The questionnaire used in this survey was developed on the basis of the indicators which have been identified above.

7.4 Summary of the Methodology

The methodology can be divided into eight stages, progressing from an initial literature review to the presentation of the results.

- | | |
|---------|---|
| Stage 1 | Review of the literature and the identification of the characteristics that are indicative of the marketing orientation. |
| Stage 2 | <p>A panel of senior building society executives was established to discuss the development of the questionnaire and the areas of discussion.</p> <p>The panel strongly indicated that if we wished to test the attitudes of senior executives, a postal questionnaire was unlikely to be reliable.</p> |
| Stage 3 | Drawing on discussions with the panel, the design of the questionnaire and the structure of the interview were finalised. |
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The questionnaire was then tested in a pilot study to eliminate possible differences in interpretation.

Stage 4 All the Top 50 Building Societies were telephoned to identify the names of the Chief Marketing Executive and the Chief Executive Officer.

a) For the top 20 Building Societies, appointments were made to interview the Chief Marketing Executive.

b) The Chief Marketing Executives of Building Societies outside the top 20, were mailed a personally addressed letter and questionnaire.

c) Seven Chief Executive Officers were interviewed.

Stage 5 Discussions at the interviews centred around the areas identified in the questionnaire. During the interview each respondent was asked to complete the questionnaire.

Stage 6 Six building societies mailed postal questionnaires to their randomly selected branch managers.

Stage 7 Results collation and analysis.

Stage 8 Presentation and interpretation of the results.

7.5 Sample Identification

On the 25th July 1991, there were 99 building societies listed as members of The Building Societies Association [5]. All the societies listed were ranked in order of Group Total Assets.

Using this list as the basis for the research, all of the respondents (except the branch managers) of top 20 building societies and all the Chief Executive Officers were surveyed by way of an interview. Building Societies from the remaining group of 30 societies were surveyed by way of postal questionnaires. This procedure ensured that the societies controlling over 92% (Table 7.1) of the total assets (the top 20) of the Association were extensively interviewed. The attitudes of the remaining societies was also examined, by way of a mailed questionnaire.

Table 7.1 Building Societies: Share of Total Assets 1986 to 1991 (Percent)			
Year	Top 5 %	Top 10 %	Top 20 %
1986	56.8	76.6	89.2
1987	60.8	79.3	89.9
1988	62.5	80.7	90.8
1989	61.0	79.1	89.9
1990	59.9	79.7	91.2
1991	59.2	81.0	92.5
Notes: The Abbey National converted to Banking status in 1989. Source: Annual Report of the Building Societies Commission 91-92			

For the purpose of this thesis, the 50 members of the Building Societies Association were segmented into the following groups;

- a) 1 to 10 - assets over £5 billion
- b) 11 to 20 - assets over £1.5 billion
- c) 21 to 50 - assets less than £1.5 billion

The Top 10 societies, have large branch net works throughout the country, and are commonly classed as the National societies. The societies ranked from 11 to 20, have smaller branch networks, usually with a good representation in their home regions. They are usually classed as the Regional societies. The remaining societies, those ranked from 21 to 50, concentrate their activities in their local markets, and typically have small branch networks. These are the local societies.

At the outset it was recognised that we would encounter some reluctance arising from the question of confidentiality, and that this would affect the readiness of building society management to participate in this study. Thus, though it was intended to survey all the societies, it was recognised that not all would agree to participate.

Three levels of responsibility were selected for the research, they were as follows:

- Chief Marketing Executives (CME's)
- Chief Executive Officers (CEO's)
- Branch Managers (BM's)

The primary target for the study was the Chief Marketing Executive group, whilst the Chief Executives and the Branch Managers together formed the secondary target groups. As a wide variety of job titles were likely to be encountered, each of the above was identified by reference to the definitions set out below.

Many of the larger societies now have a group structure, encompassing a number of associated companies such as Estate Agency, Insurance, and Financial Advice.

The Chief Marketing Executive was defined as the highest ranking executive directly involved with marketing for the entire building society as a group. It should be noted that most senior building society executives have wide ranging responsibilities, and therefore the Chief Marketing Executive is likely to have additional responsibilities outside the immediate marketing arena.

Identification of the Chief Marketing Executive, was therefore likely to be problematical due to the wide range of responsibility. Job titles alone were therefore unlikely to be reliable. As a result in every case, it was decided to verify the operational responsibilities of the Chief Marketing Executive respondents by reference to the societies' organisational chart.

The Chief Executive Officer was defined as the highest ranking Executive Officer for the entire building society as a group. Titles varied from Group Chief Executive to General Manager.

The Branch Managers were defined as the managers of the traditional building society branch network. This definition therefore excluded those managers from

the associated companies of the society, such as the estate agencies. To ensure consistency, it also excludes Branch Managers who were responsible for more than one branch.

All the Chief Executives in the survey were interviewed. Similarly, all the Chief Marketing Executives in the Top 20 were interviewed, whilst the rest were sent postal questionnaires. However, to ensure inferential reliability, three Chief Marketing Executives outside the Top 20 were also interviewed. All the Branch Managers were surveyed by postal questionnaire. The reasons for choosing these three levels of responsibility are set out below.

7.5.1 Chief Marketing Executives:

The Chief Marketing Executives formed the primary target group for this survey.

For the marketing concept to be adopted by the society it is essential that its philosophy is understood and adopted by the Chief Marketing Executive. The philosophy does not imply that all of the top management should have a marketing background [6]; however, it is essential that top marketing executives should be customer orientated. This is because the Chief Marketing Executives' involvement in planning and the application of marketing concepts, tools and techniques. Organisationally, they are responsible for the marketing function. Thus, their attitudes towards the marketing concept will affect the actual implementation of the concept.

The appreciation and understanding of marketing and its concepts by the Chief Marketing Executives is therefore essential. For this reason the study was

primarily focused on this group of building society senior executives.

Together with a number of other indicators, the study looked at the appointment, role and relative position of the Chief Marketing Executive (CME) and the establishment, location and status of the Marketing department.

In organisational terms, the role of the Chief Marketing Executives is indicated by their participation in committee and group decision making, he would thus be able to bring the customer's point of view to top management decisions. The degree of involvement of the Chief Marketing Executive in corporate goal setting and planning, is therefore used as an indicator for this role.

Despite the variations, the title of the top marketing executive can be also indicative of his organisational status.

7.5.2 Chief Executives:

The prevailing attitudes within building societies are often shaped by senior executives, particularly the Chief Executive Officer who is in a position of power and influence [7]. A positive attitude toward marketing by the Chief Executive Officer will therefore have considerable influence upon the culture of the society.

It was therefore important to establish the degree to which the marketing concept is understood and accepted by the Chief Executive Officer, and to establish his perceptions of the status of Marketing within the organisation of the society.

7.5.3 Branch Managers:

All building societies rely primarily on their branch networks for the provision of customer services. The Branch Manager is therefore in a central position in respect of marketing efficiency and implementation of marketing policies.

A good measure of the penetration of the marketing concept down through the organisation is therefore demonstrated by the degree of understanding of customer needs and marketing concepts by Branch Managers.

7.6 The Survey

In order to assure the quality of the data collected in terms of inferential reliability and validity, it was felt that the quantitative study should also be supported by a qualitative study. One of the main reasons for adopting this approach was the need for responsive cross checking and amplification of information.

It also has the advantage of verifying that the respondent of a questionnaire is in fact the addressee. A survey of earlier studies of this type ([8], [9] and [10]) failed to identify alternative techniques and safeguards utilised by these authors to ensure that the respondent and addressee were one and the same.

Sykes [11] suggests that a qualitative element in such cases is helpful because of:

" the flexible and responsive interaction which is possible between the interviewer and respondent allows meanings to be probed, topics to be covered from a variety of angles and questions made clear to respondents. Areas where the respondents have a lot to say can be given special attention, those where they have less to say played down. Sensitive issues, topics where the issues are ill defined, ill understood or conceptually complex all benefit from the kind of interaction which is possible in a qualitative interview".

A high degree of validity is therefore possible in qualitative research because of the opportunities it offers for responsive cross checking and the amplification of information from individual sample units as it is generated. This provides a means of checking apparent validity, and the successful accomplishment of most 'response tasks'. The respondents meanings and understanding can also be thoroughly explored as can "the linkages between attitudes and behaviour at a personal level" [12].

The qualitative study thus provides the flexibility to ensure the quality of information is not compromised due to rigid standardisation required in quantitative study. In this respect Reynolds and Johnson [13] found that;

"Quantitative findings depend on respondents ability to make sensible replies on issues that are often difficult to frame as simple, straight-forward interview questions, and the circumstances of the normal questionnaire survey do not permit the flexible give and take between interviewer and respondent that assures that the question was correctly understood".

The use of questionnaire based interviews therefore improves the inferential reliability of the data collected.

7.6.1 Pilot Study:

The questionnaire for this study was tested on a Pilot Group of three Chief Marketing Executives, who had agreed to become closely involved in the project.

The group comprised of Chief Marketing Executives from a top 20 Building Society, and two from societies outside the top 20. A draft questionnaire was compiled from the literature search. Its construction and terminology used was tested on the Pilot Group. The Pilot Group were also very helpful in identifying the depth of information the different groups of respondents could reasonably be expected to provide.

In recognition of the anticipated problems of gaining access to the selected groups of senior building society executives, the Pilot Group were asked to recommend strategies for accessing each group of respondents.

The Pilot study also highlighted a number of practical problems associated with postal self-completion questionnaires, some of which are outlined below;

- a) the societies receive numerous postal questionnaires, with the largest societies receiving over 500 postal questionnaires per annum.

The established practice for a questionnaire addressed to a Senior Executive, is to routinely delegate it for completion. Thus, postal questionnaires addressed to the Chief Executive Officer or the Chief Marketing Executive may actually prove to be more revealing of the attitudes of middle management rather than the Executive addressee.

For the postal questionnaire survey, it was decided that the best way of eliminating this problem was to verify, by way of a follow up phone call, that the addressee of a questionnaire was in fact the respondent.

b) Building societies receive numerous requests for assistance in completing questionnaires from a variety of sources including academic researchers, trade journals, consumer groups, and financial journalists. However, an increasing number of business interests are also using 'research questionnaires' to gather data for commercial advantage.

Response rates are therefore likely to be low for a postal questionnaire survey. The pilot group recommended that the questionnaires should be accompanied by an explanatory letter on the university letterhead, and that follow up phone calls to the Chief Marketing Executives should be made, reassuring them of the genuine nature of the research.

c) The questions could be interpreted in a number of different ways. The pilot study was useful in pre-testing the questionnaire to minimise this effect, though interpretational differences could not be eliminated entirely. This makes the results of a self completion questionnaire less reliable.

d) Relevant background information could be missed when using a standardised questionnaire.

This is because different societies vary enormously in terms of culture, goals, competitive pressures and organisation. Eg. small societies must pay keen attention to product volumes in relation to their assets, as a particularly successful product could lead to inadvertently exceeding existing guidelines.

The most effective way of eliminating these problems was to use the questionnaire based interview technique. These interviews are likely to be more effective and reliable, as every effort could be made to ensure that the interviewees understood the questions being asked and this technique also enables the simultaneous collection of both quantitative and qualitative data.

However, it is evident that this would not be possible either for all the Chief Marketing Executives or the Branch Managers survey. In such cases a self-completion questionnaire was mailed to the respondents, together with a covering letter outlining the purpose and usefulness of the study.

The follow up technique [14], was a phone call to the respondent.

7.6.2 Access Issues:

As mentioned earlier, it was recognised at the out-set that the adoption of the questionnaire based interview technique would present particular problems of accessing high level executives of the building societies.

The Pilot Group was asked to recommend access strategies for each of the three groups of respondents. As a result different access strategies were developed for each respondent group.

The primary group, the Chief Marketing Executives, was identified as the key to accessing both the secondary target groups; the Chief Executive Officers and the Branch Managers. The Pilot Group suggested that the Chief Marketing Executives were in a unique position to act as facilitator, and in particular,

provide an introduction to the Chief Executive. The use of a facilitator in such cases is recommended by Martin [15].

For each group of respondents, the access methodology developed is outlined in the survey procedure below.

7.6.3 Survey Procedure:

i) All the Top 50 Building Societies Association members were telephoned to establish the name and the precise job title of the Chief Marketing Executive and the Chief Executive Officer.

ii) a) The Chief Marketing Executives of the Top 20 Building Societies were sent a personal letter on the Business School Letterhead (see Appendix II) requesting an interview. The letter emphasised that the executives own personal and individual views were sought, and assuring them of total confidentiality. The letter also indicated that a phone call would be made the following week to make an appointment.

On the advice of the Pilot Group, this letter was accompanied by a recent article in the 'Financial Adviser' (Appendix III) commenting on the merits of this research project.

Follow up phone calls were made the following week to:

- Reconfirm that there were no commercial interests attached to the survey

- Reassure the respondent of confidentiality
- Clarify any queries
- Make an appointment for the interview

ii) b) The Chief Marketing Executives of the remaining 30 building societies were sent a similar personally addressed letter together with a copy of the questionnaire. The letter emphasised that the executives should complete the questionnaire personally as their own personal and individual views were sought, and assuring them of full confidentiality. The letter also indicated that a follow up phone call would be made the following week to answer any queries that may arise.

Again, this letter was accompanied by the article in the Financial Adviser commenting on the merits of this research project. As before, follow up phone calls were made the following week in order to:

- Reconfirm that there were no commercial interests attached to the survey
- Reassure the respondent of confidentiality
- Clarify any queries
- Ensure that the questionnaire was completed by the addressee
- Establish when they expected to return the questionnaire

If the questionnaire was not received in the following ten days, additional phone calls were made to persuade the respondent to complete and return it.

In each case, the status of the Chief Marketing Executives was verified by reference to the society's organisational chart.

iii) Selected Chief Marketing Executives were asked if they would facilitate a meeting with their Chief Executive Officers by introducing the researcher and by explaining the merits of the research.

All Chief Executives agreeing to participate in the survey were interviewed.

iv) Some Chief Marketing Executives were asked if they would help by centrally mailing questionnaires to their branch managers. These questionnaires were to be returned direct to the researcher for confidentiality reasons.

7.6.4 Interview Technique:

At the interview, the discussion areas were guided by the subject areas in the questionnaire, which was completed by the researcher during the process of discussion.

Interviewees were given every opportunity to discuss their perceptions of Building Society marketing and were encouraged to expand on their role and responsibilities.

A copy of the society organisational chart was obtained at the interview to verify the status of the respondent.

At the end of the interview the Chief Marketing Officer was asked for his assistance in making appointments with the Chief Executive Officer, and whether he would be able to coordinate the central mailing of the questionnaires

to the Branch Managers.

7.7 The Questionnaire

The research procedure was designed to assess the extent to which British building societies exhibit the characteristics that the literature suggests are supportive of a marketing orientation.

7.7.1 Questionnaire Development:

Sources of ideas for questions were based on ideas generated by a detailed survey of the literature relevant to financial services marketing. Surveys by Hooley et al [16], [17], [18], [19] and Mann [20] in related areas were useful as they provided a good source of ideas.

The type of questions ranged from simple 'yes/no' alternatives, to a range of questions that needed to be ranked or rated on a five point scale. A Linkert type scale was used for some questions to measure attitudes.

The overall aim was to obtain information related to the importance of marketing to the Building Society, and to generate data about the attitudes of respondents to the marketing concept philosophy and its implementation.

The questionnaire was designed to generate information in the two main areas discussed earlier in sections 7.2 and 7.3. Briefly these were; i) attitude towards Marketing and the Concept and ii) implementation of the Marketing effort

including the background of the respondents. Data on the career experience and academic and professional qualifications of the respondents was also collected.

The attitudes and understanding of marketing of the senior executives of building societies, would depend on their previous experience of marketing before they took up their current appointments. Manager tenure is important as some may possess too narrow a perspective as a result of spending their entire career in a single industry [21].

Clearly, academic and professional qualifications will also shape their attitudes towards marketing.

7.7.2 Questionnaire Construction:

The draft questionnaire was refined by regular consultation with the Pilot Group, helping to standardise the terms used and to remove ambiguity.

Where possible, a five point scale was used to provide a quantitative measure of a qualitative construct. This would allow aggregation and quantitative analysis. Only the extremes of each scale were labelled, with no other labels on the intermediate points.

Three questionnaires were used one for each level of responsibility being researched. The Chief Marketing Executive questionnaire was the basis of the questionnaires used for both the Chief Executive Officer survey, and the Branch Managers survey, with the exception that they excluded 'operational' questions

e.g.the size of the marketing department etc, either because they would have been tedious repetition or impossible for the respondents to reply to for the lack of information.

Thus, the Chief Marketing Executives responded to 54 questions, whilst the Chief Executive Officers and Branch Managers responded to 35 questions each.

An explanation for the purpose of each question in the questionnaire is as follows:

Q1. This was designed to establish the respondents perception of the type of industry in which their building society operates. The aim of this question was to determine their perspective of their business ie whether they defined their business in a broad or narrow sense.

Q2. This was designed to confirm the existence of a separate marketing department and identify its nature.

Q3. Confirmed the title, organisational status and professional qualifications of the Chief Marketing Executive.

Building societies utilise a variety of job titles and differ considerably in the way the marketing effort is organised. The Chief Marketing Executive may be mainly concerned with Marketing and 'Business development' with a mixture marketing responsibilities.

The question thus identifies the degree of involvement of the Chief Marketing

Executive with the marketing function, reducing the dependency on his job title to identify his responsibilities.

Q4. Identifies the age and size of the marketing department in the society. An attempt is also made to assess the number of active qualified marketing personnel.

Q5. In this question, ten corporate functions were ranked by respondents in order of importance. The relative importance of marketing compared to the other functional areas is used as an indicator.

Q6. Attempted to identify the main competitors of the society, establishing the depth of competitor knowledge.

Q7. Identified the perceived main distribution channels for the society, both currently and in five years, for each of the two main product lines.

Q8. Identified the marketing goals for the society for the two main product lines.

Q9. The existence and sophistication of the research function is identified here.

Q10. The involvement of the Chief Marketing Officer in setting of Corporate goals is assessed. This both an indicator of the status/role of the marketing executive and the orientation of the society towards marketing.

Q11. The background of the Chief Marketing Executive clarified by this

question (& Q55).

The career experience of the Chief Marketing Executive would be reveal the extent of his experience in marketing, and where it was acquired.

Q12. The attitudes of the respondent to service are identified, in relation to the competition.

Q13. The respondent's attitude towards production, selling and marketing orientations are examined in this question.

Q14. The existence, age, size and organisational position of the research department is confirmed.

Q15. The reasons for, and approach to, product innovation is examined by this question.

Q16, 17, 18 & 19. Identify the depth, scope and impact of the research function, together with the reasons for not doing research.

Q20. The responses to Q15 are re-examined by extending the range of responses available to the respondent.

Q21. Identifies the degree of responsibility attributed to the marketing department for a range of functions.

Q22. In the absence of a marketing department the responsibility for a range of functions was clarified.

Q23 & 24. The range and importance of various promotional approaches are examined.

Q25. The importance attached to training and its recipients is examined.

Q26, 27 & 28. The importance of various strategies are identified. Their relative importance was examined by using both a five point scale and by ranking in order of importance.

Q29. The relative importance of marketing is examined by comparing the strength of the marketing effort with the sales effort.

Q30 to 44. Part II of the questionnaire was designed to further examine the respondents attitudes towards the marketing concept philosophy. The fifteen statements were designed to measure the degree of awareness of the marketing concept and to what extent this concept had been accepted.

These questions can be divided into three sectors as follows:

- a) General Attitude:
Q30, 31, 32, & 33
- b) General Orientation:
Q36, 37, 39, 42, 43, & 44
- c) Marketing Status & Influence
Q34, 35, 38, 40, & 41

Q45 & 46. Identify the society's success factors and goals.

Q47. Identifies the perceived importance of departmental functions in the light of the CEO's experience requirements. This identifies the likely cultural importance of marketing when compared to the other functional areas.

Q48 & 49. Identify the cultural values of the society, and its perceived orientation towards its customers.

Q50. Reveals the operational planning mechanisms in existence.

Q51. Attempts to quantify the number of questionnaires received by the society, in an effort to verify the recommendations of the Pilot Group.

Q52. The cultural attitude towards marketing is important in determining the influence of marketing on the society. This question identifies the sources of major influence on the culture of the society.

Q53 & 54. Attempt to determine the degree of real independence of the marketing department. The pilot study revealed that though marketing departments were apparently given wide functional responsibility, close control over marketing activity could be exercised via the marketing budget by the requirement of restrictive 'signing off' procedures.

Q55. Asks for background data on the respondent.

In the following chapter the findings of the philosophical understanding of the marketing concept are discussed, together with a presentation of the findings.

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Chapter Eight

Findings I: Marketing Philosophy

8.0 Philosophical Acceptance: Introduction

This chapter presents the findings of the first half of the research survey focusing on the degree of philosophical acceptance and understanding of the marketing concept.

The survey was conducted on the top 50 British Building Societies ranked in size by Total Assets. All the societies surveyed were members of the Building Societies Association.

As discussed in Chapter 2, in recent years the Building Society Industry has been undergoing a continuing process of rapid contraction. For example, in 1990 there were 126 Members of the Building Societies Association, and by October 1992 there were only 88 members of the BSA left.

Therefore, in order to provide a fixed reference point for the survey, the Building Societies Association Fact Sheet 10 [1]. This factsheet dated July 1991, listed 99 member societies, which were ranked in order of Total Group Asset size.

As a result of the continuing contraction in the numbers of societies, this survey includes data obtained from two societies, the Town & Country and the Southdown, which transferred engagements after the survey was completed. In this Chapter the response rates to the survey are presented first. This is followed by tabulations of the distributional characteristics of the data from the philosophical study.

In the next chapter, the practical organisation of the societies is studied to establish whether the organisational structure of the societies and the responsibilities of their executives reflect a marketing emphasis.

8.1 Data Organisation:

As discussed earlier this survey included both quantitative and qualitative data. The quantitative data was collected by asking the respondents to express agreement or disagreement to a number of statements embodying the tenets of the concept. All the qualitative data was collected at interview.

8.1.1 Quantitative Data

In general, the data was collected by asking the different groups of respondents to indicate their responses on a multi-point scale, so as to provide a quantitative measure of a qualitative construct e.g. from very important to not important. The data collected was summarised and tabulated by either; grouping the adjacent readings on both ends of the scale, or by calculating the means of the frequency distributions.

Though it is appreciated that the absolute numbers in some cases may be small, e.g. the Chief Executive Officers, they are still expressed in percentages to facilitate comparisons with the other data.

In some cases, the respondents were asked to rank the questions in order of importance. The relative importance of the factors is then determined by calculating and ranking the mean of these frequency distributions. In most cases, the lower the mean, the more important the factor is considered by the respondents.

8.1.2 Qualitative Data

In addition, the data and analysis is supported by interviews conducted with many of the respondents, examining their views on different issues of building society marketing. Reference to relevant aspects of these interviews is made on a section by section basis.

