


# “Study of Attributes that Form Marketing Image of Financial Institution”

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## Study of Attributes that Form Marketing Image of Financial Institution

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### Abstract

Globalisation and convergence of different products force companies to compete through positive images, not prices or product attributes. Several types of image are discussed in academic literature: corporate image, brand image, external, internal, etc. Kotler and Barich (1991) suggest distinguishing a new image type – marketing image. Research objective of this paper is to identify empirically which attributes that form bank-marketing image have the highest value for bank customers.

The Conjoint analysis method was chosen for the empirical study. Although literature does not provide any possible application of Conjoint analysis method in the field of financial institution investigation, this method was utilised when scrutinizing shop image (Barich and Srinivan, 1993). Thus, it is expected that the Conjoint analysis method could be utilised when exploring bank marketing image. During the study 80 individual Lithuanian bank customers and 10 bank top level and middle level managers were interviewed.

On the basis of the results of earlier studies conducted, five main attributes forming marketing image were distinguished. Every attribute was characterised within three levels: bad, medium, and good. The importance of attributes for bank clients was divided into the following categories: service quality (41%), prices of services (26%), convenience, availability (17%), variety of services (13%) as well as bank exterior and interior (3%); however, the value of the attribute level is more important for the marketing image analysis. Having established the utility of the image attribute level for consumers, material and human resources, every financial institution has to find its ways of transferring identified attributes from one level to a higher one.

**Key words:** corporate image, marketing image, Conjoint analysis, financial institution.

### Introduction

The study of attributes that form marketing image of financial institutions was encouraged by certain tendencies that are prevalent in the activities of these organisations. In the past few years, most financial institutions have made their products designed for private clients uniform to the extent that makes it practically eliminate the possibility to compete through prices or product features. With most market players offering more or less uniform selection of financial services, competitive fighting had to shift to other spheres, i.e. building up the corporate image of financial institutions, with a particular emphasis on its three strategic elements: vision, culture, and image (Hatch and Shultz, 1997).

In 1955, Levy suggested the concept of corporate image. Since then various schools have developed this concept. A lot of attention to these questions is given in works of Martineau (1958), Kennedy (1977), Gray and Smeltzer (1985), Abrat (1989), Stuart (1994), Van Riel (1995), Hatch and Shultz (1997), Worcester (1997), Gray and Balmer (1998), etc.

It has been commonplace for quite a while to differentiate among three levels of the company image: corporate image, product image, and brand image (Levy, 1955). A completely new image type – marketing image, was proposed by Barich and Kotler (1991). The authors distinguished the new image type to solve problems related to the development of a unified, strong corporate image. Since corporate image may vary among different target groups (Olins, 1979; Dowling, 1986; LeBlanc and Nguyen, 1996), its development is costly and difficult to manage. On the other hand, management of marketing image is aimed at encouraging consumers to buy the company products or services and recommend them to others. Thus a positive marketing image

may have a greater impact on the company sales than corporate image. Besides its management is less costly. Bearing in mind the fact that a more propitious attitude to marketing image may be a strategic factor that determines success in competitive fighting, it becomes vital to analyse attributes that form marketing image.

The aim of this research is to identify empirically which attributes that form bank-marketing image have the highest value for bank customers.

The paper is structured in the following way. First, we review the literature on key issues involving the concept of both corporate and marketing images in the analysis of the image of financial institutions. We subsequently present the research design and discuss the results of the study, which provides empirical evidence on the main attributes that form bank marketing image and are of main importance for bank customers. The paper concludes with some general findings and managerial implications for financial institutions.

## **Background**

### *Defining Corporate Image*

The main objective of effective management of corporate identity is the development of a positive image (Balmer, 2001). Brown (1998) distinguished three broad disciplinary approaches to corporate image drawing on psychology, graphic design and public relations. As Balmer (2001) points out, the concept of corporate image is important, though quite problematic due to the diversity of interpretations stipulated by different approaches.

Indeed, management of corporate image is a problematic question. Martineau (1958) emphasises that corporate image has to be created in view of all related groups, not to be restricted merely to direct product consumers. Stockholders, employees, salespeople, providers, neighbours, and others are equally important. According to Olins (1979), Dowling, (1986), LeBlanc and Nguyen, (1996), corporate image of a company may differ among various audiences. Martineau (1958) distinguishes between "non-customers" and "customers", stating that different opinions and positions in view of a corporation do not allow considering all customers being a single group.

Bernstein (1984), Spector (1961), and Topalian (1984) emphasize the image subjectivity problem. The above-mentioned authors hold that image is subjective, as it is a result of synthesis of experience, beliefs, feelings, knowledge, and impressions of those who had contact with the company.

Keeping in mind the complexity and importance of developing a positive corporate image, there have been numerous attempts to develop models of corporate image management (Kenedy, 1977; Dowling, 1986; Abratt, 1989; Stuart, 1998). The above models analyse factors that determine company corporate image. Kennedy (1977) points out the role of human resources, Dowling (1986) analyses the impact of company communication and culture on the corporate image. Abratt's (1989) model incorporates the concept of the company individuality; whereas Stuart (1998) distinguishes between internal and external relations.

Davies (1996) holds an opinion that research of corporate image is more complicated in the service industry, which is conditioned by service features: intangibility, inseparability, heterogeneity, and perishability. LeBlanc and Nguyen (1996) distinguished five factors that determine corporate image in the service industry: corporate identity, reputation, service supply, physical environment, and contact staff. Gronroos (1990) and Lehtinen and Lehtinen (1991) studied the relationship between corporate image and service quality. According to Gronroos (1990), corporate image makes an important dimension of service quality. Image is considered to be an outcome of a service functional and technical quality. Where image is favourable, even lower quality services are viewed upon more favourably. Lehtinen and Lehtinen (1991) claim that image is the most significant element in the consumer's quality perception. They distinguish three quality dimensions: physical quality, relationship quality and corporate quality, and it is the latter that is associated with the company image and identity.

In summary it can be stated that development of a strong and favourable corporate image is a lengthy and costly process; therefore it should be formed as a result of all other image types.

### ***Distinguishing between Corporate and Marketing Images***

Levy's (1951) concept of a company image points out three image levels: corporate image, i.e. the way people perceive a company as a whole; product image – the way people perceive separate product groups; and brand image – the way people perceive a company in view of competing brands. This theoretical reasoning existed for quite a long time, i.e. 1991, when Barich and Kotler distinguished a fourth image level – marketing image, i.e. the way people perceive and appreciate the quality of the company's market offerings and elements of a marketing mix.

*Brand image* influences corporate image. Furthermore, it can be stated that it is one of corporate image components. Brand image is of high importance too, as the choice of unsuitable brand symbol, brand may become unacceptable for consumers, which greatly affects product sales. When a consumer decides on purchasing a product, he still has to decide which company's product to buy. Thus brand image that exerts a positive impact on the consumer's purchasing decision can be viewed as a value for the company.

*Marketing image* is a broader concept than that of a brand image, but a narrower than that of a corporate image. Marketing image plays a significant role in a company's and its product or service desirability in a customer's eyes.

By means of generalising, it can be stated that corporate and marketing images have different meanings. When analysing factors that influence image, Barich and Kotler (1991) proposed that it does not suffice to have a good corporate image, especially in cases when companies suffer from a poor marketing image. Thus the fact that an organisation gives big amounts of money to charity or public organisations may not persuade consumers to reconsider the weaknesses of a product and its marketing. In order not to diminish or deny the impact of corporate factors, the above authors propose concentrating on the management of the above types of images. Management of both corporate and marketing images may exert great influence on the behaviour of certain groups of society.

A lot of factors form corporate image, whereas only part of those aimed at influencing certain groups of society form marketing image. Barich and Kotler (1991) distinguish seven groups of factors stipulating marketing image: selling power, channels of distribution, communication, service, promotion, price, product or service.

*Selling power.* The concept of this factor embraces sales volume and scope. It is influenced by employee competence, ethics, reliability, toughness, and responsibility.

*Channels of distribution:* place, service, and competence. These elements are of particular importance in the service industry, as they may determine the choice of the service provider.

*Promotion.* This factor is perceived as education, reference books, and consumer training and consulting. It can also be viewed as assistance provided to consumers in making purchasing decisions.