8.2 Survey Response Summary:

All respondents were asked to complete a questionnaire. This was completed at interview for all Chief Executive Officers and the participating Chief Marketing Executives from the top 20 societies. All branch managers responded to a mailed questionnaire.

The primary target group for the survey was the Chief Marketing Executives. The secondary target groups were the Chief Executive Officers and the Branch

Managers.

In order to ensure their full cooperation, all participants in this survey were assured complete confidentiality so as to protect both their personal and commercial interests of the societies they represented.

8.2.1 Primary Target Group:

Using the techniques outlined in Chapter 6, a high overall response rate (70%) for the primary target group was achieved (Table 8.1). This response rate increases to 80% for the top 20 societies who control over 92% of the Total Assets of the industry.

All the Chief Marketing Executives of the top 20 Building Societies who participated in the survey, were interviewed.

Of the remaining societies in the survey, those ranked from 21 to 50, the response rate amongst the Chief Marketing Executives was 63%. Of these, two were interviewed, and the remainder were respondents to the Postal survey.

Thus over half the respondents in the primary group were interviewed, helping to ensure the validity and reliability of the data collected.

Table 8.1 Survey Response Rates: CME Chief Marketing Executives				
Society Rank	Interviewed	Postal	Declined	Total Number of societies
1-10	8	0	2	10
11-20	8	0	2	10
21-50	2	17	11	30
Total	18	17	15	50
Notes: 1. The response rate was 70% overall. For the top 20 societies the response rate was 80%. 2. Two of the respondents above belonged to building societies who later merged. Source: Project Fieldwork				

8.2.2 Secondary Target Groups:

In the secondary target group (Table 8.2), seven Chief Executive Officers and 121 Branch Managers were surveyed. All the Chief Executive Officers were interviewed and all Branch Managers were surveyed by Postal Questionnaires.

The respondents in the secondary target group were evenly distributed across the three building society segments (Top 1-10; 11-20; and 21-50). A total of six societies, two for each segment, participated in the Branch Managers survey.

The Branch Managers survey includes data from the Town & Country Building Society, which transferred its engagements to the Woolwich Building Society in

May 1992.

Table 8.2		
Survey Response Rates: CEO & BM's		
Chief Executive Officers and Branch Managers		
Society Rank	Chief Executive Officers	Branch Managers
1-10	2	44
11-20	2	39
21-50	3	38
Total	7	121
Notes: 1. All Chief Executive Officers were interviewed. 2. All Branch Managers were surveyed by postal questionnaire. Source: Project Fieldwork		

In four cases, the Chief Executive Officer, the Chief Marketing Executive and a sample of Branch Managers from the same society participated in the survey.

8.3 The Marketing Concept

As discussed in chapter 5, the Marketing concept urges that the objective of a business should be the satisfaction of the customer needs and wants for a profit i.e. this should be the focus for all marketing and business decisions. There is therefore a need for the Marketing Concept to be understood at all the levels of

the organisation.

The degree of acceptance and orientation towards the marketing concept was examined by determining the degree of awareness of the concept in both philosophical and practical terms.

Given this distinction the study focused on both the above areas. The attitudes of respondents to both the philosophical and implementational aspects were assessed using a questionnaire.

The findings of the philosophical acceptance of the marketing concept were studied using twenty-two questions (and sub-questions) in the survey. The findings of this part of the survey are detailed in this chapter.

The implementational aspects were studied using the remaining questions and sub-questions in the survey. The findings of this part of the survey are detailed in the following chapter.

Acceptance of the philosophical aspects of the marketing concept were measured by testing the respondents attitudes and orientation towards marketing on the basis of the indicators identified in the previous chapter.

8.4 Attitudes

Attitudes towards marketing, research and profitability were each examined using questions measuring the respondents attitudes.

8.4.1 Marketing Attitudes

These were tested by asking the respondents to score questions on;

- Industry Perspectives
- Marketings' relevance to Services
- Marketings' Characteristics

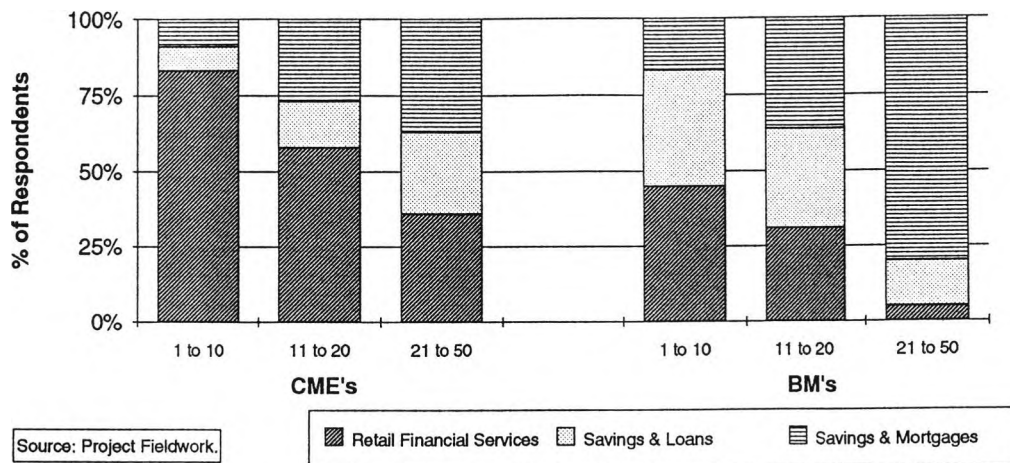
Marketing Attitudes: Industry Perspective

One of the most important features of a firm is the definition of its market, as this determines the nature of the business, its products, its customers, and its competitors.

A product orientated firm defines its industry in a narrow sense, while a marketing orientated firm views its business more broadly.

To determine the respondents' perspectives of the industry they were asked to identify the best term describing their industry. Their choices ranged from very narrow to broad (Saving & Mortgages to Retail Financial Services). The following chart indicates the attitudes of the respondents;

Chart 8.1
Best Description of the Industry.
(Percent of Respondents)



From the chart it can be noted that across the three layers of responsibility, the Marketing Executives tended to have a wider perspective of their industry and are therefore more marketing orientated in terms of industry definition, than the Branch Managers. In addition note that respondents of the larger societies have a wider perspective of their industry than their counterparts in the smaller societies. As a group, the Branch Managers in particular had a short sighted view of their business. They believed themselves to be a special category, rather than belonging to the broader classification. This characteristic was also more evident amongst the Chief Marketing Executives of smaller building societies.

Marketing Attitudes: Relevance to Services

All respondents were asked to indicate the degree of agreement or disagreement on a scale 1 to 5 (1 = strongly agree) to the question "Marketing is more relevant to manufacturing than service firms". Their responses are indicated in the following tables:

Table 8.3 (Q30 & 31)								
Marketing Attitudes: CME								
Chief Marketing Executives Frequency (Percent)								
Society Rank	1-10 n = 8		11-20 n = 8		21-50 n = 19		All n = 35	
	Agree	Dis-agree	Agree	Dis-agree	Agree	Dis-agree	Agree	Dis-agree
Q31. Marketing is more relevant to manufacturing than services.	0	7 (88)	0	8 (100)	0	19 (100)	0	34 (97)
Q30. Marketing is mainly concerned with stimulating demand for a product or a service.	4 (50)	3 (38)	6 (75)	2 (25)	10 (53)	3 (16)	20 (57)	8 (23)
Source: Project Fieldwork								

Table 8.4 (Q30 & 31)								
Marketing Attitudes: BM								
Branch Managers Frequency (Percent)								
Society Rank	1-10 n = 44		11-20 n = 39		21-50 n = 38		All n = 121	
	Agree	Dis-agree	Agree	Dis-agree	Agree	Dis-agree	Agree	Dis-agree
Q31. Marketing is more relevant to manufacturing than services.	3 (7)	40 (91)	0	36 (92)	3 (8)	30 (79)	6 (5)	106 (87)
Q30. Marketing is mainly concerned with stimulating demand for a product or a service.	34 (77)	5 (11)	27 (69)	2 (5)	24 (63)	5 (13)	85 (70)	12 (10)
Source: Project Fieldwork								

Table 8.5 Marketing Attitudes: Chief Executive Officers Frequency (Percent)		
	Agree	Disagree
Q31. Marketing is more relevant to manufacturing than services.	0	7 (100)
Q30. Marketing is mainly concerned with stimulating demand for a product or a service.	3 (43)	1 (14)
Notes: In each case a five point scale was used. The extremes were labelled Strongly agree to Strongly disagree. Scale points 1,2 and 4,5 were aggregated.		
Source: Project Fieldwork		

Note from the above tables that nearly all the respondents across the three sample groups show broad acceptance of the marketing concept, disagreeing with the statement that "marketing is more relevant to the manufacturing industry".

Nearly all of the Chief Marketing Executives disagreed with this statement. Even among the Branch Managers of the smaller societies where acceptance is least enthusiastic, 87% disagreed with the statement.

Marketing Attitudes: Marketings' Characteristics

Broad acceptance of the relevance of marketing is general. But for many, is seen to have a narrow 'selling' function.

There is therefore broad acceptance of the relevance of marketing in services, but for over half of the respondents, it is seen to have a narrow 'selling' function, as

they agreed that "Marketing is mainly concerned with stimulating demand for a product or a service".

The narrow view of marketing is especially widespread among the Branch Managers but, even among the Chief Marketing Executives, almost 60% believe that marketing is mainly concerned with 'stimulating demand'. Only a quarter of this most closely concerned group rejected this narrow definition. The most likely to reject it are Chief Marketing Executives in the larger societies, where one in three do so.

Three of the seven Chief Executive Officers (43%) agreed with the narrow approach to marketing, with only one rejecting it outright.

Respondents attitudes to marketing were further tested by asking all of them to rank three statements in order of importance. Their responses were as follows;

Table 8.6 (Q13)			
Attitudes: Marketing Characteristics (Means)			
	CME Mean Rank	CEO Mean Rank	BM Mean Rank
Success is achieved by supplying services at the optimum quality and cost.	1.71 1	1.43 1	1.69 1
Success depends on customer research and product innovation.	2.05 2	2.14 2	1.99 2
Selling and promotion are the key to success.	2.37 3	2.42 3	2.20 3
Notes: CME = Chief Marketing Executive, CEO = Chief Executive Officer BM = Branch Manager. Most important = Lowest mean. Source: Project Fieldwork.			

In all three categories of respondents product quality and cost are seen as the key to success. The general attitude is that the marketing effort should be production orientated rather than customer orientated.

8.4.2 Research Attitudes

Four statements were used to test the philosophical attitudes of respondents towards market research. Tables 8.7 & 8.8 show the statements used and the respondents views.

Superficially, the majority of respondents in each group seem to accept the need for market research, agreeing that it should "have an impact on all departments".

Among Chief Marketing Executives, this acceptance is reinforced by recognition of the need to target customer segments, implying the need for the depth of understanding that market research can yield. Many Branch Managers and Chief Executives however, seem to have a simpler view of the world. In these two groups, only around half recognise the need for segmentation. Branch Managers in the smaller societies in particular, are inclined to believe that the "typical" customer can be the target.

Table 8.7 (Q39,40,43,44)
Research Attitudes: CME
Chief Marketing Executives
Frequency (Percent)

Society Rank	1-10 n = 8		11-20 n = 8		21-50 n = 19		All n = 35	
	Agree	Dis-agree	Agree	Dis-agree	Agree	Dis-agree	Agree	Dis-agree
Q39. The society should satisfy the typical customer rather than individual segments of customer.	1 (13)	7 (88)	1 (13)	5 (63)	2 (11)	12 (63)	4 (11)	24 (69)
Q40. Market research should have a direct impact on the operations of all departments.	7 (88)	1 (13)	5 (63)	1 (13)	14 (74)	1 (5)	26 (74)	3 (9)
Q43. Societies are more sensitive to customer needs than banks.	6 (75)	0	7 (88)	0	15 (79)	2 (11)	28 (80)	2 (6)
Q44. Customers trust societies more than banks.	8 (100)	0	8 (100)	0	18 (95)	0	34 (97)	0

Notes:

1. In each case a five point scale was used. The extremes were labelled from Strongly Agree to Strongly Disagree.
2. Scale points 1, 2 and 4, 5 were aggregated.

Source: Project Fieldwork.

Table 8.8 (Q39,40,43,44)
Research Attitudes: CEO & BM's
Frequency (Percent)

	Branch Managers								CEO's	
Society Rank	1-10 n = 44		11-20 n = 39		21-50 n = 38		All n = 121		All n = 7	
	Agree	Dis- agree	Agree	Dis- agree	Agree	Dis- agree	Agree	Dis- agree	Agree	Dis- agree
Q39. The society should satisfy the typical customer rather than individual segments of customer.	7 (18)	23 (52)	9 (23)	21 (54)	14 (37)	13 (34)	30 (25)	57 (47)	2 (29)	4 (57)
Q40. Market Research should have a direct impact on the operations of all departments.	32 (73)	3 (7)	26 (67)	5 (13)	21 (56)	4 (10)	79 (65)	12 (10)	6 (86)	0
Q43. Societies are more sensitive to customer needs than banks.	38 (86)	1 (2)	34 (87)	2 (5)	34 (89)	1 (3)	106 (88)	4 (3)	5 (71)	0
Q44. Customers trust societies more than banks.	35 (80)	2 (5)	35 (90)	2 (5)	36 (95)	0	106 (88)	10 (8)	6 (86)	0

Notes:

1. In each case a five point scale was used. The extremes were labelled from Strongly Agree to Strongly Disagree.
2. Scale points 1, 2 and 4, 5 were aggregated.

Source: Project Fieldwork.

Enthusiasm for market research may well be tempered by the feeling of most respondents that they are already 'close' to their customers, understanding their needs and enjoying their trust. This view is particularly prevalent amongst the Branch Managers, 88% of whom believe that they are more sensitive to their customer needs than the banks. Over 85% of all respondent groups feel that customers trust societies more than banks. This perception is particularly widely held at all levels in the smallest societies.

Interviews with some of the respondents revealed that the larger societies believed that though they enjoy greater customer trust than the banks, this was likely to decline as the building societies increasingly offer and become more bank like with their services. The smaller societies are more likely to stick to their core businesses and therefore feel more confident in this area.

8.4.3 Profit Attitudes

Another dimension of the marketing concept philosophy is that of profitability. In order to assess the respondents views on this issue they were asked to indicate the extent of their agreement or disagreement with the two statements presented to them in Q33 & 42. Table 8.9 and Table 8.10 indicate the respondents views by level of responsibility.

Table 8.9 (Q33 & 42) Attitudes to Profit: Chief Marketing Executives Frequency (Percent)								
	Chief Marketing Executives							
Society Rank	1-10 n = 8		11-20 n = 8		21-50 n = 19		All n = 35	
	Agree	Dis- agree	Agree	Dis- agree	Agree	Dis- agree	Agree	Dis- agree
Q33 Our Main task is to increase sales volume profits will follow naturally.	1 (13)	7 (88)	1 (13)	6 (75)	0	15 (79)	2 (6)	28 (80)
Q42 Societies should be organised to provide services to customers for a profit.	7 (88)	1 (13)	8 (100)	0	16 (84)	1 (5)	31 (89)	2 (6)
Notes: 1. In each case a five point scale was used. The extremes were labelled from Strongly Agree to Strongly Disagree. 2. Scale points 1, 2 and 4, 5 were aggregated. Source: Project Fieldwork.								

Table 8.10 (Q33 & 42) Attitudes to Profit: Chief Executives Officers and Branch Managers Frequency (Percent)										
	Branch Managers								CEO's	
Society Rank	1-10 n = 44		11-20 n = 39		21-50 n = 38		All n = 121		All n = 7	
	Agree	Dis- agree	Agree	Dis- agree	Agree	Dis- agree	Agree	Dis- agree	Agree	Dis- agree
Q33 Our Main task is to increase sales volume profits will follow naturally.	13 (30)	22 (50)	11 (28)	16 (41)	13 (34)	15 (39)	37 (31)	53 (45)	4 (57)	1 (14)
Q42 Societies should be organised to provide services to customers for a profit.	34 (77)	2 (5)	30 (77)	0	36 (95)	0	100 (83)	2 (2)	7 (100)	0
Notes: 1. In each case a five point scale was used. The extremes were labelled from Strongly Agree to Strongly Disagree. 2. Scale points 1, 2 and 4, 5 were aggregated. Source: Project Fieldwork.										

In all respondent groups the large majority show clear profit orientation. Indeed the level of focus on profitability is surprising in view of the mutual status of the building society industry, who up to the introduction of the Building Societies Act 1986, called profits "surpluses".

However, nearly a third of the Branch Managers and over half of the Chief Executive Officers felt that increased profitability is the automatic result of increased sales.

At interview, some Chief Executive Officers indicated their belief that sales volume and profits always moved together. One Chief Executive Officer however, disagreed strongly with the statement in Q33, he summed up his feelings with the quote:

"Turnover is Vanity
Profit is Sanity
Cash is Reality."

8.5 Orientation

The respondents orientation towards marketing was measured by asking them to respond to twelve questions. These questions were designed to provide an indication of their orientation towards;

- Marketing in general
 - the Corporate culture
-

- the Corporate and Marketing goals and
- the Integrative role of marketing

The findings of each of the above are discussed below.

8.5.1 General Orientation

Three statements about general marketing orientation were presented to the respondents, who were asked to indicate their degree of agreement or otherwise with each. The results confirm that the earlier indications that for many, their perceptions of marketing is very narrow: as a way of selling an already good product.

From the table above note that 43% of the Chief Marketing Executives overall disagreed with the statement that marketing is simply selling effectively. Of the largest societies, 75% of the Chief Marketing Executives disagreed with this statement. This level of disagreement declines as the societies get smaller. However, half of the Branch Managers and Chief Executives agreed with this statement.

However, when the statement is expanded to include the societies products and services, over half of all Chief Marketing Executives agreed with Q36. Only the Chief Marketing Executives of the largest societies were undecided with 38% both agreeing and disagreeing with this statement. In the secondary target group, nearly two out of three Branch Managers and Chief Executive Officers agreed with the above statement.

Table 8.11 (Q32, 36 & 37) General Marketing Orientation: Chief Marketing Executives Frequency (Percent)								
	Chief Marketing Executives							
Society Rank	1-10 n = 8		11-20 n = 8		21-50 n = 19		All n = 35	
	Agree	Dis- agree	Agree	Dis- agree	Agree	Dis- agree	Agree	Dis- agree
Q32 Marketing is selling effectively.	1 (13)	6 (75)	1 (13)	3 (38)	4 (21)	6 (32)	6 (17)	15 (43)
Q36 Marketing is selling the society's products and services to its customers.	3 (38)	3 (38)	5 (63)	0	10 (53)	3 (16)	18 (51)	6 (17)
Q37 Make a better product and people will beat a path to your door.	1 (13)	3 (38)	2 (25)	5 (63)	3 (16)	9 (47)	6 (17)	17 (49)
Notes: 1. In each case a five point scale was used. The extremes were labelled from Strongly Agree to Strongly Disagree. 2. Scale points 1, 2 and 4, 5 were aggregated. Source: Project Fieldwork.								

Table 8.12 (Q32, 36 & 37)
General Marketing Orientation: Chief Executive Officers and Branch Managers
Frequency (Percent)

	Branch Managers								CEO's	
Society Rank	1-10 n = 44		11-20 n = 39		21-50 n = 38		All n = 121		All n = 7	
	Agree	Dis- agree	Agree	Dis- agree	Agree	Dis- agree	Agree	Dis- agree	Agree	Dis- agree
Q32 Marketing is selling effectively.	15 (34)	10 (23)	24 (61)	5 (13)	20 (53)	11 (29)	59 (49)	26 (21)	4 (57)	1 (14)
Q36 Marketing is selling the society's products and services to its customers.	29 (66)	6 (14)	25 (64)	5 (13)	25 (66)	6 (16)	79 (65)	17 (14)	4 (57)	0
Q37 Make a better product and people will beat a path to your door.	18 (41)	17 (39)	24 (62)	3 (8)	15 (39)	11 (29)	57 (47)	31 (26)	3 (43)	2 (29)
Notes: 1. In each case a five point scale was used. The extremes were labelled from Strongly Agree to Strongly Disagree. 2. Scale points 1, 2 and 4, 5 were aggregated. Source: Project Fieldwork.										

About half of the Chief Marketing Executives reject the production orientation suggested in Q37. However, only a quarter of the Branch Managers and a third of the Chief Executive Officers rejected this statement, reflecting a production orientation.

Thus despite a high level of awareness of marketing, most respondents and especially the branch managers equated marketing with rudimentary promotional activities. Most of these respondents agreed with the idea that marketing is simply selling effectively (Q32), though there are marked differences between the groups. They therefore feel that a comprehensive definition of marketing is selling the society's products and services to its customers by stimulating demand.

This reflects a sales-orientation approach which Kotler [2] defines as "customers will either not buy or not buy enough of the organisations products unless the organisation makes a substantial effort to stimulate their interest in its products".

Most of the respondents in the secondary target group, therefore felt that marketing was synonymous with selling, disregarding the rest of the marketing mix. This is not in agreement with the marketing concept.

8.5.2 Corporate Culture

Corporate or organisational culture is the pattern of shared values and beliefs that helps individuals understand organisational functioning, and thus provides the norms for behaviour in the organisation [3]. Corporate culture exerts a tremendous influence on the behaviour of employees, and thus it is important for the firm to have a positively marketing orientated corporate culture.

The impact of corporate culture was examined from two perspectives; Cultural orientation and Cultural influences.

Orientation:

The three groups of respondents were asked to indicate on a scale from 1 to 5 (1 = true), their perception of the society's corporate cultural beliefs and orientation by scoring eight attitudinal statements.

The results are outlined in Table 8.13 below.

Similarly, these respondents were also asked to indicate which terms best described their society. Again, they were presented with a five point scale (1 = true) and asked to score seven descriptive terms. The results are indicated in Table 8.15 (on page 212).

Table 8.13 (Q48)			
Corporate Culture: Orientation			
All Respondents (Means)			
	Chief Marketing Executives	Chief Executive Officers	Branch Managers
	Mean Rank	Mean Rank	Mean Rank
Belief in Superior Quality & Service	1.45 1	1.29 2	1.51 2
Belief in Economic Growth & Profits	1.77 2	1.00 1	1.47 1
We are Customer Orientated	2.07 3	1.86 4	1.80 4
Belief in Being Best	2.09 4	1.43 3	1.75 3
Main Task is to get better Sales from Customers	2.18 5	2.14 6	1.92 6
We are Sales Orientated	2.27 6	2.29 8	1.80 5
We are Product Orientated	2.32 7	2.14 7	2.34 8
We are Innovative	2.33 8	2.00 5	2.20 7
Notes: Most important; lowest mean.			
Source: Project Fieldwork.			

From Table 8.13 we see that the societies, across the three groups of respondents, consistently believe in economic growth and profits as well as superior quality and service. They do not think that they are product orientated.

The Chief Executive Officers are more strongly growth and profits orientated than either the Chief Marketing Executives or the Branch Managers.

The above findings which focus on profits and customer orientated service is in agreement with the elements of the marketing concept.

8.5.3 Culture: Influences

The prevailing corporate cultural attitudes are often shaped by senior executives. The most senior of these executives, the Chief Executive Officers are in a position of power and influence. They could be expected to have considerable influence upon the culture of the society. A positive attitude to marketing by the Chief Executive Officer, will therefore permeate the society.

In order to establish the source of the greatest influence on corporate culture, all respondents were asked to rank in order of importance, five possible sources of influence on the society's culture.

The findings are set out in Table 8.14 below.

Table 8.14 (Q52)				
Corporate Culture: Major Influences				
All Respondents				
	Chief Marketing Executive Mean Rank	Chief Executive Officer Mean Rank	Branch Managers Mean Rank	
Chief Executive Officer	1.31 1	1.43 1	2.20	1
Management	1.95 2	1.71 2	2.64	4
Board	2.25 3	2.29 3	2.25	2
Customers	2.37 4	2.71 4	2.57	3
History	2.93 5	2.86 5	3.64	5
Source: Project Fieldwork.				

All three groups of respondents feel that the Chief Executive Officer has the greatest influence on the corporate culture of a building society. The Chief Marketing Executive and Chief Executive Officer respondents believe that the society's management is the second most influential group in societies before the Board. However, the Branch Manager respondent group believe that the Board is more influential than the management in setting the corporate culture of the society.

Thus societies are more likely to be marketing oriented if the Chief Executive Officer has strong marketing led beliefs.

8.5.4 Self Perceptions

As described above, all the respondents were asked to indicate the terms best describing their society.

The Table below indicates that the societies see themselves as friendly, competitive, and profitable. Though the Chief Executive Officers strongly feel that they are friendly and caring too.

Table 8.15 (Q49)						
Terms Best Describing the Society						
All Respondents (Means)						
	Chief Marketing Executives		Chief Executive Officers		Branch Managers	
	Means	Rank	Means	Rank	Means	Rank
Competitive	1.69	1	1.86	3	1.70	2
Business Like	1.85	2	2.14	5	2.08	5
Profitable	1.89	3	2.14	4	1.88	3
Friendly	1.91	4	1.14	1	1.68	1
Caring	2.06	5	1.57	2	2.07	4
Socially Responsible	2.21	6	2.29	6	2.44	7
Efficient	2.43	7	2.29	7	2.41	6
Notes: Lowest Mean = Best Description.						
Source: Project Fieldwork.						

Closer examination of the Chief Marketing Executive’s data (Table 8.16) reveals that there are considerable differences between the three society size groups.

The top 20 societies rank themselves as competitive, profitable and business like whereas the smallest societies see themselves as ‘friendly’ and ‘caring’. All the Chief Marketing Executives put ‘socially responsible’ and ‘efficient’ bottom of their lists.

Table 8.16 (Q49)				
Terms Best Describing the Society CME's Chief Marketing Executives (Means)				
	ALL Means Rank	1 to 10 Means Rank	11 to 20 Means Rank	21 to 50 Means Rank
Competitive	1.69 1	1.75 1	1.57 1	1.76 3
Business Like	1.85 2	1.88 3	1.86 3	1.82 4
Profitable	1.89 3	1.88 2	1.71 2	2.09 6
Friendly	1.91 4	2.38 4	2.00 5	1.35 1
Caring	2.06 5	2.50 5	2.00 4	1.67 2
Socially Responsible	2.21 6	2.75 6	2.00 6	1.88 5
Efficient	2.43 7	2.75 7	2.14 7	2.41 7
Note: Lowest mean = Best description				
Source: Project Fieldwork.				

The Branch Managers rank 'friendly' and 'competitive' highly. They also rank 'socially responsible' bottom of the seven descriptive terms listed.

Thus, even though building societies are still mutual organisations, we note that the societies no longer see themselves as socially responsible and caring, the largest preferring to project a competitive, business like image.

8.5.5 Corporate Goals

Marketing should be the philosophy which directs corporate activity. As the corporate philosophy is outlined by corporate goals and perceived success factors, these will be indicative of the orientation of a society.

All three respondent groups were therefore asked to respond to groups of attitudinal statements which are indicative of the orientation of the society. These statements identified the society's orientation in respect of the corporate goals and success factors.

All respondents were asked to rank in order of importance (1 = most important) seven suggested corporate goals. The results are indicated in Table 8.17 below.

Table 8.17 (Q46) Corporate Goals All Respondents (Means)			
	Chief Marketing Executives Mean Rank	Chief Executive Officers Mean Rank	Branch Managers Mean Rank
Improve Profitability	1.87 1	1.33 1	1.90 1
Increase Market Share	2.58 2	3.50 4	2.85 2
Improve Productivity	3.27 3	2.60 3	3.57 3
Defend Market Share	4.67 4	3.80 5	4.83 6
Survival	4.89 5	2.00 2	4.68 5
Expand Services/Products	4.94 6	5.50 6	4.67 4
Enter New Markets	5.32 7	7.00 7	5.50 7
Notes: More important; lower the mean.			
Source: Project Fieldwork.			

From the table above we see that all the respondents are agreed that improving profitability is the most important corporate goal. The Chief Marketing Executives and Branch Managers agree that increasing market share and

improving productivity are the next most important goals. All the respondents rank 'entering new markets' as the least important corporate goal.

It is interesting to note that the Chief Executive Officers rank 'survival' as the second most important goal, reflecting as discussed earlier, the difficult trading environment in the building society industry.

Closer examination reveals that there are differences between the Chief Marketing Executives of the three different society size groups. These differences are illustrated in Table 8.18 below.

Table 8.18 (Q46) Corporate Goals CME's Chief Marketing Executives (Means)				
	ALL Mean Rank	1 to 10 Mean Rank	11 to 20 Mean Rank	21 to 50 Mean Rank
Improve Profitability	1.87 1	1.50 1	1.75 1	2.37 1
Increase Market Share	2.58 2	2.50 2	2.63 2	2.61 2
Improve Productivity	3.27 3	2.63 3	3.71 4	3.47 3
Defend Market Share	4.67 4	5.29 6	4.71 5	4.00 4
Survival	4.89 5	6.71 7	3.25 3	4.72 5
Expand Services/Products	4.94 6	4.75 5	5.29 6	4.79 6
Enter New Markets	5.32 7	4.00 4	6.29 7	5.68 7
Notes: More important; lower the mean.				
Source: Project Fieldwork.				

All the Chief Marketing Executives agree on the importance of improving

profitability, market share and productivity. However, the mid range societies, those ranked from 11 to 20, reflected the feelings of the Chief Executive Officers in Table 8.17, by ranking survival as one of their top three goals.

It is interesting here to note that two of the societies surveyed in this group transferred its engagements shortly after completion of the field work, clearly illustrating that survival is a valid consideration for some building societies. In contrast, the largest societies feel that survival is their least important concern, whereas entering new markets is fourth in the ranking by importance. This is a reflection of their competitive strategy towards the banks, who they see as their most important competitors.

The focus on profitability demonstrated in Table 8.18, is in agreement with earlier findings and in accordance with the elements of the marketing concept.

8.5.6 Corporate Success Factors

The three groups of respondents were asked to rank in order of importance (1 = most important) seven success factors over the next five years. The results are outlined in the table below.

Table 8.19 (Q45) Success Factors in 5 years All Respondents			
	Chief Marketing Executives Mean Rank	Chief Executive Officers Mean Rank	Branch Managers Mean Rank
Low Cost/High Efficiency	2.09 1	1.67 1	2.54 1
Better Service	2.69 2	3.33 3	2.67 2
Better Marketing	3.39 3	3.00 2	3.97 4
Product Innovation	3.96 4	4.67 5	4.08 5
Better Sales	4.67 5	3.50 4	2.78 3
Data Processing	4.84 6	5.33 6	6.37 7
Greater Investment	6.13 7	6.50 7	5.58 6
Note: Lowest mean = Most important.			
Source: Project Fieldwork.			

We see from the table above that all the respondents feel that lower costs/higher efficiency will be the most important determinant for success in the next five years. The conviction that gains in productivity are necessary to be successful in the next five years, increases with the seniority of the respondents.

Remarkably, the Chief Marketing Executives and the Branch Managers rank 'Better Service' over 'Better Marketing'. Whilst, the Chief Executive Officers feel that better marketing is more important. Discussions with the respondents indicated that these differences arise because the Chief Marketing Executives regarded customer service as a separate functional area and not part of marketing. Whereas, the Chief Executive Officers felt that customer service is an essential

part of the marketing mix.

The Branch Managers tend to demonstrate a sales orientation as they feel that in order to be successful over the next five years, achieving better sales will be more important than better marketing.

The Chief Executive Officers therefore demonstrate a greater marketing orientation than either of the other two groups of respondents.

8.5.7 Integrative Role

As discussed in chapter 6, coordination between the various departments of a firm is a prerequisite for the implementation of the marketing concept. The marketing concept replaces the functional fragmentation of corporate activities, with the integration of business functions orientated toward a market requirement.

This integrative role of marketing is facilitated by the appointment of marketing executives at senior levels.

Table 8.20 (Q34,35,38,41) Status and Integration: Chief Marketing Executives Frequency (Percent)								
Society Rank	1-10 n = 8		11-20 n = 8		21-50 n = 19		All n = 35	
	Agree	Dis-agree	Agree	Dis-agree	Agree	Dis-agree	Agree	Dis-agree
Q34. The Chief Marketing Executive should be a member of the Executive Group.	7 (88)	1 (13)	8 (100)	0	17 (89)	0	32 (91)	1 (3)
Q35. The Chief Marketing Executive should be a Director.	5 (63)	1 (13)	7 (88)	0	12 (63)	1 (5)	24 (69)	2 (6)
Q38. Marketing should have the minimum of influence on the day to day operations of the society.	1 (13)	7 (88)	0	7 (88)	1 (5)	17 (89)	2 (6)	31 (89)
Q41. The Marketing Department should be able to influence decisions in all departments.	6 (75)	1 (13)	6 (75)	1 (13)	13 (68)	1 (5)	25 (71)	3 (9)
Notes: 1. In each case a five point scale was used. The extremes were labelled from Strongly Agree to Strongly Disagree. 2. Scale points 1, 2 and 4, 5 were aggregated. Source: Project Fieldwork.								

Table 8.21 (Q34 & 35)
Status and Integration CEO & BM's
Chief Executive Officers and Branch Managers
Frequency (Percent)

	Branch Managers								CEO's	
Society Rank	1-10 n = 44		11-20 n = 39		21-50 n = 38		All n = 121		All n = 7	
	Agree	Dis- agree	Agree	Dis- agree	Agree	Dis- agree	Agree	Dis- agree	Agree	Dis- agree
Q34. The Chief Marketing Executive should be a member of the Executive Group.	26 (59)	7 (9)	27 (69)	5 (13)	20 (52)	7 (18)	73 (60)	19 (16)	6 (86)	0
Q35. The Chief Marketing Executive should be a director.	13 (30)	17 (39)	9 (23)	16 (41)	7 (18)	18 (47)	29 (24)	51 (42)	0	3 (43)
Q38. Marketing should have the minimum of influence on the day to day operations of the society.	10 (23)	22 (50)	8 (21)	20 (51)	9 (24)	23 (60)	27 (22)	65 (54)	0	7 (100)
Q41. The Marketing Department should be able to influence decisions in all departments.	21 (47)	12 (27)	9 (23)	15 (38)	17 (44)	10 (26)	47 (39)	37 (31)	5 (71)	0

Notes:

1. In each case a five point scale was used. The extremes were labelled from Strongly Agree to Strongly Disagree.
2. Scale points 1, 2 and 4, 5 were aggregated.

Source: Project Fieldwork.

From Table 8.20 & 8.21 notice the following characteristics;

- a) All the respondents were agreed that the Chief Marketing Executive should be a member of the Executive Group. However, there were clear differences; as expected, the Chief Marketing Executives were most in favour with over 91% agreeing with this statement. The level of agreement is 86% for the Chief Executives and 60% for the Branch Managers.
- b) However, when asked whether the Chief Marketing Executive should be a Director, only the Chief Marketing Executives themselves agreed with the statement (69%), whilst the Chief Executive Officers and the Branch Managers disagreed (43% and 42% respectively). None of the Chief Executive Officers felt that there was a role for the Chief Marketing Executive at Board Level.
- c) All the respondents disagreed with Q38 and felt that marketing should be able to influence the day to day operations of the society. Surprisingly, the Chief Executive officers were most in favour, with all disagreeing with the statement.
- d) However, when the level of commitment in Q38 is tested by focusing on the level of influence of the marketing department should have on other departments, the level of agreement falls away, though over 70% of the Chief Marketing Executives and Chief Executives still agree.

From the above it is clear that the respondents are generally in agreement with the marketing concept that the Chief Marketing Executive should have high managerial status.

The majority of respondents were also in agreement with the marketing concept, that the marketing department should have influence over the day to day operations of the society.

8.6 Conclusions:

From the tables of the quantitative study above it is clear that the respondents are generally in favour of the philosophy of the marketing concept, though there are clear differences between the respondents.

The Chief Marketing Executives are most in favour, followed by the Chief Executive Officers and the Branch Managers.

However, the interview process revealed that the level of commitment to the marketing concept is considerably less than the tables above would seem to indicate. It is clear that the respondents understood and accepted the philosophy of the marketing concept, though the degree of commitment to implementing it varied considerably, as will be seen in the next chapter.

A possible explanation for this was given by Ames [4], who pointed out that;

"it would be hard for anyone to argue with the idea that gearing a business to be responsible to the customers needs - which is a simple but meaningful description of what marketing is all about - is not only sensible, but the only way to run a business."

But understanding the concept is one thing, putting it into practice is another. The interviews revealed an instinctive understanding for the need to get closer to

the customer, but an underlying reluctance to implement the changes necessary.

An example of this are the contrasting responses to Questions 38 and 41. Here Q38 deals with the philosophical aspects of the marketing concept with which most of the respondents agreed, however, when the practical impact of the philosophy is clarified by Q41 in terms of impact on other functional departments, the level of commitment declines.

At interview, the Chief Executive Officers indicated that the practical aspects of management practice would require that the correct reporting channels should be used, if the marketing department wished to exercise influence over the other departments. Thus, they were signalling their concerns of the practical difficulties of implementing the tenets of the marketing concept, because of the political aspects of management practice.

This distinction between the acceptance of the philosophy of the marketing concept, and the extent of its practical implementation, confirms the need to include both aspects in this survey.

The results of the survey of the practical implementation of the marketing study are summarised in the next chapter.

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Chapter Nine

Findings II: Implementation of Marketing

9.0 Practical Implementation: Introduction

This chapter examines the implementation of the marketing concept within the building society industry. This is achieved by studying the practical organisation of the marketing efforts by building societies, using the factors identified in chapter 6 as indicative of implementation of the marketing concept.

Broadly, these indicators could be grouped as follows;

- a) the formal organisation of the marketing department and the research function. This area includes a study of the relative status of the Chief Marketing Executive, and the degree of responsibility held by the marketing department for a range of functions.
 - b) the degree of sophistication of the execution of the marketing effort, including a study of the Corporate and Marketing goals.
 - c) respondent profiles; Each respondent was asked to provide personal background information, which was used to chart the profiles of each of the three groups of respondents.
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9.1 Marketing Department: Formalisation

One of the basic requirements for the organisational application of the marketing concept is the integration of all the marketing related activities under the control of the marketing executive. For the purposes of the survey, this executive is called the Chief Marketing Executive and is defined as the highest ranking marketing executive for the entire building society as a group.

However, it should be noted that in the building society industry, the Chief Marketing Executive may also have wider responsibilities outside marketing, as it is common for senior executives to have broad areas of responsibility. Thus the Chief Marketing Executive was identified in the study on the basis of his marketing responsibilities rather than his 'Marketing' title. This was done by reference to the organisational charts of each society.

9.1.1 Existence and Maturity

The existence of a specific marketing department or functional area is one of the first steps in the implementation of the marketing concept. Therefore confirmation was sought of the existence, date of establishment, size, and type of marketing department.

From Table 9.1 we note that 14% of the building societies in the top 50 did not have a marketing department. These were however, all outside the top 20. As mentioned earlier, this is likely to be understated due to non-response bias

amongst the smallest societies.

Table 9.1 (Q2) Marketing Department Frequency (Percent)				
	1 - 10 n=8	11 - 20 n=8	21 - 50 n=19	ALL n=35
Q2a. Marketing Department? (Y)	8 (100)	8 (100)	14 (74)	30 (86)
Q2b. Single Centralised Dept.	7 (88)	7 (88)	15 (79)	29 (83)
Each Major Area	1 (13)	1 (13)	0	2 (6)
Function Decentralised	0	0	0	0
No Specific Dept.	0	0	4 (21)	4 (11)
Notes: 1. 14% of the societies in the Top 50 did not have a Marketing dept, they were all ranked 30+. 2. Most Societies have a single centralised department. Source: Project Fieldwork.				

The following table (Table 9.2) indicates the age and size of the marketing departments across the three segments of the building society industry. In terms of age, formal marketing departments are relatively new to building societies, with 60% being established after 1985, though the oldest in the survey was established in 1965. Even among the top 10, one society formally established its marketing department as recently as 1989, by amalgamating separate functional areas.

These findings confirm research by Thwaites and Lynch [1], [2] & [3] who found, that prior to 1980, less than 5% of building societies had a formal marketing department. Their survey in 1989 found that only 52% of building societies had a marketing department, and that of these, 58% had been

operational for only five years.

Probing these findings at interview, the Chief Marketing Executives of the larger societies (1 to 20), indicated that many had separate 'Advertising and Promotional' departmental functions for many years. In general, these departments were consolidated into formal marketing departments in the 1980's.

Thus for many societies, marketing departments have only recently been established by the transformation of existing promotions oriented functional areas. It is therefore not surprising that many societies continue to define marketing in its narrow functional role.

9.1.2 Size and qualifications

Note from Table 9.2 above that the average size of a top 10 building society marketing department is nearly three times that of a similar department in the next group ranked from 11 to 20. The ratio of the number of marketing executives to support staff across the three categories of society is remarkably constant. The larger societies employ relatively more professionally qualified staff in their marketing departments, and are therefore more likely to have adopted a professional approach to marketing than their smaller competitors.

Table 9.2 (Q4)					
Average Size: Marketing Department (Number)					
	Dept Headcount	Nos Execs	Nos Clerical	%age with Qualifications	Ave. Nos Years Established
Top 10	46	26	20	56	11
11-20	16	9	7	44	9
21-30	9	5	4	33	6
31-40	4	2	2	25	3
41-50	2	1	1	0	3
Notes:					
1. One society in the Top 10 formally estd its marketing department in 1989.					
2. Formal qualifications include professional Building Society, Banking and Marketing diplomas.					
Source: Project Fieldwork.					

9.1.3 Responsibilities

In order to determine the extent to which marketing functions were integrated, respondents were asked to indicate the degree of responsibility the marketing department had for a range of functions. They were asked to indicate their perceptions of functional responsibility on a scale of 1 to 5, (1= full responsibility). Only the Chief Marketing Executives and the Chief Executive Officer groups were asked to respond.

Table 9.3 indicates the findings regarding the functional responsibilities of the marketing department.

Table 9.3 (Q21)
Marketing Department Degree of Responsibility
Chief Marketing Executives and Chief Executive Officers

	CMEs ALL		CMEs 1 to 10		CMEs 11 to 20		CMEs 21 to 50		CEOs ALL	
	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank	Mean	Rank
Advertising	1.15	1	1.00	1	1.25	2	1.21	1	1.14	1
Marketing Staff Selection	1.36	2	1.13	4	1.00	1	1.95	6	1.86	5
Sales Promotion	1.51	3	1.13	2	1.75	3	1.53	3	1.57	4
Marketing Planning	1.53	4	1.38	6	1.75	4	1.47	2	1.29	3
Market Research	1.72	5	1.50	7	1.88	7	1.79	4	1.29	2
New Product Development	1.77	6	1.13	3	1.88	8	2.32	7	2.14	7
Product Selection/Design	1.78	7	1.25	5	1.75	5	2.53	9	2.14	6
Marketing Training	1.80	8	1.50	9	2.00	9	1.89	5	3.29	11
Price Setting	2.17	9	1.50	8	1.75	6	3.26	16	3.29	10
Sales Forecasting	2.63	10	1.75	10	2.88	12	3.26	15	3.86	14
Corporate/Strategic Planning	2.76	11	2.63	13	2.75	11	2.89	11	3.86	15
Distribution	2.81	12	3.25	15	2.75	10	2.42	8	4.00	16
Branch Design	2.96	13	2.50	12	3.13	15	3.26	13	2.71	8
Diversification Studies	2.99	14	2.13	11	3.00	14	3.84	18	4.57	18
Customer Service	3.05	15	3.50	16	2.88	13	2.79	10	3.14	9
Setting Branch Marketing Targets	3.25	16	3.25	14	3.50	17	3.00	12	3.71	13
Branch Site Selection	3.58	17	3.63	17	3.38	16	3.74	17	3.43	12
Selling Operations	3.59	18	3.88	18	3.63	18	3.26	14	4.14	17

Notes: Lower the means indicate greater responsibility of the marketing department for the function.

Source: Project Fieldwork.

From the table we see that both groups of respondents agree that the main marketing department responsibilities are Advertising and Sales promotion; followed by Market Research and Product Development. This confirms that the promotional and functional aspects are regarded as the most important responsibilities for the marketing department.

The marketing department has relatively less influence in Price setting, which is surprising in view of 77% of the respondents reporting involvement of the marketing department in product development. Given the increasing importance of customer service in the overall marketing mix, it is also surprising that the marketing department has so little influence in this area.

In market orientated firms sales management is guided by and tied to marketing strategy; it does not operate as an autonomous management function. However, note from the table above that the marketing department has the least responsibility in the areas related to sales. Overall therefore, there is a greater degree of emphasis on the advertising and promotional aspects of marketing and there is a lack of integration of the essential elements of a concept orientated marketing effort.

9.1.4 Documentation

In service firms the interface with the customer is particularly broad and intense, it is therefore essential that all personnel are well attuned to the mission, goals, strategies and plans of the organisation [4], otherwise they cannot handle all those natural points-of-marketing that occur in the interaction with the customer. Thus the organisation should have a set of well developed and

documented statements of its mission, goals, strategies and plans to deliver the message to all employees.

The Chief Marketing Executives were asked to indicate whether the society had a formally documented Mission Statement, Corporate & Marketing Plans, Target Segment Profiles and an Annual Budget.

Table 9.4 (Q50) Degree of Formal Planning Chief Marketing Executives Frequency (Percent)				
	ALL n=33	1 to 10 n=8	11 to 20 n=7	21 to 50 n=18
Corporate Plan	33 (100)	8 (100)	7 (100)	18 (100)
Annual Budget	33 (100)	8 (100)	7 (100)	18 (100)
Mission Statement	29 (88)	8 (100)	6 (86)	15 (83)
Marketing Plan	29 (88)	8 (100)	6 (86)	15 (83)
Target Segment Profiles	19 (58)	6 (75)	5 (71)	8 (44)
Source: Project Fieldwork.				