*Price,* which consists of the following elements: price-lists, quantity discount, return of goods and period of payment.

*Communication:* advertising, public relations, sales promotion, direct mail, and telemarketing.

*Product or service:* attributes, delivery, adaptability, reliability, reparability, and model.

*Service:* equipment employed, repair quality and time, liquidity of spare parts.

Barich and Kotler (1991) point out three target groups whom a marketing image formation should be focused upon: the most important social groups (present customers, potential customers, distributors or retailers), media groups (newspapers, journals, TV, and radio), consulting groups ("recommenders", and branch analysts).

### ***Overview of Earlier Empirical Studies on the Image of Financial Institutions***

Though we have failed in tracing any studies on the marketing image of financial institutions, research on their corporate image is described in academic literature. Further on we will present research on the corporate image of financial institutions that we executed in Great Britain, Canada, and South Africa.

LeBlanc and Nguyen (1996) carried out an empirical survey of financial institutions in Canada. The survey questionnaire contained 36 variables related with corporate identity, reputation, personnel, physical environment, service offered, operating procedures, and service delivery. The above features were measured on a 7 point Likert scale, from 1 – very unfavourable effect on image to 7 – very favourable effect on image. Mid points on the scale were not labelled. 352 loyal bank clients participated in the survey.

The application of Cronbach alpha ranged the six key attributes in the following way: reputation of directors, service offering, contact personnel, corporate identity, access to service, and physical environment. Under regression analysis and beta coefficient, the result distribution was as follows: access to service, reputation of directors, service offering, and corporate identity. Contact personnel and physical environment are not significant in accordance with this coefficient.

Results of LeBlanc and Nguyen's (1996) survey demonstrated relationship between access to service and image, which indicates that access to service is a strategic factor having impact on the competitiveness of financial institutions. Since service anticipation makes a significant factor in the image development, management of financial institutions should introduce quality standards in order to speed up customer service.

Internal marketing efforts should be directed to persuading contact personnel that image formation is one of their tasks. Image is also greatly influenced by service offering and identity. When promoting new banking services, institutions should make use of the power of identity, i.e. give attention to company logo, name, as well as other factors that have impact on consumers' mind. Though the survey demonstrated that physical environment is of minor significance, it should still be given considerable attention, particularly in the service industry.

In Great Britain surveys of bank image were 1969. MORI (Market Opinion Research International) carried out a study of Lloyds bank image. In personal interviews with mainly elderly clients, respondents were asked to name three things that are most significant in company reputation evaluation (Boyle, 1996). The answers ranged in the following way: work relations and employee treatment (35%), product and service quality (33%), customer service (13%), and profitability (7%). In the course of time the answers changed a lot. In 1983 employee treatment fell to 13%, and in 1991 it climbed to 20% again. In 1980 service and product quality constituted a highly significant factor; however, in 1993 it dropped to 19%. Profitability escalated to 21% in 1996. Thus, as seen from the survey results, consumer opinion underwent considerable changes in those years (Boyle, 1996).

Heerden and Puth (1995) studied bank image in South Africa. At the initial stage of their research, bipolar factors determining the scale of the semantic differential were selected and further developed. To that end, respondents were asked a general question – “How relevant are the following factors to the company image?” At this stage, there was no indication of the planned bank image survey. Respondents were asked to rank the significance of each factor on a bipolar scale ranging from 1 to 5. Three factors that scored less than 3 were eliminated from further research, which deployed mere the remaining thirty factors.

The second phase embraced a survey of 11 banks operating in South Africa. Bank logo was used in the survey as an identification stimulus. Respondents were asked to select three with the highest corporate image. Banks that received highest scores were included into the final research phase.

In the last phase of the above research respondents were showed different slides of the logos of the four banks that were selected at the previous stage. Looking at each logo, respondents had to fill in 30 semantic differentials for each bank. The thirty-factor analysis enabled researchers to shorten the list of factors affecting the company brand. Varimax periodic recurrence method was applied by ascribing factors to larger groups, which resulted in 4 factor groups: dynamism, stability/reliability, customer service, and visual identity.