Here we see that the Annual Budget and the Corporate Plan are universally used planning tools in building societies. At least one society in the second largest group (11 to 20) does not have a formally documented mission statement or marketing plan. Under half of the smallest societies have formally documented target segment profiles.

Discussions with the Chief Marketing Executives and the Chief Executive

Officers revealed that they felt that the Corporate Plan and Annual Budget are essential planning tools for the management of any organisation, but the marketing plan is not seen as a vital tool for management. This is because it usually takes the form of a formal presentation of the different aspects of promotional and marketing budget and schedules, together with the planned sales support activities for the year.

In most cases where there is a formally documented marketing plan it is generally rudimentary providing a mechanism for the measurement of the promotional activities of the society, only the largest societies plan over a three or five year period, setting out their market and product analysis, marketing objectives, pricing policy, general communications strategy etc.

As the existence and detail of a marketing plan is the practical manifestation of the role of marketing in the organisation. It is clear that in many societies the role of marketing is confined to the provision of functional support to the sales operations, providing support facilities, promoting products and services and hence stimulating demand. Again we see a selling orientation. This is not in agreement with full adoption of the marketing concept, where the marketing plan would act as a catalyst, helping to identify customer needs and stimulating the company to meet them through improved products and services.

9.2 Marketing Status:

The existence of a marketing department or Chief Marketing Executive does not automatically imply the acceptance of marketing, its importance or success. According to the marketing concept, what is required is a fundamental

recognition by all levels in the society of the essentiality of the marketing function, both in philosophical and practical terms.

A good measure of corporate attitudes toward marketing therefore is the relative status of marketing when compared to other departments, and the status of the Chief Marketing Executive.

9.2.1 Department

The status of the marketing department was assessed in two ways; all respondents were asked to rank or score its importance by;

- i) Functional area rankings: different functional areas of the society were ranked in order of importance (Table 9.5).
- ii) Activity scoring: different activities were scored from 1 to 5 (1 = most important), and the mean scores ranked in order of importance to the society (Table 9.6).

i) By Functional Area Rankings

All three groups of respondents were asked to rank ten functional areas of building society management from 1 to 10 (1 = most important).

The results are presented in Table 9.5. Generally, the most important functional area perceived by all the respondents was Finance followed by Advances. Marketing was viewed as only the third most important function in Building

Societies. Even the Chief Marketing Executives ranked Finance above Marketing as the most important functional area. The importance of marketing declines to fourth position for the secondary group of respondents.

ii) By Activity scoring:

All three groups of respondents were asked to score ten activity areas of building society management from 1 to 5 (1 = most important). The results are presented in Table 9.6.

Table 9.5 (Q5)				
Relative Importance: Functions				
All Respondents				
(Means)				
	All Mean Rank	CME Mean Rank	CEO Mean Rank	BM Mean Rank
Finance	3.0 1	2.9 1	4.1 2	3.0 2
Advances	3.4 2	4.8 4	2.6 1	2.8 1
Marketing	4.2 3	3.3 2	4.7 4	4.7 4
Data Processing	5.0 4	4.7 3	6.9 9	3.3 3
Personnel	5.9 5	7.1 9	5.2 5	5.3 5
Treasury	5.9 6	5.3 5	6.8 7	5.5 6
Branch Management	6.0 7	6.0 7	4.6 3	7.5 8
Advertising	6.4 8	5.8 6	5.8 6	7.5 7
Research	7.1 9	6.6 8	6.9 8	7.8 9
Legal	7.6 10	7.5 10	7.4 10	8.0 10
Notes: Lower the mean = more important. CME = Chief Marketing Executives, CEO = Chief Executive Officers, BM = Branch Managers				
Source: Project Fieldwork.				

Overall 'Better Marketing' was scored fourth in the list of important activities for the societies. Marketing ranked after activities such as 'Customer service', 'Product quality' and 'Better Selling'. All of these might of course, in the real world, be regarded as aspects of marketing. They do not seem to so recognised here.

Table 9.6 (Q26)			
Relative Importance: Activities			
All Respondents			
	CME Mean Rank	CEO Mean Rank	BM Mean Rank
Better Customer Service	1.21 1	1.57 5	1.36 1
Improving Product Quality	1.39 2	1.57 4	1.45 2
Better Selling	1.64 3	1.43 2	1.58 4
Better Marketing	1.66 4	1.43 3	2.09 6
Convenient Branch Locations	1.73 5	1.71 6	1.85 5
Lower Transaction Costs	1.79 6	1.86 7	2.12 7
More Competitive Rates	1.88 7	1.14 1	1.48 3
Better Branch Layout	2.03 8	2.29 8	2.22 8
Wider Product Range	2.69 9	3.14 9	2.88 9
More Promotional Offers	3.06 10	3.29 10	2.89 10
CME = Chief Marketing Executives, CEO = Chief Executive Officers, BM = Branch Managers. Lowest Mean = Most Important. Source: Project Fieldwork.			

9.2.2 The Marketing Executive

In terms of status, the Chief Marketing Executive most commonly had the title of 'General Manager' (42%). In over 60% of the cases he reported to the Chief Executive Officer. The most common title of the Chief Marketing Executive was 'General Manager (Sales and Marketing)', and he spent 40% of his time on marketing issues. Just over 23% of the Chief Marketing Executives were Assistant General Managers, and only two were Directors.

A measure of the involvement of the Chief Marketing Executive in high level decision making is his involvement in goal setting. Overall, only half of the Chief Marketing Executives (Q10) reported that they were fully involved in the setting of Corporate Goals. This figure rises to 62% for the Chief Marketing Executives from the top 20 building societies. Only two out of five of the Chief Marketing Executives from the societies ranked from 21 to 50 felt that they were fully involved in corporate goal setting.

Thus, though in most cases the Chief Marketing Executive has senior status and reports directly to the Chief Executive Officer, nearly half of the Chief Marketing Executives reported that they were not fully involved in corporate goal setting. This is not in agreement with the marketing concept, where the Chief Marketing Executive is expected to have senior status within the group in order to provide marketing input at the highest decision making level. He should therefore be expected to be fully involved with high level decision making.

Chief Marketing Executives were also asked to indicate the degree of autonomy they exercised over the marketing plan and strategy, and the Marketing Budget.

Table 9.7 (Q53 & 54) Degree of Autonomy Chief Marketing Executives			
	1 to 10	11 to 20	21 to 50
Discretion over the Marketing Plan and Strategy	1.75	2.14	2.27
Discretion over the Marketing Budget	1.38	1.86	1.94
Notes: Lower the mean = greater discretion			
Source: Project Fieldwork.			

From the table above note that the Chief Marketing Executives feel that they have a high degree of control over the Marketing Plan and strategy as well as the Marketing Budget. They have greater control over their marketing Budgets than the Marketing Plan and Strategy. Note that the degree of autonomy declines as the societies get smaller.

9.3 Marketing Training:

The marketing concept should be understood by all levels of the organisation. Marketing training is therefore important for all levels of responsibility within a building society. Hooley et al [5] have shown a clear association between marketing orientation and the importance attached to training.

Chief Marketing Executives were therefore asked whether the society engaged in marketing training programmes, and about the methods used in carrying out these programmes. Of particular interest were the target groups for this type of training, and the relative importance of marketing training when compared to sales training.

Differences in the target groups and the degree of training provided is indicative of the relative functional importance of marketing when compared to sales. The results are presented in Table 9.8, 9.9 & 9.10.

Table 9.8 (Q25 a)		
Training Provisions: Chief Marketing Executives		
Frequency (Percent)		
	Sales	Marketing
All n = 35	30 (86%)	17 (49%)
1 to 10 n = 8	8 (100%)	7 (88%)
11 to 20 n = 8	7 (88%)	3 (38%)
21 to 50 n = 19	15 (79%)	7 (37%)
Source: Project Fieldwork.		

Table 9.9 (Q25 b)		
Use of Internal/External Trainers		
Chief Marketing Executives		
(Percent of those societies providing Training)		
	Sales	Marketing
In-House Trainers	90%	47%
External Trainers	63%	100%
Notes: A society may use both in-house and external trainers.		
Source: Project Fieldwork.		

Table 9.10 (Q25 c) Training: Target Personnel (Percent of all societies)		
	Sales	Marketing
Branch Managers	86%	8%
Branch Clerical Staff	88%	6%
Marketing Staff	20%	48%
Senior Executives	14%	20%
Source: Project Fieldwork.		

Over 86% of the societies surveyed, provided some form of sales training, whilst less than half provided marketing training. Most sales training is provided using internal trainers, whilst most marketing training is externally sourced.

In addition, the provision of training is related to the size of the society, with all of the larger societies providing sales training and 88% providing marketing training. Sales training is most likely to be directed at the Branch Managers and clerical staff. Where provided, marketing training is usually directed only at the marketing staff. The training programmes are therefore unlikely to reinforce the role of marketing in societies by disseminating the philosophy of marketing.

9.4 Research Function: Formalisation

An indication of the implementation of the marketing concept is the extent to which an organisation identifies customer needs and wants by researching

customer markets. The starting point of market orientation is therefore being an expert on the customer, and responsive to developments in the marketplace.

Intelligence generation is therefore an important facet of marketing orientation. This is a broader concept than merely identifying the verbalised needs and preferences of customers. It should include an analysis of exogenous factors, such as government regulations, technology and competition, which impact on customers needs and wants.

Chief Marketing Executives were asked to indicate whether the society had an identifiable research unit. They were also asked to indicate the year of establishment and the number of employees in these units.

9.4.1 Size and Maturity

From Table 9.11 we note that all the top 10 building societies had a research unit. Overall however, less than half (45%) of the societies in the survey reported the existence of a formal research facility.

Compared to Morgan's [6] results these findings are a slight improvement. Morgan found that only 39% of societies had a research unit, and that in 85% of this group, the units had been in existence for less than five years.

Table 9.11 (Q14)			
Research Unit: Existence			
Chief Marketing Executives			
Frequency (Percent)			
Society Rank n = 35	Percentage with a Research unit	Average Unit Headcount	Nos of years established
1 - 10 n = 8	8 (100%)	5	7
11 - 20 n = 8	6 (75%)	4	4
21 - 50 n = 19	4 (21%)	1	3
Notes:			
1. In general the larger societies have a larger longer established research facility.			
2. One top 10 society established a formal research facility in 1991.			
Source: Project Fieldwork.			

Note from the above table that even in the largest societies the research units tend to be small. Societies ranked 25 and below are very unlikely to have an identifiable research facility. It is clear that research units are new to the building society industry, with most being established in the late 1980's. One top 10 society reported that its research facility was established as recently as 1991.

Table 9.12 (Q9 a)	
Societies Undertaking Market Research	
Frequency (Percent)	
ALL societies (n = 35)	32 (91%)
1 to 10 (n = 8)	8 (100%)
11 to 20 (n = 8)	8 (100%)
21 to 50 (n = 19)	16 (84%)
Source: Project Fieldwork.	

However, from Table 9.12 above we see that all the respondents from the top 20 societies and 84% of the rest, undertake some form of market research activity. Branch staff are frequently asked to assist in market research in over 60% of the largest and 80% of the remaining societies.

Note that the lack of a research facility can be compensated by employing external research facilities. Chief Marketing Executives were therefore asked to indicate which of eight alternative research functions were performed internally or externally. A ninth alternative 'other' was also included, though none of the respondents utilised this alternative.

The responses in Table 9.13 below indicate that competitor research is most frequently performed internally, whilst societies are most likely to seek outside assistance for Motivation, Image and Advertising research. The use of external research activity is dependent upon the size of the society, with the smaller societies least likely to make use of external research agencies. In addition, the amount of research activity declines as the societies get smaller.

Table 9.13 (Q17) Research: Activities performed Int./Ext. Chief Marketing Executives Frequency (Percent)								
Research Activity	All n = 32		1 - 10 n = 8		11 - 20 n = 7		21 - 50 n = 17	
	Int.	Ext.	Int.	Ext.	Int.	Ext.	Int.	Ext.
Market Segmentation	28 (88)	7 (22)	8 (100)	3 (38)	7 (100)	2 (29)	13 (76)	2 (12)
Product Testing	17 (53)	11 (34)	6 (75)	5 (63)	3 (43)	4 (57)	8 (47)	2 (12)
Consumer Buying Habits	12 (38)	18 (56)	4 (50)	7 (88)	3 (43)	5 (71)	5 (29)	6 (35)
Motivation Research	7 (22)	19 (59)	4 (50)	6 (75)	2 (29)	6 (86)	1 (6)	7 (41)
Image Research	8 (25)	19 (59)	2 (25)	6 (75)	2 (29)	6 (86)	4 (24)	7 (41)
Advertising Research	13 (41)	19 (59)	3 (38)	6 (75)	4 (57)	6 (86)	6 (35)	7 (41)
Pricing Research	21 (66)	4 (12)	3 (38)	3 (38)	7 (100)	0	11 (65)	1 (6)
Competitor Research	28 (88)	8 (25)	7 (88)	3 (38)	7 (100)	2 (29)	14 (82)	3 (18)
Notes: Not all societies carried out all types of research, whilst some used both internal and external research for the same research activity. Source: Project Fieldwork.								

It should be noted that at interview many Chief Marketing Executives indicated that they kept in touch with market conditions and changes through trade press sources rather than a continuing programme market research.

There is a possibility that by suggesting alternative research activities to the respondents we might have led them to over estimate the degree of marketing research activity performed by the society. Note that none of the societies recorded an additional research activity, even though the suggested list was clearly not comprehensive.

9.4.2 Sophistication

Given the fundamental role of market research, the degree of sophistication of the research effort was examined by determining the major areas, the type and range of market research carried out.

From the table above we note that Competitor Research is the most frequent type of market research undertaken by building societies, and that Market Share Analysis is also of particular interest to the top 20 societies. Consumer and market attitudinal studies are of less importance. The research units are therefore used to obtain relative industry performance data rather than consumer and market attitudinal data. This is not in agreement with the marketing concept where the needs and wants of the customer are fundamental.

Table 9.14 (Q9)				
Market Research: Types of Research Undertaken				
Chief Marketing Executives				
	ALL Mean Rank	1 to 10 Mean Rank	11 to 20 Mean Rank	21 to 50 Mean Rank
Competitor Studies	1.67 1	1.38 2	1.75 1	1.88 1
Pricing Studies	1.98 2	1.88 9	2.13 3	1.94 2
Advertising Effectiveness	2.06 3	1.75 5	2.38 6	2.06 3
Market Share Analysis	2.10 4	1.00 1	2.00 2	3.31 9
Consumer Attitudes	2.29 5	1.75 7	2.75 9	2.37 4
Market Characteristics	2.31 6	1.38 3	2.50 7	3.06 8
Branch Effectiveness	2.33 7	1.88 8	2.13 4	3.00 6
Consumer Characteristics	2.48 8	1.75 6	2.75 8	2.94 5
Market Pot. New Branches	2.50 9	1.38 4	2.75 10	3.38 10
Media Research	2.52 10	2.13 12	2.38 5	3.06 7
Market Pot. of Branches	3.00 11	2.13 11	3.13 11	3.75 11
New Product Testing	3.02 12	1.88 10	3.38 12	3.81 12
Copy Research	3.67 13	3.38 13	3.50 13	4.13 13
Notes: More frequently used; Lower the Mean.				
Source: Project Fieldwork.				

These findings confirm earlier personal financial services studies by Ennew et al [7] who found that market research is widely used to monitor the activities of those types of organisations that are regarded to be important competitors.

With regard to the range and type of market research carried out by the respondents, many reported carrying out most of the activities suggested in Table 9.14. Again, discussions of the subject at interview indicated that the effect of

suggesting functions to the respondents might have led them to over estimate the marketing research activities performed by the building societies.

Interviews with the Chief Marketing Executives revealed that if marketing research is carried out, it tends to be problem orientated and very traditional, using descriptive research designs and measurement devices that elicit rather obvious or logical responses which do not reflect the real value attitudes of the respondent.

Note that building societies are least likely to undertake new product testing or copy research. These findings are in agreement with the findings of Edgett and Thwaites [8] who found that as an industry building societies are not yet sophisticated users of marketing research techniques.

In general therefore though nearly half of the building societies surveyed had a research unit they were in the main not used to monitor their customer markets. Again this suggests only weak acceptance of the marketing concept.

9.4.3 Reasons for not doing Research

The Chief Marketing Executives were asked for their reasons for not undertaking market research. They indicated their responses on a checklist of seven possible reasons for not doing market research, plus an additional 'other' category. Respondents were free to tick one or all of the alternatives. None of the respondents proposed a seventh (other) alternative.

Table 9.15 (Q18)				
Main Reasons for NOT doing Research				
Frequency (Percent)				
	ALL n = 29	1 - 10 n = 8	11 - 20 n = 8	21 - 50 n = 13
Not always necessary	23 (79)	6 (75)	6 (75)	11 (85)
Expensive	18 (62)	4 (50)	5 (63)	9 (69)
Time Pressures	11 (38)	3 (38)	2 (25)	6 (46)
Lack of research facility	8 (29)	0	1 (13)	7 (54)
Sometimes impossible	4 (14)	0	1 (13)	7 (23)
No wish to alert competitors	3 (10)	1 (13)	0	2 (15)
Lack of Management expertise	2 (7)	0	1 (13)	1 (8)
Source: Project Fieldwork.				

The main reason for not doing research is simply that it is felt not to be always necessary. Enlarging on this at interview, respondents claimed a strong intuitive feel for the needs of their customers. The Chief Marketing Executives also reported difficulty in providing appropriate cost/benefit justifications for this type of activity. Expense is therefore the one of the two main reasons for not undertaking research.

All of the top 10 societies felt that they had the expertise to undertake most types of market research, however one society from the second group and half of the societies ranked from 21 to 50 reported that the lack of a research facility prevented them from undertaking research.

9.5 Segmentation:

As identified in Chapter 6, one central indicator of a market orientated firm is the use of market segmentation. According to the marketing concept, the society's marketing strategies should be built around precise definitions of market segments, careful analysis of customers in those target segments and of the firms' unique competitive advantage in those segments.

The Chief Marketing Executive respondent group was asked to indicate whether they used market segmentation, and the techniques used by their societies. Four general techniques were proposed, plus an additional 'other' category. None of the respondents however, proposed an alternative fifth segmentation technique. The findings are indicated in the table below.

Table 9.16 (Q16 a & b) Market Segmentation Techniques Frequency (Percent)				
	ALL n=34	1 - 10 n=8	11 - 20 n=8	21 - 50 n=18
Do you use market segmentation techniques? (Y)	29 (85)	8 (100)	8 (100)	13 (72)
Type of segmentation used:				
Customer	28 (82)	8 (100)	8 (100)	12 (67)
Product	26 (76)	7 (88)	7 (88)	12 (67)
Demographics	18 (53)	7 (88)	6 (75)	5 (28)
Volume	16 (47)	5 (63)	5 (63)	6 (33)
Note: None of the respondents proposed an alternative fifth technique.				
Source: Project Fieldwork.				

All the top 20 societies and over 70% of the smaller societies claim to use some form of market segmentation. Most commonly, this is in terms of segmenting the customer base, or product segmentation.

9.5.1 Techniques Used

Probing during interview suggested that most applied only very basic segmentation such as 'First Time Buyer' products. When asked about the use of more sophisticated segmentation techniques, such as lifecycle analysis etc, it became clear that only the largest societies were beginning to undertake this type of research, and would normally rely on the experience of external agencies.

The use of market segmentation is reported to be quite high, even amongst the smaller societies, though the interview process revealed this to be rudimentary in nature. High market segmentation usage is confirmed from Table 9.13. In Table 9.17 below over 70% of the respondents in the top 20 building societies stated that they had formally documented customer segment profiles but less than half of the smaller societies did so. In contrast, note that only two of the seven Chief Executive Officers stated that their societies had formally documented target customer profiles.

Responsiveness to market intelligence is a good indicator of the market orientation of a firm, as marketing awareness is pointless without responsive action.

The Chief Marketing Executives were asked to respond to four questions assessing responsiveness, these are set out in the table below.

Table 9.17 (Q19) Responsiveness Chief Marketing Executives Frequency (Percent)			
	1-10 n = 8	11-20 n = 8	21-50 n = 18
19a Are the societies products and services varied to suit different customer segments?	8 (100)	7 (88)	17 (95)
19b Has the society ever made changes in the specifications or characteristics of a product that are directly linked to the identification of changing customer needs?	8 (100)	8 (100)	17 (95)
19c Are branch staff involved when researching customer/product needs and opportunities?	5 (63)	7 (88)	15 (84)
19d Are you aware of the profit contribution from all your customer/distribution segments?	2 (25)	5 (63)	5 (28)
Source: Project Fieldwork.			

Note from the above table that most societies claim to be responsive to changes detected in their customer markets, in accordance with the marketing concept. Few however, have developed to the point of understanding the profit contribution of identifiable customer segments.

9.6 New Product Development

In chapter 6, active product development was identified as one of the practical indicators of a market orientation. The study therefore examined the following three areas of New Product Development:

- Factors driving New Product Development
- New Product Research
- New Product Development Process

9.6.1 Factors Driving NPD

In the survey, all three groups of respondents were asked about the major factors that influence new product innovation. Respondents were asked to rank these factors in order of importance. The results are indicated in Table 9.18. Overall, both the Chief Marketing Executive and the Chief Executive Officer respondent groups stated that the need to keep up with the competition as the most important reason for product development. Remarkably in contrast, the Branch Managers believe that new product innovation is the result of Market Research.

Table 9.18 (Q20)						
NPD: Major Factors Influencing Development.						
Chief Executives and Branch Managers						
	Chief Marketing Executives		Chief Executive Officers		Branch Managers	
	Mean	Rank	Mean	Rank	Mean	Rank
Keep up with competitors	2.28	1	2.29	1	2.64	2
Need to provide a comprehensive Product Range	2.90	2	2.71	2	3.16	3
Market Research studies	3.27	3	2.86	3	2.02	1
Legislative changes	3.96	4	4.29	5	4.39	5
Operations suggestions	4.04	5	3.14	4	4.01	4
Diversification Pressures	4.07	6	5.33	6	4.79	6
Notes: Lower the mean, the more important the reason for new product development.						
Source: Project Fieldwork.						

We also see from the above table that the Chief Marketing Executives closely reflect the attitudes of the Chief Executive Officers in respect of new product

development. Also note that amongst the largest societies, the main reason for new product innovation is the need to provide their customers with a comprehensive product range. This drives the smaller societies to also develop new products as they feel a need to keep up with the competition. These findings are in agreement with the findings of Edgett and Thwaites [9].

Table 9.19 (Q20)				
NPD: Major Factors Influencing Development				
Chief Marketing Executives				
(Means)				
	ALL Mean Rank	1 - 10 Mean Rank	11 - 20 Mean Rank	21 - 50 Mean Rank
Keep up with competitors	2.28 1	2.91 3	1.63 1	2.32 1
Need to provide a comprehensive Product Range	2.90 2	1.61 1	3.88 5	3.21 3
Market Research studies	3.27 3	2.83 2	3.63 3	3.39 4
Legislative changes	3.96 4	4.41 5	3.75 4	3.72 5
Operations suggestions	4.04 5	5.14 6	3.88 6	3.16 2
Diversification Pressures	4.07 6	4.00 4	3.25 2	4.95 6
Notes: Lower the mean, the more important the reason for new product development.				
Source: Project Fieldwork.				

This essentially defensive approach is a further indicator of weak acceptance of the marketing concept. With stronger acceptance, research would contribute more to product development. The research and developmental process aspects are discussed in the following sections.

9.6.2 New Product Research

As the fulfilment of customer need is central to the marketing concept, the identification of the motives for new product development are important. The Chief Marketing Executives were therefore asked to indicate whether they always researched the customer market before introducing a new product, and to identify the process used to develop new products.

Table 9.20 (Q15 a) NPD: Market Research Chief Marketing Executives Q: Before introducing a new product do you always research the customer market? (Percent)				
	ALL	1 - 10	11 - 20	21 - 50
Always	18%	38%	12%	11%
Frequently	32%	38%	38%	28%
Occasionally	26%	25%	12%	33%
Never	23%	nil	37%	28%
Source Project Fieldwork.				

Only 18% of the societies in the survey always undertook market research before introducing a new product, whilst 23% never undertook this type of research. As new product development should be driven by the needs of the customers, and profiling new products to match customer needs must be difficult in the absence of prior customer research, this is not in agreement with the marketing concept.

This finding is in agreement with those of Davison et al [10] who found that less than half of the personal financial services organisations in their survey undertook this type of market research. They suggested that the financial loss from new product failure was seen to be low when compared to the costs of researching and testing new products. Low use of market research by building societies in new product development was also confirmed by Edgett [11].

9.6.3 N P Development Process

In order to further clarify the rationale and method of new product development, the process used to develop new products was examined. The Chief Marketing Executives respondent group was asked to rank in order of importance (1 = most important), four suggested methods of product development.

Table 9.21 (Q15 b)				
NPD: Most Frequent Development Process (Means)				
Chief Marketing Executives				
	ALL	1 - 10	11 - 20	21 - 50
Identification of customer needs	1.97	1.62	2.17	2.10
Copying	2.38	2.87	2.17	2.17
Operations Suggestions	2.61	3.00	2.33	2.52
Legislative opportunities	3.14	2.87	3.50	3.05
Notes: Most frequently used; Lower Mean.				
Source: Project Fieldwork.				

From the table above we note that the identification of customer needs is the stated most frequent product development process. However, we have already seen (Table 9.20) that only 18% of the societies always research the customer markets prior to introducing a new product.

Note that copying competitor product innovations is the second most frequent product development process. This is confirmed by Davison et al [12] who found that copying of competitors' products is a major source of new product development in the personal financial services industry. Mann [13] also reported that 67% of building societies felt that competitors were the most important source for new products in the building society industry. He also found that;

"the smaller societies are more likely to develop new products that have been previously introduced into the marketplace by the competition".

Discussions with the Chief Marketing Executives revealed that product based competitive advantages are hard to sustain due to the ease with which building society products could be copied by competitors. The Chief Marketing Executives of the smaller societies suggested that the ease and speed with which products can be duplicated relieves them from the need to conduct expensive customer research before the introduction of new products. They also feel that the larger societies have the resources to conduct this type of research.

The duration for which any competitive advantage can be sustained is dependent upon how quickly the competing societies can organise their Data Processing systems in order to deliver a new product. The introduction of more powerful Data Processing systems software, has therefore had the effect of further eroding

the advantages of New Product Development.

These factors together combine to provide a powerful disincentive for all but the largest societies to invest in new product innovation.

9.7 Promotion

It is clear from Table 9.3 on page 230, that advertising is perceived by both the Chief Marketing Executive and Chief Executive Officer respondent groups as the most important function for the marketing department.

The purpose of this section is to examine the use of promotion as an element of the marketing mix. An attempt was therefore made to examine the emphasis placed on promotion in stimulating the use of the societies products and to identify the promotional methods and media used.

9.7.1 Techniques Used

Eight promotional methods were suggested in the questionnaire (Table 9.22), to all the three groups of respondents who were asked to score these from 1 to 5 (1 = most important) in relation to their perceived importance to their society.

The results are set out in the following table;

Table 9.22 (Q23)			
Importance in Stimulating Demand (Means)			
All respondents			
	Chief Marketing Executives Mean Rank	Chief Executive Officers Mean Rank	Branch Managers Mean Rank
Press Advertising	1.36 1	1.29 1	1.89 1
Branch Posters	2.15 2	2.14 2	2.29 4
Customer Mailings	2.20 3	2.14 3	2.88 5
Public Relations	2.65 4	2.43 4	2.04 2
TV Advertising	2.72 5	3.14 6	2.39 3
Statement Promotions	2.94 6	2.57 5	3.07 6
Third Party Mailings	3.40 7	3.71 7	3.76 8
Sponsorship	3.87 8	3.86 8	3.61 7
Note: Lowest Mean = Most Important.			
Source: Project Fieldwork.			

From the table above, note that the respondents are agreed that Press Advertising is the most important method of demand stimulation for the societies. Branch Poster advertising and mailings to customers are perceived as the next most important means of stimulating demand, and sponsorship the least important.

There are however, differences between the respondents from societies from the different size groups. Both the Branch Managers and Chief Marketing Executives from the largest societies feel that TV is most important in stimulating demand.

9.7.2 Media Used

In order to compare the perceived importance of the different promotional methods in stimulating demand and the actual usage of the media, the Chief Marketing Executives were asked to indicate how frequently their societies had used various types of media. Again they were asked to score their responses from 1 to 5 (1 = often).

Their responses are reported in the table below.

Table 9.23 (Q24) Media use Frequency (Means) Chief Marketing Executives				
	ALL Mean Rank	1 to 10 Mean Rank	11 to 20 Mean Rank	21 to 50 Mean Rank
National Papers	1.58 1	1.00 1	1.00 1	2.74 4
Direct Mail own Customers	1.68 2	1.25 2	1.63 3	2.16 2
Local Papers	1.83 3	2.88 6	1.25 2	1.37 1
Television	2.59 4	1.63 3	3.25 6	2.89 5
Sponsorship	2.86 5	3.13 8	2.88 4	2.58 3
Radio	3.14 6	2.63 4	3.13 5	3.68 7
Magazines	3.34 7	3.00 7	3.50 7	3.53 6
Direct Marketing to third parties	3.64 8	2.75 5	3.50 8	4.68 9
Posters (Hoardings)	3.75 9	3.75 9	3.50 9	4.00 8
Notes: Lowest mean = most frequently used.				
Source: Project Fieldwork.				

We see that the top 20 societies use the national press most frequently, whilst the

smaller societies use the local press most frequently. This difference is attributed to the smaller societies being local in nature, whilst the larger societies either have national or substantial regional branch networks. Direct mail to building society customers is an important promotional method for all societies.

Even though sponsorship was reported in Table 9.22 as the least effective in stimulating demand, the smallest societies frequently use this medium, while the larger societies do not. Again this may reflect the narrower geographical focus of the smaller societies.

9.8 Marketing Goals

All the respondents were asked to identify the societies' marketing goals for their mortgage and savings products. The respondents were given four alternatives and a fifth 'other' category. They were asked to rank them in order of importance (1 = most important).

9.8.1 Mortgages

In the last few years this the product area that has been the source of some difficulty for the building societies and other mortgage lenders. In a difficult economic climate, rising bad debt ratios have given rise to some concern. It is therefore not surprising that the primary objective of this product area is profitability - all respondents agree on this.

Table 9.24 (Q8)						
MORTGAGES: Marketing Goals (Means)						
All Respondents						
	Chief Marketing Executives		Chief Executive Officers		Branch Managers	
	Means	Rank	Means	Rank	Means	Rank
Maximise Profits	1.61	1	1.43	1	1.95	1
Increase Market Share	1.89	2	2.60	3	2.28	2
Maintain Market Share	3.17	3	2.34	2	3.45	4
Maximise Sales	3.33	4	3.00	4	2.56	3
Note: 1. None of the respondents indicated a fifth alternative.						
2. More important; lower the mean.						
Source: Project Fieldwork.						

Chief Marketing Executives and Branch Managers feel that one of the two most important goals for mortgages is to win market share. Chief Executive Officers however, feel that preservation of their existing market share is more important.

9.8.2 Savings

All the respondents indicated a clear focus on profitability as the most important marketing goal for both mortgages and savings.

Table 9.25 (Q8)						
SAVINGS: Marketing Goals (Means)						
All Respondents						
	Chief Marketing Executives		Chief Executive Officers		Branch Managers	
	Means	Rank	Means	Rank	Means	Rank
Maximise Profits	1.63	1	1.43	1	2.13	1
Increase Market Share	1.92	2	2.60	3	2.13	2
Maintain Market Share	3.03	3	2.34	2	3.36	4
Maximise Sales	3.06	4	3.00	4	2.48	3
Note: 1. None of the respondents indicated a fifth alternative. 2. More important; lower the mean.						
Source: Project Fieldwork.						

The Chief Executive Officers were most strongly profit orientated, followed by the Chief Marketing Executives. All respondents ranked sales maximisation as the least important goal. Although commitment to profitability would appear to indicate acceptance of the marketing concept, discussions with the Chief Marketing Executives revealed that the driving force for this profit orientated focus (particularly for the mortgage business) is the current economic climate.

In this case profit orientation is therefore the result of the economic climate rather than the result of a market orientated strategy or goal. This philosophy is not in agreement with the marketing orientation.

9.9 Distribution: Now & 5 years

In view of the rapid restructuring of the Financial Services industry and its

impact on some delivery channels, both the current distribution policy and the future expectations of each channel were also examined, in an effort to detect evolutionary trends.

The extent to which the different distribution channels are employed by the societies to distribute their products was therefore examined. This was done by asking the Chief Marketing Executives to indicate the relative business volumes generated by each distribution channel.

As mortgages and savings may have different distribution characteristics, respondents were asked to identify the percentage of business obtained from each of the seven alternatives offered, (including an 'other' category) by product type.

9.9.1 Mortgages

Chief Marketing Executives were asked to indicate the percentage of total mortgage business currently obtained from seven alternative distribution channels, which included an 'other' category. They were also asked to indicate their expectations from each channel in the next five years.

The results are outlined in the table below.

Table 9.26 (Q7)								
MORTGAGES: Sources of Business								
Chief Marketing Executives								
Now & in five years.								
(% of Total Business)	ALL		1 to 10		11 to 20		21 to 50	
	Now	5yr +	Now	5yr +	Now	5yr +	Now	5yr +
Independent Financial Advisers	41%	30%	25%	22%	49%	32%	48%	37%
Society Branch Network	36%	42%	52%	55%	24%	30%	32%	41%
Corporate Affiliations	14%	14%	11%	8%	21%	26%	10%	8%
Estate Agents	7%	10%	9%	11%	4%	10%	8%	10%
Press	1.5%	2%	0.5%	1%	2%	1%	2%	3%
Direct Mail	1%	2%	2.5%	3%	-	1%	-	1%
Notes: None of the respondents indicated a seventh alternative.								
Source: Project Fieldwork.								

Note that the most important distribution channel for mortgages in the building society industry are the Independent Financial Advisers, followed by the branch networks, and corporate affiliations. The remaining distribution channels together account for less than 10% of the total business volume.

However over the next five years, societies in all three size groups expect to reduce their dependence on the Independent Financial Advisers. All societies hope to increase the amount of mortgage business obtained from their branch networks.

Note that there are considerable differences in the importance of the distribution mechanisms adopted by the different size groups of societies.

The top 10 societies obtain over half of their mortgage business from their branch networks. In contrast the smaller societies obtain most of their business from the Independent Financial Adviser market, with only a third of their business being obtained from their branch networks.

Two societies in the 11 to 20 group reported that they obtained less than 10% of their mortgage business from their branch networks. Like some of the smaller societies they are heavily dependent on the Independent Financial Advisers for their mortgage business.

Even though some of the top 10 societies have invested heavily in estate agencies, they obtain only 10% of their business from this source. Only one society surveyed was able to report that over 10% of its mortgage business was obtained from estate agencies.

9.9.2 Savings

Chief Marketing Executives were asked to indicate the percentage of total savings business currently obtained from the seven alternative distribution channels mentioned above. They were also asked to indicate their expectations from each channel in the next five years.

Table 9.27 (Q7)								
SAVINGS: Sources of Business								
Chief Marketing Executives								
Now and in five years.								
% of Total Business	ALL		1 to 10		11 to 20		21 to 50	
	Now	5yr+	Now	5yr+	Now	5yr+	Now	5yr+
Society Branch Network	76%	75%	82%	74%	80%	78%	67%	72%
Corporate Affiliations	1%	1%	2%	3%	-	-	2%	1%
Independent Financial Advisers	6%	6%	7%	6%	2%	3%	9%	8%
Direct Mail	3%	5%	3%	4%	7%	7%	-	4%
Press	12%	11%	6%	11%	9%	10%	21%	13%
Estate Agents	1%	2%	-	2%	2%	2%	1%	2%
Notes: None of the respondents indicated a seventh alternative.								
Source: Project Fieldwork.								

Generally, building societies are remarkably consistent across the three size groups, in the way they obtain their saving business. Over three quarters of their savings business is obtained through their branch networks, and 12% from press advertising.

However, the smallest societies ranked from 21 to 50, are more reliant on press advertising obtaining over 20% of their business from this source. This may be due to the large difference in the sizes of the branch networks, which confers a competitive disadvantage on the smaller societies. The largest societies have an average branch network of over 400 branches, whilst the smallest group has an average network size of only 30 branches. Many have less than this number.

9.10 Competition:

Competitor analysis is part of understanding the society's position and opportunities in all market segments. According to the marketing concept, this analysis is part of the role of marketing. With this in mind, the range and depth of the competitor analysis undertaken by the society was examined by identifying the societies competitor knowledge in the following areas;

- the main competitors of the society,
- their main characteristics when compared to the society itself
- important competitive activities
and
- the society's competitive strengths.

In order to provide a clear focus, this analysis was limited to competitors in the mortgage market.

9.10.1 Main Competitors

All three groups of respondents were asked to rank eight suggested competitors in order of importance (1 = most important).

The results are outlined below.

Table 9.28 (Q6)			
Main Competitors: Rankings			
All Respondents			
	Chief Marketing Executives	Chief Executive Officers	Branch Managers
National Building Societies	1.11 1	1.00 1	1.58 1
The Clearing Banks	3.02 2	3.14 3	3.94 4
Regional Building Societies	3.09 3	2.71 2	2.67 2
Centralised Lenders	3.99 4	3.86 4	4.54 5
Local Building Societies	4.43 5	4.86 5	3.26 3
Life Insurance Companies	6.26 6	6.42 6	5.01 6
Foreign Banks	6.46 7	6.71 7	7.03 7
Non-Life Insurance Companies	7.25 8	7.88 8	7.28 8
Notes: Lower Mean = More Important.			
Source: Project Fieldwork.			

Clearly all the respondents agree that the national building societies are their main competitors. The Chief Executive Officers and Branch Managers agree that the regional building societies are one of their two main competitors. However, the Chief Marketing Executives rank the clearing banks as their second most important competitor. The respondents are therefore unable to agree on their top three competitors. The insurance companies and the foreign banks are not seen as serious competitors in this market.

The responses of the Chief Marketing Executives group confirm the findings of Edgett and Thwaites [14] & [15] who found that the National Building Societies are considered to be the principal competitors of other building

societies. The next most important are the clearing banks and the Regional Building Societies.

Although there is some disagreement between the three groups of respondents, they are in agreement with the marketing concept as they do seem to have a good knowledge of their immediate competitors.

9.10.2 Competitor Characteristics

The respondents knowledge of competitor characteristics was studied by asking them to indicate their attitudes towards some characteristics of their competitive environment.

The three groups of respondents were therefore asked to score six statements on a scale from 1 to 5 (1 = strongly agree).

The results are presented below.

Table 9.29 (Q12) Competition: Characteristics All Respondents Agree/Disagree (Means)			
	All CMEs	All CEOs	All BM
Competitive pressures will increase over the next five years.	1.21	1.14	1.31
Competition makes for better service.	1.57	1.71	1.94
Most competitive pressure comes from other building societies.	2.43	1.57	1.98
There is not much difference between the services of a bank and a building society.	3.99	4.71	3.80
All building societies have the same service standards.	3.99	4.71	4.39
Banks have higher service standards than building societies.	4.46	4.57	4.49
Notes: Lowest Mean = Most Strongly Agree. CME = Chief Marketing Executives; CEO = Chief Executive Officers; BM = Branch Managers. Source: Project Fieldwork.			

All the respondent groups agree that competitive pressures will increase over the next five years, and that competition makes for better service. All groups strongly disagree with the last three statements regarding differentiation. The Chief Executive Officers in particular feel that there are considerable differences in the services provided by their society when compared to the banks or other societies.

9.10.3 Competitive Strategies

In order to examine the competitive strategy adopted all the respondents were

asked to rank three statements in order of importance (1 = most important). The statements were designed to examine the orientation (production, sales, or marketing) of the strategy.

The findings are indicated below.

Table 9.30 (Q13) Competitive Strategies All Respondents (Means)			
	CMEs	CEOs	BMs
Success is achieved by supplying services of the optimum quality and cost.	1.38	1.43	1.59
Selling and promotion are the key to success.	1.87	2.28	2.27
Success depends on customer research and product innovation.	2.00	2.42	2.31
Notes: Lowest Mean = Most Important. CME = Chief Marketing Executive; CEO = Chief Executive Officers; BM = Branch Managers. Source: Project Fieldwork			

All the respondent groups feel that it is most important that the societies should supply products of the optimum quality and cost. In this respect the competitive strategies adopted are strongly production orientated followed by a sales orientation. The market orientated strategy suggested was ranked last.

9.10.4 Competitive Strengths

In order to further develop the understanding of the respondents appreciation of

their society's position in the market, the respondents were asked to rank in order of importance six statements related to competitive strengths (1 = most important).

As an indicator of the planned future development of these strengths, all the respondents were also asked to indicate the most important strengths in five years. The findings are indicated in Table 9.31 and Table 9.32 below.

Table 9.31 (Q27)						
Competitive Strengths: NOW						
All Respondents						
	All CMEs		All CEOs		All BMs	
	Mean	Rank	Mean	Rank	Mean	Rank
Better Customer Service	2.55	1	2.43	1	2.23	1
Price	2.85	2	3.00	3	3.74	4
Superior Products	3.63	3	3.29	4	2.66	2
Stronger Distribution	3.79	4	4.14	5	4.54	6
Better Marketing	3.86	5	4.86	6	4.28	5
Better Image	3.95	6	2.86	2	3.59	3
Notes: Lowest Mean = More Important. CME = Chief Marketing Executives; CEO = Chief Executive Officers; BM = Branch Managers.						
Source: Project Fieldwork.						

At present, all respondents feel that better customer service is the key competitive strength for societies, but also rank marketing as one of the two least important competitive strengths listed. Customer service is therefore seen as a separate activity to marketing.

There is disagreement about the importance of 'Image' as a key competitive strength. The Chief Marketing Executives rank image last in their ranking of strengths whilst the Chief Executive Officers and the Branch Managers rank it as one of the top three key competitive strengths.

Table 9.32 (Q28) Competitive Strengths: IN FIVE YEARS All Respondents						
	All CMEs		All CEOs		All BMs	
	Mean	Rank	Mean	Rank	Mean	Rank
Better Customer Service	2.15	1	2.43	1	2.23	1
Better Image	2.94	2	3.71	4	2.66	2
Better Marketing	3.07	3	4.00	5	3.59	3
Superior Products	3.78	4	3.29	3	3.74	4
Stronger Distribution	3.90	5	4.71	6	4.28	5
Price	4.72	6	2.85	2	4.54	6
Notes: Lowest Mean = More Important. CME = Chief Marketing Executives; CEO = Chief Executive Officers; BM = Branch Managers.						
Source: Project Fieldwork						

In five years (Table 9.32), all the respondents still expect to be competing mainly on customer service, with marketing taking a slightly more important role. Both the Chief Marketing Executives and the Branch Managers expect 'Image' to become a key competitive strength. They expect that the importance of price will decline, to become the least important of the competitive strengths listed. However, the Chief Executive Officers disagree as they feel that price will

continue to be a key competitive strength. A further reflection of the Chief Executive Officers' narrow understanding of the term is that they still rank marketing amongst the two least important strengths in five years. Thus they do not rank marketing highly in their future competitive strategy.

9.11 Respondent Profiles

It has been shown that career experience, academic and professional qualifications shape attitudes towards marketing. Therefore personal data on the background of respondents was collected, as a guide to their likely marketing orientation. Each respondent group was therefore asked to provide personal data under a range of headings.

9.11.1 Chief Marketing Executives

In general, (Table 9.33) less than one in five Chief Marketing Executives had marketing experience prior to appointment. Even in the largest societies less than half of the Chief Marketing Executives had marketing experience prior to taking up their appointments. Most (59%) are promoted from within the society. Note from Table 9.33 that the average tenure of the Chief Marketing Executive is only 2 years and from table 9.34 note that 90% have been in office for less than five years. Most are likely to have been with the society 6 years on average, further emphasising the fact that most appointments are internal promotions. The average age of the Chief Marketing Executive is 40 years though many are between 31 to 40 years. On average they have 9 years marketing experience, though it is likely that they have included experience in

sales and advertising in this total.

Table 9.33 (Q55) Executive Profiles CME Chief Marketing Executive				
	All	1 to 10	11 to 20	21 - 50
Tenure with the Society	6 yrs	5 yrs	6 yrs	8 yrs
Tenure as Chief Marketing Executive	2 yrs	2 yrs	3 yrs	2 yrs
Internal Promotion (Percent)	59%	50%	62%	66%
Source: Project Fieldwork.				

Table 9.34 (Q55) Executive Profiles CME Chief Marketing Executives		
Years	Tenure with Society (Cumulative Percent)	Tenure as C M E (Cumulative Percent)
1	27%	43%
2	33%	73%
3	40%	80%
4	40%	83%
5	43%	90%
6 - 10	67%	100%
11 - 15	87%	Nil
16 - 20	93%	Nil
21 - 30	100%	Nil
Source: Project Fieldwork.		

Table 9.35 (Q55) Executive Profiles CME Chief Marketing Executive				
	All	1 to 10	11 to 20	21 - 50
Average Age	40 yrs	42 yrs	38 yrs	40 yrs
Educational Qualifications				
None:	27%	14%	28%	38%
Marketing:	36%	57%	28%	22%
Degree:	44%	57%	57%	17%
Total Marketing Experience:	9 yrs	11 yrs	9 yrs	7 yrs
Marketing Experience prior to appt.	20%	43%	14%	5%
Source: Project Fieldwork.				