Heerden and Puth (1995) research supported the idea of company behaviour and visual identity having impact on the company image. It also provided proof of the belief that the company logo, as one of identity mix elements, might project a measurable image in the consumer's mind, as it arouses stimuli.

## Method

### *Describing the Conjoint Analysis Method*

The Conjoint analysis method was chosen for the empirical study. The objective of the Conjoint analysis is to evaluate both the importance and value of a distinct product's or service attributes. The Conjoint analysis method is similar to the ranking method in this respect. Indeed, the former differs from the latter in information collection and data analysis tools. In the Conjoint analysis respondents are asked to make a compromising solution on the importance of different attribute sets rather than one distinct attribute.

Conjoint analysis method is successfully applied in research of both capital and consumer goods (Green and Wind, 1975). Conjoint analysis is often applied when launching a product or service on the market. Cattin and Wittink (1982) determined that three times out of four the objective of the Conjoint analysis was to identify a new product conception. The Conjoint analysis method is often applied to charge prices or identify target market as well. The authors presented analogous data in their later work (Cattin and Wittink 1989). Although literature does not provide any possible applications of the Conjoint analysis method in studies of financial institution image, this method was applied in shop image scrutinising (Barich and Srinivan, 1993).

One of the main advantages of the Conjoint analysis method is that a real product or service situation is modelled for consumers. When comparing the Conjoint analysis method with other data collection methods, the disadvantages of the Conjoint analysis are as follows: direct interaction with respondents (a face-to-face interview) is required, which increases the study costs; a large number of attributes or attribute level number makes it very difficult to carry out a study; another disadvantage is inconsistency in the number of certain attribute levels.

### *Selection of Attributes*

On the basis of both literature review and TNS Gallup (2003) studies, which were carried out to find out both familiarity and image of Lithuanian commercial banks, five main attributes that form bank marketing image were distinguished: service quality, convenience and availability, variety of services, prices of services, bank exterior, and interior. Each attribute was characterised within three levels: bad, medium, and good. Each attribute level was described in detail (e.g., attribute level "bad service quality" was described in the following way: bank consultants usually are polite; however, when serving customers, sometimes they chat with their colleagues, do not pay sufficient attention and are not very helpful to their customers. Thus, consumers have to spend a lot of time waiting to be served).

On the basis of Conjoint research methodology (Green and Wind, 1975), five attributes and three levels aggregated 243 combinations ( $3^5=243$ ). To solve such a task, it would be not only very expensive, but also hardly possible. An orthogonal array was utilised in order to solve this problem: according to the certain testing roles, only part of attributes from all combinations was selected. The above-mentioned procedure was processed with the statistical SPSS program, which generated fifteen hypothetical combinations for the empirical study. They were presented in prop cards.

## Sampling Procedure and Data Collection

This study was conducted in two stages. Individual bank customers were interviewed at the first stage; bank managers or executives were interviewed at the second stage.

According to Barich and Kotler (1991), present customers are one of the most important groups, on which the development of the marketing image should be focused.

During the first stage 80 individual bank customers were interviewed in the following cities of Lithuania: 25 in Vilnius; 25 in Kaunas, 15 in Klaipeda, and 15 in Panevezys. Two types of bank customers were purposely distinguished according to their appearance: presentable and unrepresentable one. Having evaluated the complexity of the survey, only presentable customers were interviewed.

During the study every bank customer was given an envelope with fifteen prop cards inside. A customer was asked to rank those cards according to the desirability – from most desirable to least desirable.

Bank managers and executives were interviewed during the second stage of the study. The main purpose of the second stage study was to identify managers' perception of customers' expectations. There were ten top managers interviewed at the bank: a few department directors, heads of both divisions and groups of retailing banking department.

Data collected during both stages were analysed by using statistical program of the SPSS.

## Findings and Discussion

Analysis of the first stage results showed the attributes, which determine marketing image and the value a certain attribute level creates for the customer. The importance of the marketing image attributes for the bank customers is illustrated in Figure 1.