Table 9.36 (Q55) Executive Profiles CME Chief Marketing Executive		
Age	Percent	Cumulative Percent
26 - 30	7%	7%
31 - 35	27%	34%
36 - 40	27%	61%
41 - 45	12%	73%
46 - 50	20%	93%
55 - 60	7%	100%
Source: Project Fieldwork.		

Twenty seven percent reported no educational qualifications, though in the largest societies over half are graduates. Just under two out of three respondents declared no marketing qualifications at all.

In general, there is therefore a low level of specialist experience and professional training held by Chief Marketing Executives. The Chief Marketing Executives of the largest societies are better qualified in terms of education, professional qualifications and experience in marketing.

9.11.2 Chief Executive Officers

It has already been established that the Chief Executive Officers have considerable influence over the corporate culture of building societies.

In view of this, it was important to establish the profiles of the Chief Executive Officer respondents, which would give a better understanding of their orientation towards marketing. However, it should be noted that this was the smallest group with only seven respondents taking part in the survey.

Doyle [16] identified a lack of background and expertise in marketing of Chief Executive Officer's as a reason for failing to provide the leadership in marketing. He felt that it is the British Chief Executive Officer and their Boards which provide the biggest barriers to a greater marketing orientation. The findings are outlined below.

Table 9.37 (Q55) Executive Profiles CEO Chief Executive Officers Q55	
	All CEOs
Tenure with the Society	12 years
Tenure as Chief Executive Officer	4 years
Tenure as a Board Member	5 years
Average Age	46 years
Educational Qualifications	
None	14%
Building Society	43%
Degree	43%
Notes: None of the respondents declared any marketing experience. Four respondents had been CEO for less than three years.	
Source: Project Fieldwork.	

The average age of the Chief Executive Officer respondents was 46 years, they had been with the society 12 years and had held their appointments for four years on average. Less than half of them were graduates, and none declared any experience in marketing. Given the influential nature of their positions, it is disappointing to note this absence of marketing experience in the most senior respondent group.

9.11.3 CEO's: The Route to the Top

Given the high degree of influence of the Chief Executive Officers over the culture of the society, all respondents were asked to indicate their expectations of the career experience of Chief Executive Officers. This was done by asking all

the respondents to rank in order of importance, seven alternative functional areas, in which prior experience was necessary. The results are indicated below.

Table 9.38 (Q47)			
Important Areas of CEO Experience			
All Respondents (Means)			
	Chief Marketing Executives Mean Rank	Chief Executive Officers Mean Rank	Branch Managers Mean Rank
Marketing	2.26 1	2.40 2	3.60 4
Finance	2.36 2	1.00 1	2.47 1
Operations	3.00 3	2.80 4	3.11 3
Sales	3.51 4	2.80 3	3.02 2
Adminstration	5.05 5	4.40 5	4.31 5
Information Technology	5.10 6	5.60 6	6.01 7
Legal	5.55 7	6.60 7	5.21 6
Note: Lowest Mean = Most Important.			
Source: Project Fieldwork.			

All respondents agree that Finance and Marketing are two of the most important areas in which the Chief Executive Officer should have experience. This emphasis of the importance of experience in Finance was also found by Mann [17] in a study of 45 financial services organisations in the UK. He reported that two out of three building society Chief Executive Officers had a career background in Finance, whereas less than one in twelve had experience in marketing.

The Chief Marketing Executives feel that marketing is an important area for Chief Executive Officers to have had experience, whereas the Branch Managers think that sales is important. It is interesting to note that though none of the Chief Executive Officers were able to declare any experience in marketing, they do feel that experience in marketing is important for the job. 'Legal' and 'IT' were the least important areas in which the Chief Executive Officers needed to have experience.

9.11.4 Branch Managers

As one of the three respondent groups, the Branch Managers formed the largest group with 121 respondents in all. Their profiles are as indicated below.

Table 9.39 (Q55) Branch Managers Profiles				
	All	1 to 10	11 to 20	21 - 50
Term With Society	10 yrs	11 yrs	7 yrs	13 yrs
Term as Branch Manager	7 yrs	6 yrs	4 yrs	10 yrs
Average Age	35 yrs	36 yrs	32 yrs	38 yrs
Educational Qualifications				
None:	38%	21%	35%	57%
Building Society:	16%	21%	15%	12%
'A' Levels	26%	17%	40%	22%
Degree:	20%	41%	10%	8%
Source: Project Fieldwork.				

The average age of a building society Branch Manager respondent was 35 years,

and he had held his appointment for the last seven years.

In general the educational qualifications held by the respondents declines with the size of society. Over half of the respondents from the smallest societies do not have any qualifications at all, whilst over 40% of respondents from the largest societies are graduates.

The penetration of building society professional examinations is disappointing as only 16% of the respondents have such a qualification.

9.12 Conclusions:

In the previous chapter we were able to show that the respondents generally claimed to be in favour of the philosophy of the marketing concept, but at the same time, found signs that their perception of marketing had a narrow focus on selling and promotion. Examination of the practical implementation of the concept reinforces the impression that much of the concept is still not adopted by British Building Societies.

Though a great majority of societies in the survey reported the existence of a formal marketing department, these departments are relatively new. Over 80% of them were established in the last decade.

The experience of building society Chief Marketing Executives is limited. Only 27% had held their appointments for more than two years, and 80% did not have any marketing experience before their appointment. Perhaps because of this

inexperience nearly 60% the Chief Marketing Executives (and 70% of the Branch Managers) felt that marketing is concerned mainly with demand stimulation for a product or service. This belief is perhaps the most serious constraint to developing and implementing effective marketing strategies and plans.

Organisationally, the marketing departments have a lower status than expected, and there is a lack of integration of the essential elements of a concept orientated marketing effort.

Commitment to classical marketing principles requires a heightened sensitivity and responsiveness to environmental signals. Thus the task of scanning, monitoring and assessing the implications of change is a fundamental role of the marketing department. However, less than half of the societies in the survey reported the existence of a formal marketing research facility.

Thus, though many societies have established marketing departments, and can be shown to understand the philosophical aspects of the marketing concept, few have implemented the concept in practice.

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Chapter Ten

Conclusions

10.0 Project Conclusions: Introduction

This thesis is based on an empirical study of the Role of Marketing in British Building Societies by reference to the adoption and implementation of the Marketing Concept. The research had two main objectives; to chart the understanding and acceptance of the Philosophy of Marketing and to examine the degree of implementation of the Marketing Concept in British Building Societies.

It was found that major differences exist among building societies in their approach to marketing, particularly in comparisons between the larger building societies and the smaller societies.

The larger societies are in various stages of adopting the marketing concept into their corporate culture and some are starting the transition towards market orientated organisations. However, in practice many societies still have not grasped the marketing concept and are continuing to operate from a sales or production orientation.

In general most society respondents had a good philosophical understanding of

the marketing concept, though few societies were able to demonstrate the adoption of the principles of the marketing concept in their organisational structures.

Differences in the understanding and degree of orientation towards marketing varied across the three groups of respondents; the Chief Marketing Executives, the Chief Executive Officers, and the Branch Managers.

In general the hypotheses set out in chapter one to guide the development of the framework of this study were supported by the findings of this survey.

10.1 Research Findings: Philosophical Acceptance

The philosophical acceptance of the marketing concept was examined by assessing responses to a number of indicators identified in the literature.

The general attitude and orientation towards, and acceptance of the integrative role of marketing were used as the main indicators in this section. For each indicator, respondents were asked to give their responses to a number of different elements. These are summarised in the table below, where responses in agreement with the marketing concept are indicated by a (+) symbol, and those not in agreement by (-) symbol. For example, attitudes towards marketing were assessed using three elements. The Chief Marketing Executives and the Chief Executive Officers were positively inclined towards all three elements, whilst the Branch Managers were positively inclined towards only one of the elements.

Table 10.1 Marketing Philosophy: Acceptance By Respondent Type			
	CME	CEO	BM
(i) Attitudes			
To Marketing	+++	+++	+-
To Research	+++	++	++
To Profit	++	+	+
(ii) Orientation			
General	++	---	---
Corporate Cultural	-	-	-
Goals	+	+	+
(iii) Integrative Role	++++	+++	++-
CME = Chief Marketing Executive, CEO = Chief Executive Officer BM = Branch Manager.			
Source: Project Fieldwork			

Most of the respondents were in general positively inclined towards the marketing concept. As expected the Chief Marketing Executives were the most strongly orientated towards the marketing concept, followed by the Chief Executive Officers. In comparison, the Branch Managers were the least positively inclined towards the marketing concept.

In terms of inclination towards the marketing concept the respondents had high scores in the attitudinal section, revealing an instinctive understanding of the marketing concept.

Nearly all the respondents felt that marketing does have a role to play in a service industry, and understood the need for market orientated research. They also agreed with the marketing concept that market research should have an impact on all departments.

All respondents were strongly profit orientated though the Chief Marketing Executives and the Chief Executive Officers were more so than the Branch Managers. A strong profit orientation is in agreement with the marketing concept.

Table 10.2 Marketing Philosophy: Acceptance By Size of Society			
	1-10	11-20	21-50
(i) Attitudes			
To Marketing	+++	++	+-
To Research	+++	++	+-
To Profit	++	++	-+
(ii) Orientation			
General	++	++	--
Corporate Cultural	-	-	-
Goals	+	+	+
(iii) Integrative Role	+++	+++	+++
Source: Project Fieldwork.			

Note from the table above that the degree of acceptance of the marketing

philosophy declined as the societies got smaller. The smaller societies equated marketing with selling and promotion more strongly than the larger societies, and were more likely to concentrate on cost reduction than marketing strategies.

Some of the smallest societies in the survey did not have a marketing department at all. This is probably due to their limited perception of the role of marketing as well as the difficulty in justifying a department in small organisations with limited resources.

In general the respondents' orientation towards marketing confirmed that many of them equated marketing with rudimentary promotional activities. This was especially true for the Branch Managers, who also had a strong product orientation.

These responses may be a reflection of the corporate culture in building societies generally, which though in agreement with the marketing concept in terms of profit orientation, tends to equate marketing with advertising and promotion issues and often sees marketing as synonymous with selling. The study confirms that the Chief Executive Officer has the greatest influence over corporate culture, and his attitude towards marketing is therefore the key to any cultural revolution in respect of marketing in building societies.

There are signs that the Chief Executive Officers appreciate the need for better implementation of the marketing concept, as they feel that better marketing will be one of the two most important success factors over the next five years. The fragmented corporate activities of the building societies are likely to be better integrated and as a result more positively customer orientated. Many of them agree that marketing should be able to influence the daily operations of the

society.

10.2 Research Findings: Practical Implementation

The practical implementation of the marketing concept was examined by assessing responses to indicators identified in the literature. This study used five main groups of indicators, which examined the;

- (i) Structure of the marketing department within the organisation,
- (ii) Intelligence gathering effort,
- (iii) Degree of functional coordination and integration,
- (iv) Degree of commitment to market segmentation, and the
- (v) Responsiveness of the society to a changing environment.

Each indicator comprised of a number of elements, to each of which the respondents were asked to indicate their responses. Their responses are summarised in the following table where responses in agreement with the marketing concept are indicated by a (+) symbol, and those not in agreement by (-) symbol.

Table 10.3 Marketing Implementation By Size of Society			
	1-10	11-20	21-50
(i) Marketing Structural Organisation	+ + + -	+ + - -	+ - - -
(ii) Intelligence Gathering	+ + + -	+ - - -	- - + -
(iii) Functional Coordination	+ -	-	- -
(iv) Segmentation	+	+	+
(v) Responsiveness	-	-	-
(vi) Respondents General Profiles	+ +	+ -	-
Source: Project Fieldwork.			

The practical organisation for the implementation of the marketing concept declined as the societies got smaller. However, even the largest societies have not made much progress in implementing the marketing concept. Though the societies had an understanding of the need for a greater marketing orientation, they were unable to demonstrate this orientation in the practical organisation of the business effort.

One practical indicator used was the status of marketing, measured both through the status of the Chief Marketing Executive and the relative status of the marketing department. Participation in high level activities such as decision making, was also an indicator. In these cases the status of marketing was found to be lower than expected.

The functional responsibilities of the marketing department in practice were

narrow, with the marketing effort being dominated by advertising and promotional issues. Selling was often seen as its most important function.

Many of the respondents across all groups demonstrated a strong sales and product orientation, focusing upon the attributes of their product portfolios rather than customer needs and wants.

The level of commitment to long term strategic planning was poor, and the level of usage of strategic planning tools was also low. In particular, the marketing plan was most commonly used as a formal presentation of the different aspects of the promotional and marketing budget, and the planned sales support activities for the year.

The survey found that though the claimed use of market research was high, the scope of activities actually carried out by the societies was narrow and restricted, focusing on industry performance data rather than consumer attitudinal data. In practice, marketing research was carried out by relatively few societies, as management judgement predominated in marketing decisions, especially those concerning the marketing mix.

One possible reason for restricted research activity is cost. As information from a variety of different sources can vary widely in both quality and cost, the use of information sources is influenced in practice by the size of the society. Small societies make less use of market research. Although larger societies could be expected to make greater use of a wider range of information sources and research methods, few in practice have an effective market research unit.

Pricing was widely focused on value to the customer rather than volume/profit

margins, and attractive pricing was seen as an important ingredient of promotional activity.

Most societies claimed high usage of market segmentation, but commonly the segmentation techniques used were rudimentary, and were no more than broad classifications of their customer base.

The development of new products was driven mainly by the need to keep up with the competition, and new product development activities often lacked a market research dimension, even though there was an awareness of the need for market research. The perception of the smaller societies of the tradeoff between the cost of new product development and the cost of potential failure might also drive them to prefer to allow the larger societies with better resources to innovate new products. The smaller societies were therefore generally in favour of adopting imitative product ranges. This strategy is made possible by the relative ease and speed with which building society products can be copied.

A major conclusion of this survey is that the level of marketing and market research in building societies lacks sophistication. Although the larger societies have larger and more established marketing and research departments their organisational power is often limited, as societies are disinclined to give marketing full responsibility for market related activities.

The Chief Marketing Executives need to have a broader and more professional perspective of marketing, and internal promotion is not necessarily the best way of developing professional marketing activity in building societies. In general there needs to be an appreciation of the wider role of marketing, not just as a business function or department but also as a company wide business philosophy

which requires all the functional areas of the firm to be fully integrated, with customer satisfaction the common goal.

With increasing competition, and the structural changes in both the financial services industry and the building societies industry in particular, it will be interesting to see if the smaller societies will survive or if they will be forced into mergers as they are left behind by their larger, more aggressive and increasingly market orientated building society competitors.

10.3 Project Hypotheses Revisited

In order to develop the framework for the investigation into the adoption and implementation of marketing in building societies, the following hypotheses were introduced in Chapter one.

- a) In general, the adoption of the marketing concept by building societies has been slow, and incomplete.
 - b) The perception of marketing in the building society industry is often narrow and confined to its functional aspects, rather than as a guiding philosophy for management decisions.
 - c) The degree of acceptance and implementation of the marketing concept varies according to the size of the society.
 - d) The degree of orientation towards and acceptance of the marketing concept varies across the different management levels within a society.
-

In general the survey results support these hypotheses as it has been shown that though there is an acceptance of the philosophy of the marketing concept its adoption in the building society industry is slow and incomplete particularly from the implementational perspective. Here the focus of activity is on the narrow functional aspects of marketing. Clear variations in the attitudes towards marketing have been demonstrated between the three management levels studied, and across the societies when grouped according to asset size.

10.4 Theoretical Implications

This research has reconfirmed the need to distinguish between the philosophical acceptance of the marketing concept and its practical implementation in organisations. It has also confirmed that the degree of both the philosophical acceptance and implementation can vary according the size of organisations.

In the context of rapidly changing competitive environmental pressures, Kohli and Jaworski [1] suggested that this distinction arises because executives and managers assess carefully the expected benefits and costs of a marketing orientation. Thus environmental pressures could have a direct impact on market orientation.

However, in their more recent work, Jaworski and Kohli [2] feel that "the linkage between a market orientation and performance appears to be robust across environmental contexts that are characterised by varying degrees of market turbulence".

Narver and Slater [3], have also been unable to support Kohli and Jaworski's

earlier preposition that the environment affects the organisations' marketing orientation, and reiterate that "being marketing oriented can never be negative".

This research has found that building societies have been slow in making the transition towards market oriented organisations. This is a trait common to many financial institutions both in the UK and the US.

In UK financial services this has been demonstrated by John [4] who has shown that British insurance companies are following the five stage pattern of marketing adoption demonstrated by US banks [5]. The progress of companies through the various stages of adopting the marketing concept is propelled by intensified competition in the financial services industry. This appears to be the case for British Building Societies.

In this project marketing has been approached in the context of a practical contribution to better management. As indicated in chapter one, this project therefore primarily focused on the organisational orientation and marketing inputs rather than simply the 'Marketing Department' outputs. This is because the primary focus was on detecting marketing like activity rather than activities with a marketing title. Thus, if the activity falls within the philosophy of the marketing concept does it matter if it is not called marketing? It has been said that 'marketing is too important to be left to the marketing department'. Thus, the theoretical definition and the practical implementation of marketing may only differ on the basis of the scope of their definitions rather than an inability to adopt the basic concepts.

This project has shown that the title 'marketing' is in practice used in a very narrow functional sense. However, a wider implementation of the philosophy of

marketing may be manifested in the firm through activities such as 'customer focus' programmes, which are not necessarily the responsibility of the marketing department.

The gap between understanding the philosophy of marketing and its implementation may therefore be partially explained by these differences in the scope of the definition of marketing, as firms may adopt a fragmented approach not necessarily grouping all marketing like activities under a marketing title.

Considerable care should therefore be exercised in marketing research programmes of this type to include all marketing like activity, rather than simply focusing on those activities with a marketing label or the marketing department outputs.

In the context of general questionnaire based research, this project has highlighted a potential weakness in surveys of this type. This research project has revealed that less than one third of the questionnaires received by the building societies are in fact completed by the respondents.

To ensure the validity of this type of research a range of verification tools (such as those used in this project) therefore need to be developed to ensure that the addressee is in fact the respondent.

10.5 Business Management Implications

As the competitive environment for organisations intensifies, the need for greater marketing orientation in organisations has been accepted. However, the lack of

practical tools enabling the objective assessment of progress in this transition towards adopting the marketing concept has been unhelpful.

This project has developed the necessary practical tools enabling executives to establish the current role of marketing in their organisations. These tools also enable the management to chart organisational progress in the transition from the current functional focus of marketing towards the marketing concept, using the standardised measures outlined in this thesis.

The first stage of this assessment is the identification of the gap between the philosophical understanding of the marketing concept and its implementation. This would enable the executive management to take positive initiatives to ensure that the organisation becomes truly customer oriented and that the marketing concept becomes the guiding philosophy of the entire organisation.

However, for the top management of building societies, this study implies that the challenge for improving the market focus of their societies must be approached from the organisational and business level.

Change in the marketing orientation of societies is likely to require a 'cultural revolution' led by the Chief Executive Officer and his senior management team. Such a change will require the commitment of senior management to give marketing a wider role in the organisation and elevate it to a position where it can influence other departments.

In view of the low level of experience of marketing at both Chief Executive Officer and Chief Marketing Executive levels, this cultural change is unlikely to occur without the help of marketing professionals who have had professional

experience outside the immediate building society environment. This is possibly difficult for the senior executives who traditionally have been promoted internally from a finance or generalist route.

It is clear from the study that building societies are still finance dominated and operations centred, and their attention is therefore inwardly focused. There is considerable scope, particularly for the medium and smaller societies to become more customer orientated by refocusing their activity on the identification of customer need and wants.

10.6 Methodological Implications

As well as contributing to the theoretical understanding of the role of marketing in financial services and to practical business management in the building societies, this project sought to contribute to the field of research methodology.

Much academic research in this field is based on the mailed questionnaire approach. Low response rates, some times as low as 25% are the norm. Even when an interview approach is adopted, low response rates are commonly tolerated. This exposes the research to the risk of considerable bias, in that the responses of the minority cannot reasonably be inferred to the larger population.

In this project, the larger societies - the top 20 - were investigated by the interview approach, while mailed questionnaires were used for the smaller societies. In each case the response rates achieved were high, by academic or even commercial standards; 80% among the larger societies and 63% among the

smaller. This achievement involved a considerable investment of research effort and time, using a range of strategies commonly adopted in commercial market research. We believe that this effort should be made by others and therefore offer some specific suggestions.

Marketing projects should engage the assistance of the trade press in the relevant industry sector and should be used to highlight the operational benefits of the research. This publicity should be closely followed by the launch of the survey, mentioning the earlier press coverage. This technique has the advantages of both alerting and reassuring the survey target respondent groups of a genuine (ie non-commercial) research project. This is particularly important in business sectors where a variety of business interests use 'research questionnaires' to gather data for commercial advantage.

Response rates can be dramatically improved by sheer persistence and by an awareness of telesales techniques, particularly if the objective is to carry out questionnaire based interviews.

The problem of non-response is compounded by the tendency for the task of questionnaire completion to be delegated. Building societies receive large numbers of mailed questionnaires, and this technique is increasingly being adopted by various business interests to gather commercial data. As a result less than a third of these questionnaires are completed by the addressee. This is particularly true for the highest executive levels of the organisation, and the likelihood of the questionnaires being delegated for completion increases with the size of the organisation.

Unless rigorous verification techniques (such as those adopted for this study) are

used to verify the identity of the actual respondent, studies of this type are likely to produce misleading results. This project was largely based on the questionnaire based interview technique, but mailed questionnaires were used for the smaller societies. The verification method adopted for the mailed questionnaire was telephone confirmation of the identity of the respondent.

Finally the diversity of business titles is also a potential problem in surveys of this type. The identification of target respondent groups should begin by formulating carefully defined target respondent groups. The existence of 'Marketing' in the respondent's job title alone is insufficient to identify those responsible for marketing activity. The depth of the marketing role must therefore be verified by the operational responsibilities implied in the organisational chart.

10.7 Project Limitations

Research, because of the various constraints within which it is conducted, has varying degrees of limitations. This study is no exception.

A major limitation of the study is the one time measurement of many of the variables explored in this study. A logical and useful contribution to existing knowledge would be the longitudinal extension of this study over time, and further studies may benefit from the inclusion of a wider range of variables than this study.

Another limitation of this study is the reliance on individuals to provide their views on the activities of the society. This type of self report data is susceptible

to perceptual and/or attitudinal bias. It may be further complicated by the lack of information which can reduce the reliability and validity of the data.

Any survey can be undermined by a non-response bias. For this reason, major efforts were made in this study to maximise response. These were especially successful amongst the larger societies. Of the top 20 building societies, 80% of the primary target group participated in the study. The quality of the data in this group was also improved by using an interview approach rather than the more commonly adopted self-completion questionnaire.

Among the smaller building societies with a response rate of 63%, failure to respond may have been closely related to the lack of a marketing facility. The results for this group of societies may therefore slightly overstate their position.

And finally, it should be pointed out that this research was conducted between July 1991 and February 1992. The research was therefore conducted during a major recession, which had adversely affected the building societies. During this period British building societies were beginning to feel the impact of record levels of bad debt, and sharply reduced profits. Two Building societies surveyed in this project were forced to merge with larger societies within a few months of completing the field work.

It should therefore be noted that the research can only provide a 'snapshot' of the status of marketing during this period. However, recent research discussed earlier in this chapter has shown that environmental pressures do NOT have an impact on an organisation's marketing orientation.

10.8 Suggestions for further Research.

The following observations are made in respect of the possible areas for further research on this subject;

1. Marketing Orientation and Performance:

There is a lack of empirical support for the implied relationship between marketing orientation and financial performance of an organisation.

A logical and useful contribution to existing knowledge would therefore be the longitudinal extension of this study over time, in order to study the relationship between marketing orientation and performance, measured by the association of the results with the financial outcomes of these activities. Such an approach would involve a case by case study of a small number of societies over time.

2. Use of Marketing techniques:

A study examining the use and application of market research and market planning techniques, and the relationship of their use with business performance would be a useful contribution.

3. Concept Acceptance:

This research has demonstrated the gap between the acceptance and the implementation of the marketing concept.

Further research into the reasons for the non-implementation of the marketing concept in financial organisation would be particularly helpful

in identifying ways of making these organisations more marketing oriented.

4. Marketing & the Branch Manager:

Building societies rely on the branch manager for the provision of their services. The branch manager is therefore central to the implementation of marketing policies at the customer interface.

In this study clear differences emerged in particular in the approach and attitudes of the branch manager towards marketing. Thus, the role of the branch manager in modern building society practice, and his relationship with his customers, would be an area of investigation that merits further research.

The importance of this research is suggested by the importance of the buyer/seller interface (the moments of truth) as the key to good marketing.

5. Technological Impact:

More research is needed to study the impact of technology and the 'industrialisation' of the service industry on customer relationships. In particular the customers' buying motives and behaviour, the role of customer loyalty and inertia would be helpful in understanding the role of the British building society in the 21st century.

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APPENDICES

I. Members of the B.S.A.



BUILDING SOCIETIES ASSOCIATION

25 July 1991

Fact Sheet 10

Total Assets of All Member Societies at Financial Year End

Rank By Group Assets	Society	Year End (31.12.90 Unless Otherwise Stated)	Group Assets £m	Society Assets £m
1	Halifax	31.1.91	54,145.9	54,225.9
2	Nationwide Anglia	4.4.90	26,647.1	26,706.5
3	Alliance & Leicester		18,401.8	16,097.0
4	Woolwich		18,195.2	18,226.9
5	Leeds Permanent	30.9.90	14,648.7	14,650.2
6	Cheltenham & Gloucester		11,570.9	11,571.4
7	National & Provincial		9,272.0	9,272.0
8	Bradford & Bingley		9,047.7	9,047.2
9	Britannia		7,422.8	7,436.4
10	Bristol & West		5,646.6	5,636.1
11	Birmingham Midshires		3,652.2	3,636.7
12	Yorkshire		3,586.1	3,587.5
13	Northern Rock		3,420.4	3,423.7
14	Portman		2,444.0	2,441.0
15	Town & Country		2,224.1	2,223.3
16	Skipton		2,213.5	2,218.8
17	Chelsea		2,089.5	2,089.5
18	Coventry		2,022.2	2,022.6
19	Leeds & Holbeck		1,827.8	1,827.7
20	Leamington Spa		1,461.2	1,460.9
21	Derbyshire		1,182.2	1,182.2
22	Norwich & Peterborough		1,157.9	1,153.8
23	North of England		1,008.4	1,008.0
24	Principality		908.7	905.5
25	Cheshire		905.8	905.6
26	West Bromwich	31.3.90	873.8	873.8
27	Portsmouth		860.8	861.3
28	Newcastle		852.1	852.7
29	Southdown		783.0	783.6
30	Heart of England	28.2.90	766.0	766.0

31	Staffordshire		740.8	740.8
32	Dunfermline		547.9	547.9
33	Nottingham		539.1	539.7
34	Stroud & Swindon		481.0	480.8
35	Lambeth		481.0	481.0
36	Cheshunt		419.8	419.8
37	Cumberland	31.3.90	350.1	350.1
38	National Counties		305.8	305.8
39	Lancastrian		280.0	279.0
40	Scarborough	30.4.90	276.5	276.5
41	Furness		271.7	275.7
42	Leek United		243.7	243.7
43	Cambridge		233.0	233.0
44	Hinckley & Rugby	30.11.90	219.6	219.6
45	Progressive		210.4	210.4
46	Kent Reliance	30.9.90	207.8	207.8
47	Darlington		201.8	201.8
48	Marsden		194.2	194.2
49	Newbury	31.10.90	189.1	189.1
50	Mornington	28.2.90	188.5	188.5
51	Saffron Walden Herts & Essex		173.9	173.9
52	Market Harborough		168.5	168.5
53	Melton Mowbray		151.6	151.6
54	Ipswich	30.11.90	140.9	140.9
55	Universal		140.8	140.8
56	Barnsley		140.5	140.5
57	Hanley Economic		133.9	133.9
58	Greenwich	30.4.90	128.9	128.9
59	Haywards Heath	31.10.90	115.0	115.0
60	Mercantile		107.8	107.8
61	Teachers'		104.8	104.8
62	Hampshire		95.3	95.3
63	Monmouthshire	30.4.90	93.6	93.6
64	St Pancras		91.5	91.5
65	Vernon		90.4	90.4
67	Scottish	31.1.91	85.2	85.2
66	Mansfield		82.4	82.4
68	City & Metropolitan		82.1	82.1
69	Surrey		73.8	73.8
70	Loughborough	31.10.90	70.0	70.0
71	Tipton & Coseley		64.1	64.1
72	Manchester		61.5	61.5
73	Dudley	31.3.90	51.5	51.5
74	Chesham	30.11.90	51.3	51.3
75	Holmesdale	31.3.90	45.6	45.6

76	Bath Investment		42.8	42.7
77	Tynemouth		40.4	40.4
78	Earl Shilton	31.3.90	39.6	39.6
79	Penrith		39.0	39.0
80	Buckinghamshire		38.5	38.5
81	Chorley & District	5.2.90	36.9	36.9
82	Stafford Railway	31.10.90	35.9	35.9
83	Harpenden		35.7	35.7
84	Hendon		30.4	30.4
85	West Cumbria	31.10.90	29.6	29.6
86	Nottingham Imperial		28.7	28.7
87	Beverley		26.7	26.7
88	Shepshed		25.1	25.1
89	Mid-Sussex		23.6	23.6
90	Swansea		22.3	22.3
91	Catholic		18.4	18.4
92	Gainsborough		17.1	17.1
93	Bexhill-on-Sea		14.9	14.9
94	Ilkeston Permanent		14.6	14.6
95	Bedford Crown		13.5	13.5
96	Standard		13.2	13.2
97	Clay Cross		11.9	11.9
98	Ecology		6.2	6.2
99	Londonderry Provident		4.0	4.0

Total Assets All	218,984.9	216,837.5
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APPENDICES

II. Specimen Letters and Questionnaires

Notes:

1. In the first Chief Marketing Executives questionnaire the question and page numbers are for thesis reference purposes only, and were excluded in the original questionnaire.
2. In the second questionnaire for the Chief Marketing Executives, only the first and last page were varied as this version of the questionnaire was mailed to those Chief Marketing Executives who were not interviewed.

Thesis note: Question numbers are for reference only and were not included in the original questionnaire.

QUESTIONNAIRE

Chief Marketing Executives

This questionnaire is divided into three parts, which are concerned with the organisational aspects of the society, its marketing activities, and its cultural values.

Part I

1. Which of the following terms best describes your industry?
(please tick only one)

- a) Savings and Loans ☐
- b) Savings and Mortgages ☐
- c) Retail Financial Services ☐
- d) Banking ☐
- e) Other (please specify)

2. a) Does the society have a separate marketing dept? Yes ☐ No ☐

b) Marketing organisation (tick one)

- 1. There is a single centralised marketing department ☐
- 2. Each major area has a marketing department ☐
- 3. The marketing functions are de-centralised ☐
- 4. There is no specific marketing dept ☐

3. a) What is the title of the Chief marketing executive?
- _____
- b) Who does he report to?
- _____
- c) What are his qualifications?
- Dip.M, FCBSI, M Inst.M, etc. _____
- d) What proportion of his time is spent on marketing operations?
- _____
- e) What are his other responsibilities?
- _____

4. a) How many people are directly employed in marketing?
- Number of Executives & marketers? []
- Number of support staff? []
- Other (specify) _____ []
- b) How many have formal qualifications? _____
- c) When was the Marketing Department established (year)?
- _____

5. Please rank the following in order of importance (1-10; 1 = most important)

Function	Order of importance
Finance	[]
Treasury	[]
Data Processing	[]
Marketing	[]
Personnel	[]
Legal	[]
Advertising	[]
Branch Administration	[]
Advances/Lending	[]
Research	[]

6. Please rank the following competitors in order of importance (1-8, 1 = most important)

- | | |
|--------------------------------|-----|
| 1 Regional Building Societies | [] |
| 2 Local Building Societies | [] |
| 3 National Building Societies | [] |
| 4 Centralised lenders | [] |
| 5 The Clearing Banks | [] |
| 6 Foreign Banks | [] |
| 7 Non-life Insurance Companies | [] |
| 8 Life Insurance Companies | [] |

7. a) Please indicate the percentage of business currently obtained from each of the following distribution Channels.

	Savings	Mortgages
1 Society branch network	[]	[]
2 Corporate affiliations (eg Life reps)	[]	[]
3 IFA's	[]	[]
4 Direct mail	[]	[]
5 Off the Page	[]	[]
6 Estate Agents	[]	[]
7 Other	[]	[]
_____	[]	[]

b) Please indicate the percentage of business expected in five years from each of the following distribution Channels.

	Savings	Mortgages
1 Society branch network	[]	[]
2 Corporate affiliations (eg Life reps)	[]	[]
3 IFA's	[]	[]
4 Direct mail	[]	[]
5 Off the Page	[]	[]
6 Estate Agents	[]	[]
7 Other	[]	[]
_____	[]	[]

8. With regard to the following services, please indicate which of the following marketing goals apply, ranking them (1-5) in order of importance. (1 = most important)

	Savings	Mortgages
1 Maintain market share	[]	[]
2 Increase market share	[]	[]
3 Maximise profits	[]	[]
4 Maximise sales	[]	[]
5 Other (please specify)		
_____	[]	[]

9. a) Do you undertake market research? Y ☐ N ☐
- b) Indicate below the types of market research undertaken

	Frequently			Never	
Market potential					
1 -existing branches	1	2	3	4	5
2 -new branches	1	2	3	4	5
3 Market share analysis	1	2	3	4	5
4 Market characteristics	1	2	3	4	5
5 Customer characteristics	1	2	3	4	5
6 Consumer attitudes	1	2	3	4	5
7 Advertising effectiveness	1	2	3	4	5
8 Media research	1	2	3	4	5
9 Copy research	1	2	3	4	5
10 Branch effectiveness	1	2	3	4	5
11 New product testing	1	2	3	4	5
12 Competitor studies	1	2	3	4	5
13 Pricing studies	1	2	3	4	5
14 Other (Specify)	1	2	3	4	5

10. To what extent is the Chief Marketing Officer formally involved in Corporate goal setting and planning.

Fully involved			Not involved	
1	2	3	4	5

11. a) Where did the Chief marketing officer come from?

- Within the society
- Outside the society
- ☐
- ☐

b) What was his previous job title?

In which industry?

12. Using the following scale, please indicate if you agree with the following statements.

		Strongly Agree			Strongly Disagree		
		1	2	3	4	5	
a)	Competition makes for better service						
b)	There isn't much difference between the services of a bank and a building society.						
c)	Banks have higher service standards than building societies.						
d)	All building societies have the same service standards.						
e)	The most competitive pressure comes from other building societies.						
f)	Competitive pressures will increase over the next five years.						

13. Please rank the following (1-3) in order of importance
(1 = most important).

1 Success is achieved by supplying services of the optimum quality and cost. []

2 Selling and promotion are the key to success. []

3 Success depends on customer research and product innovation. []

14. a) Is there a formal marketing research unit? Yes ☐ No ☐

b) To whom does it report? _____

c) When was it established? (year) _____

d) Number of employees? _____

15. a) Before introducing a new product, do you research the customer market? (one only).

1 Always ☐

2 Frequently ☐

3 Occasionally ☐

4 Never ☐

b) What is the most frequent development process for new products? Please rank in order of importance. (1 - 4, 1 = most important).

1 Identification of Customer Needs []

2 Legislative opportunities []

3 Reverse engineering []

4 Operations suggestions []

16. a) Do you use market segmentation techniques? Y ☐ N ☐

b) What are types of market segmentation do you use?

Product ☐

Customer ☐

Volume ☐

Demographics ☐

Other ☐

17. Indicate which of the following functions are performed internally/externally.

	Internally	Externally	N/A
1 Market segmentation	☐	☐	☐
2 Product testing	☐	☐	☐
3 Consumer buying habits	☐	☐	☐
4 Motivation research	☐	☐	☐
5 Image research	☐	☐	☐
6 Advertising research	☐	☐	☐
7 Pricing research	☐	☐	☐
8 Competitor research	☐	☐	☐
9 Other (specify)	☐	☐	☐

18. What are the main reasons for not doing research?

1 Expensive	☐
2 Time pressures	☐
3 Not always necessary	☐
4 Sometimes impossible	☐
5 Lack of research facility	☐
6 Lack of management expertise	☐
7 Do not wish to alert competitors	☐
8 Other (specify)	☐

19. a) Are the society's products and services varied to suit different customer segments? Yes ☐ No ☐
- b) Has the society ever made changes in the specifications or characteristics of a product that are directly linked to the identification of changing customer needs? Yes ☐ No ☐
- c) Are branch staff involved when researching customer/product needs and opportunities? Yes ☐ No ☐
- d) Are you aware of the profit contribution from all of your customer/distribution segments from;
- 1 Each product Yes ☐ No ☐
- 2 Each product group Yes ☐ No ☐

20. What are the major factors that influence the decision to develop a new product?
Please rank in order of importance. (1 - 6; 1 = most important).

- 1 Keep up with competitors
- 2 Market research studies
- 3 Operations suggested product
- 4 Legislative changes
- 5 Diversification pressures
- 6 Need to provide a comprehensive range
- []
- []
- []
- []
- []
- []

21. How much responsibility does the marketing dept have for the following functions?

	Responsibility					
	Full			None		N/a
1 Advertising	1	2	3	4	5	6
2 Sales Promotion	1	2	3	4	5	6
3 Market Research	1	2	3	4	5	6
4 Marketing planning	1	2	3	4	5	6
5 Setting Br Mktg Targets	1	2	3	4	5	6
6 Branch design	1	2	3	4	5	6
7 Branch site selection	1	2	3	4	5	6
8 Product selection/design	1	2	3	4	5	6
9 New Product development	1	2	3	4	5	6
10 Distribution	1	2	3	4	5	6
11 Selling operations	1	2	3	4	5	6
12 Sales forecasting	1	2	3	4	5	6
13 Diversification studies	1	2	3	4	5	6
14 Price setting	1	2	3	4	5	6
15 Customer service	1	2	3	4	5	6
16 Corp/Strategic Planning	1	2	3	4	5	6
17 Marketing Training	1	2	3	4	5	6
18 Marketing staff selection	1	2	3	4	5	6

22. If there is no marketing department, who is responsible for the following functions;

	Responsible dept	N/A
Advertising		
Sales Promotion		
Public Relations		
Price setting		
Product selection & dev		
Branch design		
Branch site selection		
Market research		
Sales forecasting		
Corporate planning		

23. How important are the following in stimulating demand?

	Very important				Not important
1 Press advertising	1	2	3	4	5
2 TV advertising	1	2	3	4	5
3 Branch posters	1	2	3	4	5
4 Customer mailings	1	2	3	4	5
5 Third party mailings	1	2	3	4	5
6 Statement promotions	1	2	3	4	5
7 Public relations	1	2	3	4	5
8 Sponsorship	1	2	3	4	5
9 Other (specify)	1	2	3	4	5

24. How often have you used the following media?

	Often				Never
1 TV	1	2	3	4	5
2 Radio	1	2	3	4	5
3 Magazines	1	2	3	4	5
Newspapers					
4 National	1	2	3	4	5
5 Local	1	2	3	4	5
6 Sponsorship	1	2	3	4	5
Direct Mail					
7 Own cust.base	1	2	3	4	5
8 Acquired list	1	2	3	4	5
9 Posters (hoardings)	1	2	3	4	5
10 Other (specify)	1	2	3	4	5

25. a) Does the society engage in sales training programmes? Yes ☐ No ☐

Does the society engage in Marketing training programmes? Yes ☐ No ☐

b) How is the training provided?

	Sales	Marketing
In-House trainers	☐	☐
External trainers	☐	☐
Other (specify)	☐	☐

c) For whom is the training provided?

	Sales	Marketing
Branch managers	☐	☐
Branch clerical staff	☐	☐
Marketing staff	☐	☐
Senior Executives	☐	☐
Others (specify)	☐	☐

26. How important are the following activities to the society?

	Very important			Not important	
1 Improving product quality	1	2	3	4	5
2 Convenient branch locations	1	2	3	4	5
3 More promotional offers	1	2	3	4	5
4 Lower transaction costs	1	2	3	4	5
5 More competitive rates	1	2	3	4	5
6 Better customer service	1	2	3	4	5
7 Better selling	1	2	3	4	5
8 Better branch layout	1	2	3	4	5
9 Wider product range	1	2	3	4	5
10 Better marketing	1	2	3	4	5

27. What are your society's most important competitive strengths? Please rank in order of importance. (1 - 6; 1 most important).

1 Superior products	[]
2 Better customer service	[]
3 Better image	[]
4 Stronger distribution	[]
5 Price	[]
6 Better marketing	[]

28. In five years, which of the following attributes is a successful Society likely to have as its most important competitive strength? (1 - 6; 1 most important).

1 Superior products	[]
2 Better customer service	[]
3 Better image	[]
4 Stronger distribution	[]
5 Price	[]
6 Better marketing	[]

	Excellent			Bad	
29. How good is the society at sales ?	1	2	3	4	5
How good is the society at marketing?	1	2	3	4	5

Part II

In the following statements please indicate your degree of agreement as follows:

	Strongly agree			Strongly disagree	
30 Marketing is mainly concerned with stimulating demand for a product or service.	1	2	3	4	5
31 Marketing is more relevant to manufacturing than service firms.	1	2	3	4	5
32 Marketing is selling effectively	1	2	3	4	5
33 Our main task is to increase sales volume, profits will follow naturally.	1	2	3	4	5
34 The Chief marketing officer should be a member of the executive group.	1	2	3	4	5
35 The Chief marketing officer should be a Director.	1	2	3	4	5
36 Marketing is selling the societies products and services to its customers.	1	2	3	4	5
37 Make a better product and people will beat a path to your door.	1	2	3	4	5
38 Marketing should have a minimum of influence on the day to day operations of the society.	1	2	3	4	5
39 The society should satisfy the typical customer rather than individual segments of customers.	1	2	3	4	5
40 Market research should have a direct impact on the operations of all departments.	1	2	3	4	5
41 The Marketing department should be able to influence decisions in all departments.	1	2	3	4	5
42 Societies should be organised to provide services to customers for a profit.	1	2	3	4	5
43 Societies are more sensitive to customer needs than banks.	1	2	3	4	5
44 Customers trust societies more than banks.	1	2	3	4	5

Part III

45. Which of the following factors are important for success over the next five years? Please rank in order of importance. (1-7; 1 = most important).

1 Better sales	[]
2 Better service	[]
3 Better marketing	[]
4 Lower cost/high efficiency	[]
5 Greater investment	[]
6 Product innovation	[]
7 Data Processing	[]

46. Please rank the following Corporate goals in order of importance. (1-7; 1 = most important).

1 Increase market share	[]
2 Improve in productivity	[]
3 Defend market share	[]
4 Survival	[]
5 Improve profitability	[]
6 Expand the range of services/products	[]
7 Enter new markets	[]

47. To fulfil the role of CEO it is important to have experience in which of the following:
(Please rank the following in order of importance, 1 = most important).

1 Finance	[]
2 Operations	[]
3 Adminstration	[]
4 Sales	[]
5 Marketing	[]
6 Legal	[]
7 I T	[]

48. Please indicate the society's attitude to the following statements;

	True				False
1 A belief in being best	1	2	3	4	5
2 A belief in superior quality and service	1	2	3	4	5
3 A belief in economic growth and profits	1	2	3	4	5
4 Our main task is to get better sales from our customers.	1	2	3	4	5
5 We are innovative	1	2	3	4	5
6 We are customer orientated	1	2	3	4	5
7 We are sales orientated	1	2	3	4	5
8 We are product orientated	1	2	3	4	5

49. Which of the following terms best describes the society?

	True				False
1 Competitive	1	2	3	4	5
2 Caring	1	2	3	4	5
3 Friendly	1	2	3	4	5
4 Socially responsible	1	2	3	4	5
5 Efficient	1	2	3	4	5
6 Profitable	1	2	3	4	5
7 Business like	1	2	3	4	5

50. Does the society have a formally documented;

Mission statement?	Y ☐	N ☐
Corporate plan?	Y ☐	N ☐
Marketing plan?	Y ☐	N ☐
Target segment profiles?	Y ☐	N ☐
Annual Budget?	Y ☐	N ☐

- Q. a) How many postal questionnaires does the society receive in a month?
Number _____
- b) How many of these are addressed to the CMO for his personal completion?
Number _____
- c) How many of these are completed by the addressee?
- None ☐ a few ☐ most ☐ all ☐.

51. The society's culture is most influenced by the attitudes of its;

	True				False
	1	2	3	4	5
1 Board	1	2	3	4	5
2 Chief Executive Officer	1	2	3	4	5
3 Management	1	2	3	4	5
4 Customers	1	2	3	4	5
5 History	1	2	3	4	5

52. Once agreed, how much discretion do you exercise over the marketing budget?

Full					None
	1	2	3	4	5

53. Once agreed how much discretion do you exercise over the implementation of the Marketing Plan & Strategy?

Full					None
	1	2	3	4	5

54. Personal:

Date joined Society _____

Date appointed _____

Date appointed to the Board _____

DOB/age _____

Educ Qual: Grammar School, Degree, Masters, Prof

Formal Mkting qual: _____

Prof Background _____

Nos years Exp in Mkting _____



Martin Collins
M.R.S. Professor of Marketing Research

Mr Ronald James
General Manager Marketing
Passbook Building Society
High Street
Barrowdale
Lancashire BQ53 5PA

Frobisher Crescent
Barbican Centre
London EC2Y 8HB
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13 September 1991

Dear Mr James

The City University Business School is conducting post-graduate research into the suitability and applicability of marketing and its techniques to the building society movement.

To establish the attitudes of senior management to marketing in the movement we are hoping to obtain the views of the Heads of Marketing of a wide range of building societies. I should therefore be grateful if you could complete and return the enclosed questionnaire to me, together with a copy of your latest accounts and organisation chart. The organisation chart will help us to identify the degree of departmentisation in societies.

We are also hoping to conduct a number of telephone interviews with respondents as we were unable to cover all the issues in the questionnaire. Would you mind if I called you in the next few weeks to obtain your views?

Thank you for taking the time to complete the questionnaire.

Yours sincerely

Krish Shastri

14 McNaughton Close
Farnborough
Hants., GU14 0PX.
Tel: 0836 692960

Krish Shastri is a graduate of the University of Wales. In 1986 this was followed by a part-time MBA from the City University Business School.

An experienced marketer, he has worked in the financial services industry for the last twelve years, including experience with a centralised lender and two major banks.

As a doctoral research student at the City University Business School he is researching aspects of Marketing in British building societies under the supervision of Professor Martin Collins.

There are no commercial interests attached to this project, and all information will be treated in the strictest of confidence. Overall survey results will be made available to participants on request.

QUESTIONNAIRE

We are very keen to establish your personal opinions as the Chief Marketing Executive, I should therefore be grateful if you could personally complete this questionnaire.

This questionnaire is divided into three parts, which are concerned with the organisational aspects of the society, its marketing activities, and its cultural values.

If you have any difficulty with any of the questions please do not hesitate to call me on 0836 692960.

Part I

Q. Which of the following terms best describes your industry?
(please tick only one)

- a) Savings and Loans ☐
- b) Savings and Mortgages ☐
- c) Retail Financial Services ☐
- d) Banking ☐
- e) Other (please specify)

Q. a) Does the society have a separate marketing dept?
Yes ☐ No ☐

b) Marketing organisation (tick one)

There is a single centralised marketing department ☐

Each major area has a marketing department ☐

The marketing functions are de-centralised ☐

There is no specific marketing dept ☐

Q. Personal:

Date joined Society: _____

Where from: _____

Date appointed to current position: _____

DOB/age: _____

Educ Qual: _____

Formal Mkting qual: _____

Prof Background: _____

Nos years Exp in Mkting: _____

Thank you for taking the time to complete the questionnaire.

I should be grateful if you could enclose a copy of your latest accounts and a copy of your organisation chart, when returning this questionnaire.

Please return to:

Krish Shastri
14 McNaughton Close
Farnborough
Hants., GU14 0PX

Martin Collins
M.R.S. Professor of Marketing Research



Frobisher Crescent
Barbican Centre
London EC2Y 8HB
Telephone 071-920 0111
Fax 071-588 2756

Mr P G Brown
Chief Executive Officer
Passbook Building Society
High Street
Barrowdale
Lancashire BQ53 5PA

10 October 1991

Dear Mr Brown

In a major new initiative, the Business School is conducting post-graduate research into the suitability and applicability of marketing to the building society movement.

We are therefore surveying a range of building societies, to establish the attitudes of senior executives towards marketing in building societies.

I have had the opportunity of visiting your Marketing department and speaking to Mr James, who has been particularly helpful in my research. However, it is important to include in the research the views of Chief Executives, and I am therefore writing to request an appointment.

We are keenly aware of time pressures, and in order to speed up matters we have devised a questionnaire which I would like to complete whilst talking to you. A copy of the questionnaire is enclosed to give some idea of the areas of interest.

As the background details have already been established it should be possible to cover

all the areas of interest in about 45 minutes or so.

I do hope that you will agree to see me, and I shall call your secretary next week in this respect.

Yours sincerely

Krish Shastri

14 McNaughton Close
Farnborough
Hants., GU14 0PX.
Tel: 0836 692960
Fax: 0252 375647

Krish Shastri is a graduate of the University of Wales. In 1986 this was followed by a part-time MBA from the City University Business School.

An experienced marketer, he has worked in the financial services industry for the last twelve years, including experience with a centralised lender and two major banks.

As a doctoral research student at the City University Business School he is researching aspects of Marketing in British building societies under the supervision of Professor Martin Collins.

There are no commercial interests attached to this project, and all information will be treated in the strictest of confidence. Overall survey results can be made available to participants on request.

QUESTIONNAIRE

Mr P.G.Brown
Chief Executive Officer
Passbook Building Society

This questionnaire is divided into three parts, which are concerned with the organisational aspects of the society, its marketing activities, and its cultural values.

Part I

Q. Which of the following terms best describes your industry? (please tick only one)

- a) Savings and Loans ☐
- b) Savings and Mortgages ☐
- c) Retail Financial Services ☐
- d) Banking ☐
- e) Other (please specify)

Q. Please rank the following in order of importance.
(1-10; 1 = most important).

Function	Order of importance
Finance	[]
Treasury	[]
Data Processing	[]
Marketing	[]
Personnel	[]
Legal	[]
Advertising	[]
Branch Adminstration	[]
Advances/Lending	[]
Research	[]

Q.	Please rank the following competitors in order of importance (1-9, 1 = most important)		
		Mtges	Savings
	Regional Building Societies	[]	[]
	Local Building Societies	[]	[]
	National Building Societies	[]	[]
	Centralised lenders	[]	[]
	The Clearing Banks	[]	[]
	Foreign Banks	[]	[]
	Non-life Insurance Companies	[]	[]
	Life Insurance Companies	[]	[]
	Government savings schemes	[]	[]

Q.	With regard to the following services, please indicate which of the following marketing goals apply, ranking them (1-5) in order of importance. (1 = most important)		
		Savings	Mortgages
	Maintain market share	[]	[]
	Increase market share	[]	[]
	Maximise profits	[]	[]
	Maximise sales	[]	[]
	Other (please specify)		
	_____	[]	[]

Q.	To what extent is Chief Marketing officer formally involved in Corporate goal setting and planning.				
	Fully involved		Not involved		
	1	2	3	4	5

Q. Using the following scale, please indicate if you agree with the following statements.

- | | agree | | | | disagree |
|---|-------|---|---|---|----------|
| | 1 | 2 | 3 | 4 | 5 |
| a) Competition makes for better service | | | | | |
| b) There isn't much difference between the services of a bank and a building society. | | | | | |
| c) Banks have higher service standards than building societies. | | | | | |
| d) All building societies have the same service standards | | | | | |
| e) The most competitive pressure comes from other building societies. | | | | | |
| f) Competitive pressures will increase over the next five years. | | | | | |

Q. Please rank the following (1-3) in order of importance (1 = most important).

Success is achieved by supplying services of the optimum quality and cost. []

Selling and promotion are the key to success. []

Success depends on customer research and product innovation. []

Q. What are the major factors that influence the decision to develop a new product? Please rank in order of importance. (1 - 6; 1 = most important).

Keep up with competitors []

Market research studies []

Operations suggested product []

Legislative changes []

Diversification pressures []

Need to provide a comprehensive range []

Q. How much responsibility does marketing have for the following functions?

	Responsibility					
	Full				None	N/a
Advertising	1	2	3	4	5	6
Sales Promotion	1	2	3	4	5	6
Market Research	1	2	3	4	5	6
Marketing planning	1	2	3	4	5	6
Setting Br Mktg Targets	1	2	3	4	5	6
Branch design	1	2	3	4	5	6
Branch site selection	1	2	3	4	5	6
Product selection/design	1	2	3	4	5	6
New Product development	1	2	3	4	5	6
Distribution	1	2	3	4	5	6
Selling operations	1	2	3	4	5	6
Sales forecasting	1	2	3	4	5	6
Diversification studies	1	2	3	4	5	6
Price setting	1	2	3	4	5	6
Customer service	1	2	3	4	5	6
Corp/Strategic Planning	1	2	3	4	5	6
Marketing Training	1	2	3	4	5	6
Marketing staff selection	1	2	3	4	5	6

Q. How important are the following in stimulating demand?

	Very important				Not important
Press advertising	1	2	3	4	5
TV advertising	1	2	3	4	5
Branch posters	1	2	3	4	5
Customer mailings	1	2	3	4	5
Third party mailings	1	2	3	4	5
Statement promotions	1	2	3	4	5
Public relations	1	2	3	4	5
Sponsorship	1	2	3	4	5
Other (specify)	1	2	3	4	5

Q. How important are the following activities?

	Very important				Not important
Improving product quality	1	2	3	4	5
Convenient branch locations	1	2	3	4	5
More promotional offers	1	2	3	4	5
Lower transaction costs	1	2	3	4	5
More competitive rates	1	2	3	4	5
Better customer service	1	2	3	4	5
Better selling	1	2	3	4	5
Better branch layout	1	2	3	4	5
Wider product range	1	2	3	4	5
Better marketing	1	2	3	4	5

Q. What are your society’s most important competitive strengths? Please rank in order of importance. (1 - 6; 1 = most important).

Superior products	[]
Better customer service	[]
Better image	[]
Stronger distribution	[]
Price	[]
Better marketing	[]

Q. In five years, which of the following attributes is a successful Society likely to have as its most important competitive strength? (1 - 6; 1 = most important).

Superior products	[]
Better customer service	[]
Better image	[]
Stronger distribution	[]
Price	[]
Better marketing	[]

Part II

In the following statements please indicate your degree of agreement as follows:

	Strongly agree					Strongly disagree
Marketing is mainly concerned with stimulating demand for a product or service.	1	2	3	4	5	
Marketing is more relevant to manufacturing than service firms.	1	2	3	4	5	
Marketing is selling effectively.	1	2	3	4	5	
Our main task is to increase sales volume, profits will follow naturally.	1	2	3	4	5	
A Chief marketing officer should be a member of the executive group.	1	2	3	4	5	
A Chief marketing officer should be a Director.	1	2	3	4	5	
Marketing is selling the societies products and services to its customers.	1	2	3	4	5	
Make a better product and people will beat a path to your door.	1	2	3	4	5	
Marketing should have a minimum of influence on the day to day	1	2	3	4	5	

operations of the society.

The society should satisfy the typical customer rather than individual segments of customers.

1 2 3 4 5

Market research should have a direct impact on the operations of all departments.

1 2 3 4 5

A Marketing department should be able to influence decisions in all departments.

1 2 3 4 5

Societies should be organised to provide services to customers for a profit.

1 2 3 4 5

Societies are more sensitive to customer needs than banks.

1 2 3 4 5

Customers trust societies more than banks.

1 2 3 4 5

Part III

Q. Which of the following factors are important for success over the next five years? Please rank in order of importance. (1-7; 1 = most important).

Better sales []

Better service []

Better marketing []

Lower cost/high efficiency []

Greater investment []

Product innovation []

Data Processing []

Q. Please rank the following Corporate goals in order of importance. (1-7; 1 = most important)

- Increase market share []
- Improve in productivity []
- Defend market share []
- Survival []
- Improve profitability []
- Expand the range of services/products []
- Enter new markets []

Q. To fulfil the role of CEO it is important to have experience in which of the following: (Please rank the following in order of importance, 1 = most important).

- Finance []
- Operations []
- Adminstration []
- Sales []
- Marketing []
- Legal []
- I T []

Q. Please indicate the society’s attitude to the following statements;

	True				False
A belief in being best	1	2	3	4	5
A belief in superior quality and service	1	2	3	4	5
A belief in economic growth and profits	1	2	3	4	5
Our main task is to get better sales from our customers.	1	2	3	4	5
We are innovative	1	2	3	4	5
We are customer orientated	1	2	3	4	5

We are sales orientated	1	2	3	4	5
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We are product orientated	1	2	3	4	5
---------------------------	---	---	---	---	---

Q. Which of the following terms best describes the society?

	True				False
Competitive	1	2	3	4	5
Caring	1	2	3	4	5
Friendly	1	2	3	4	5
Socially responsible	1	2	3	4	5
Efficient	1	2	3	4	5
Profitable	1	2	3	4	5
Business like	1	2	3	4	5

Q. Does the society have a formally documented;

Mission statement?	Y ☐	N ☐
Corporate plan?	Y ☐	N ☐
Marketing plan?	Y ☐	N ☐
Target segment profiles?	Y ☐	N ☐
Annual Budget?	Y ☐	N ☐

7. a) How many postal questionnaires does the society receive in a month?
Number _____
- b) How many of these are addressed to the CEO for his personal completion?
Number _____
- c) How many of these are completed by the addressee?
None ☐ a few ☐ most ☐ all ☐.

Q. The society's culture is most influenced by the attitudes of its;

	True				False
Board.	1	2	3	4	5
Chief Executive Officer	1	2	3	4	5
Management.	1	2	3	4	5
Customers	1	2	3	4	5
History.	1	2	3	4	5

Q Once agreed, how much discretion does marketing exercise over the marketing budget?

Full				None
1	2	3	4	5

Q Once agreed how much discretion does marketing exercise over the implementation of the Marketing Plan & Strategy?

Full				None
1	2	3	4	5

Q. Personal:

Date joined Society	_____
Date appointed CEO	_____
Date appointed to the Board	_____
DOB	_____
Educ Qual	_____
Prof Background	_____
Exp in Mkting	_____

Thank you for taking the time to complete this questionnaire. You are assured of the strictest confidentiality.



Martin Collins
M.R.S. Professor of Marketing Research

Branch Managers,
Passbook Building Society
High Street
Barrowdale
Lancashire BQ53 5PA

Frobisher Crescent
Barbican Centre
London EC2Y 8HB

Telephone 071-920 0111
Fax 071-588 2756

18 October 1991

Dear Branch Manager

In a major new initiative, the Business School is conducting post-graduate research into the suitability and applicability of marketing to the building society movement.

We are therefore surveying a range of building societies, to establish the feelings of their managements towards marketing when applied to the building society industry.

I am delighted to say that your society has been particularly helpful in my research and has agreed to the project being extended to include the views of some of its branch managers.

I am therefore pleased to enclose a questionnaire which I should be grateful if you could personally complete and return to me. In order to ensure total confidentiality please return the questionnaire direct to me at the address given on the questionnaire.

Thank you for your help with my research.

Yours sincerely

Krish Shastri

14 McNaughton Close
Farnborough
Hants., GU14 0PX.
Tel: 0836 692960

QUESTIONNAIRE

Passbook Building Society
Branch Managers

We are anxious to establish your opinions as the branch manager of your building society, I should therefore be grateful if you could personally complete this questionnaire.

This questionnaire is divided into three parts, these are concerned with the organisational aspects of the society, its marketing activities, and its cultural values.

Part I

Q. Which of the following terms best describes your industry? (please tick only one)

- a) Savings and Loans ☐
 - b) Savings and Mortgages ☐
 - c) Retail Financial Services ☐
 - d) Banking ☐
 - e) Other (please specify)
-

Q. Please rank the following in order of importance to the society. (1-10; 1 = most important).

Function	Order of importance
Finance	[]
Treasury	[]
Data Processing	[]
Marketing	[]
Personnel	[]
Legal	[]
Advertising	[]
Branch Adminstration	[]
Advances/Lending	[]
Research	[]

Q. Please rank the following competitors in order of importance (1-8, 1 = most important)

	Savings	Mortgages
Regional Building Societies	[]	[]
Local Building Societies	[]	[]
National Building Societies	[]	[]
Centralised lenders	-	[]
The Clearing Banks	[]	[]
Foreign Banks	[]	[]
Non-life Insurance Companies	[]	[]
Life Insurance Companies	[]	[]
Govt Savings Schemes	[]	-

Q. With regard to the following services, please indicate which of the following goals are most important, ranking them (1-5) in order of importance. (1 = most important)

	Savings	Mortgages
Maintain market share	[]	[]
Increase market share	[]	[]
Maximise profits	[]	[]
Maximise sales	[]	[]
Other (please specify)		
_____	[]	[]

Q. Using the following scale, please indicate if you agree with the following statements.

	agree				disagree
a) Competition makes for better service	1	2	3	4	5
b) There isn't much difference between the services of a bank and a building society.	1	2	3	4	5
c) Banks have higher service standards than building societies.	1	2	3	4	5

- | | | | | | | |
|----|--|---|---|---|---|---|
| d) | All building societies have the same service standards | 1 | 2 | 3 | 4 | 5 |
| e) | The most competitive pressure comes from other building societies. | 1 | 2 | 3 | 4 | 5 |
| f) | Competitive pressures will increase over the next five years. | 1 | 2 | 3 | 4 | 5 |

Q. Please rank the following (1-3) in order of importance.
(1 = most important).

Success is achieved by supplying services of the optimum quality and cost. []

Selling and promotion are the key to success. []

Success depends on customer research and product innovation. []

Q. What do you think should be the major factors that influence the decision to develop a new product? Please rank in order of importance. (1 - 6; 1 = most important).

Keep up with competitors []

Market research studies []

Operations suggested product []

Legislative changes []

Diversification pressures []

Need to provide a comprehensive range []

Q. How important do you think are the following in stimulating demand?

	Very important			Not important	
	1	2	3	4	5
Press advertising	1	2	3	4	5
TV advertising	1	2	3	4	5
Branch posters	1	2	3	4	5
Customer mailings	1	2	3	4	5
Third party mailings	1	2	3	4	5
Statement promotions	1	2	3	4	5
Public relations	1	2	3	4	5
Sponsorship	1	2	3	4	5
Other (specify)	1	2	3	4	5

Q. How important are the following activities?

	Very important				Not important
Improving product quality	1	2	3	4	5
Convenient branch locations	1	2	3	4	5
More promotional offers	1	2	3	4	5
Lower transaction costs	1	2	3	4	5
More competitive rates	1	2	3	4	5
Better customer service	1	2	3	4	5
Better selling	1	2	3	4	5
Better branch layout	1	2	3	4	5
Wider product range	1	2	3	4	5
Better marketing	1	2	3	4	5

Q. What are your society's most important competitive strengths? Please rank in order of importance. (1 - 6; 1 = most important).

Superior products	[]
Better customer service	[]
Better image	[]
Stronger distribution	[]
Price	[]
Better marketing	[]

Q. In five years, which of the following attributes is a successful Society likely to have as its most important competitive strength? (1 - 6; 1 = most important).

Superior products	[]
Better customer service	[]
Better image	[]
Stronger distribution	[]
Price	[]
Better marketing	[]

Part II

In the following statements please indicate your degree of agreement as follows:

	Strongly agree				Strongly disagree
Marketing is mainly concerned with stimulating demand for a product or service.	1	2	3	4	5
Marketing is more relevant to manufacturing than service firms.	1	2	3	4	5
Marketing is selling effectively.	1	2	3	4	5
Our main task is to increase sales volume, profits will follow naturally.	1	2	3	4	5
A Chief marketing officer should be a member of the executive group.	1	2	3	4	5
A Chief marketing officer should be a Director.	1	2	3	4	5
Marketing is selling the societies products and services to its customers.	1	2	3	4	5
Make a better product and people will beat a path to your door.	1	2	3	4	5
Marketing should have a minimum of influence on the day to day operations of the society.	1	2	3	4	5
The society should satisfy the typical customer rather than individual segments of customers.	1	2	3	4	5
Market research should have a direct impact on the operations of all departments.	1	2	3	4	5
A Marketing department should be able to influence decisions in all departments.	1	2	3	4	5
Societies should be organised to provide services to customers for a profit.	1	2	3	4	5
Societies are more sensitive to customer needs than banks.	1	2	3	4	5
Customers trust societies more than banks.	1	2	3	4	5

Part III

- Q. Which of the following factors are important for success over the next five years? Please rank in order of importance. (1-7; 1 = most important).

Better sales	[]
Better service	[]
Better marketing	[]
Lower cost/high efficiency	[]
Greater investment	[]
Product innovation	[]
Data Processing	[]

- Q. Please rank the following in order of importance. (1-7; 1 = most important)

Increase market share	[]
Improve in productivity	[]
Defend market share	[]
Survival	[]
Improve profitability	[]
Expand the range of services/products	[]
Enter new markets	[]

Q. To fulfil the role of CEO it is important to have experience in which of the following:
(Please rank the following (1-7) in order of importance, 1 = most important).

Finance	[]
Operations	[]
Adminstration	[]
Sales	[]
Marketing	[]
Legal	[]
I T	[]

Q. Please indicate the society's attitude to the following statements;

	True				False
A belief in being best	1	2	3	4	5
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Q. Which of the following terms best describes the society?

	True				False
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Business like	1	2	3	4	5

Q. The society's culture is most influenced by the attitudes of its;

	True			False	
Board	1	2	3	4	5
Chief Executive Officer	1	2	3	4	5
Management	1	2	3	4	5
Customers	1	2	3	4	5
History	1	2	3	4	5

Q. Personal:

Date joined Society _____

Date appointed Branch Manager _____

Date of Birth _____

Educational Qualifications _____

Thank you for taking the time to complete this questionnaire. All respondents are assured of the strictest confidentiality.

Please return to:

Krish Shastri
14 McNaughton Close
Farnborough
Hants., GU14 0PX

APPENDICES

III. Article in the Financial Adviser

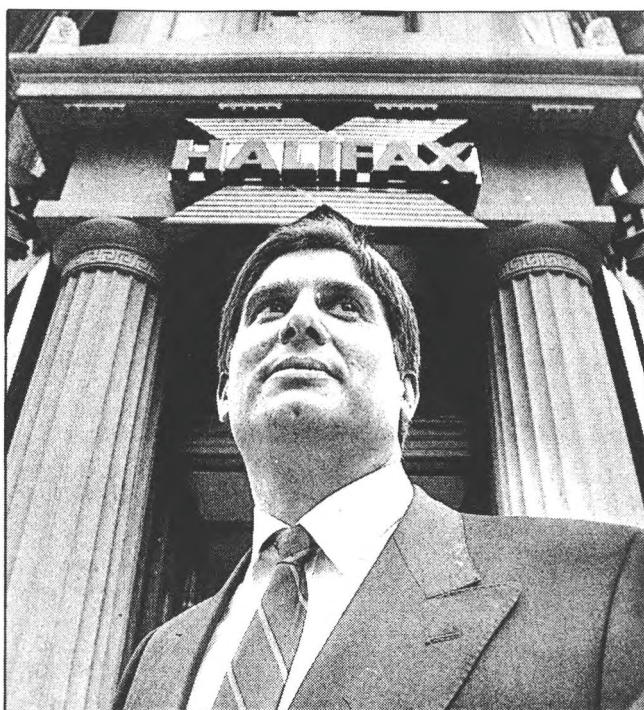
FINANCIAL ADVISER

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FINANCIAL ADVISER AUGUST 8 1991



Shastri: some say marketing is more suited to goods

Building societies misuse marketing

INCREASED competition has placed building societies under enormous pressure forcing many to set up marketing departments or expand the budgets of existing ones in recent years.

But according to Mr Krish Shastri of the City University Business School, it is doubtful if societies have taken on board the culture of marketing in the same way as other financial institutions.

Moreover, he believes that the role of marketing in a financial services environment is often misunderstood.

He said: "Some have argued that marketing is more suited to goods and products, and that a mort-

gage or savings account cannot be sold using techniques more suited to selling baked beans."

Mr Shastri, a doctoral research student, is currently researching the role of marketing in building societies to determine its use and effectiveness within these institutions.

Although his research is non-commercial and academically-based, he believes the findings will be of great interest to the societies and those working closely with them.

The findings will be available to societies which participate in survey.

Contact: ☎ 0836-692960