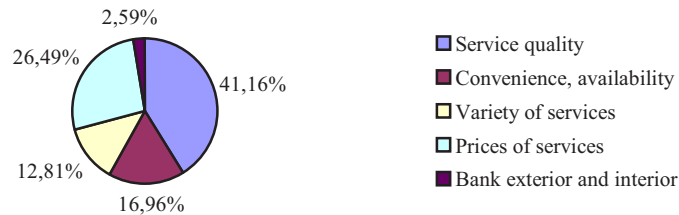


Fig. 1. Importance of attributes that form bank image for bank customers

Bank customers indicated that for bank marketing image the most important are service quality and prices of services, whereas bank exterior and interior make an attribute of least relevance. The results specify the direction for planning bank managers' aims. A great effort should be put into the improvement of service quality, price analysis of both bank itself and its competitors. When evaluating the results, attention should be given to the fact that respondents could assign relatively low importance to bank exterior and interior due to the following reasons: present bank interior and exterior are of a high level, customers are used to that kind of environment, and do not pay too much attention; a lot of people do not want to confess that building exterior or bank symbolism utilisation could be determining factors in their choice of bank.

Table 1

The utility of the attribute levels for bank customers

Attribute	Attribute Level		
	Bad	Medium	Good
Service quality	2,8688	5,7377	8,6065
Convenience, availability	1,1825	2,3649	3,5474
Variety of services	0,8927	1,7854	2,6781
Prices of services	1,8461	3,6922	5,5383
Bank exterior and interior	0,1802	0,3604	0,5406
Utility:	6,9703	13,9406	20,9109

Table 1 depicts the utility of attribute levels for the bank customers. Findings show that quality level improvement from bad to good or from good to excellent would create the biggest utility for the bank's marketing image. The same holds true of such attributes as convenience and service price. Whereas bank interior and exterior upgrading from bad to good or from good to excellent would create merely 0.2 utility.

During the second stage of the survey ten bank managers were asked to rank cards describing bank manager's image in the role of bank customers. Bank managers were more self-

demanding in comparison to customer evaluations. Two out of five identified attributes were distinguished as highly important: service quality and prices of services. Although managers paid more attention to bank exterior and interior, they paid less attention to convenience; indeed, a variety of services were of no importance at all as depicted in Figure 2.

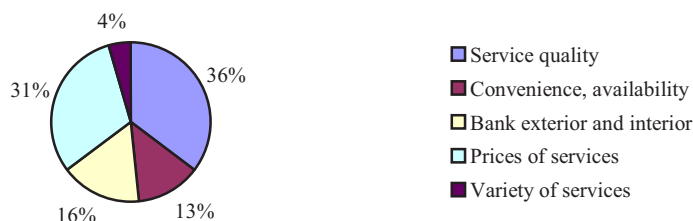


Fig. 2. Importance of attributes that form bank image for bank managers

Having evaluated study findings and seeking to strengthen bank marketing image, we propose to transfer the service quality level from good to excellent because this transfer will provide the highest value for bank customers. Later on, when the desirable results are achieved, transfer of attributes such as service price or convenience should follow quality service.

### Conclusions and Managerial Implication

Having highlighted some of the main theories of both corporate and marketing image and empirically identified the main attributes that have the highest value for bank customers, we may draw certain conclusions and identify some implications for practical application. Findings of this exploratory study attest to the central role of marketing image and the importance of examining attributes that are significant for financial institutions. It has been indicated that marketing image is one of the scientific literature topics that are least studied. The study was carried out at two stages. The findings revealed that opinions of bank customers and bank managers slightly differ in view of attribute ratings. Service quality and prices of services were of the most importance for bank customers, whereas bank exterior and interior were of the least importance. Managers did pay a lot of attention to service quality and prices of services, along with bank exterior and interior, while convenience attribute was not very important, and a variety of services was of no importance at all. The study of attributes that form the marketing image of financial institutions with the sample of 80 private bank clients and 10 managers demonstrated slight diversions in the opinions of bank clients and management on the relevance of attributes that form bank image. Bank clients consider service quality and price most significant attributes, whereas bank interior and exterior tend to be of little significance for them. As to the management, the latter ascribe highest significance to service quality and price, as well as bank interior and exterior. Convenience was said to be of lesser importance, whereas service variety was thought of as insignificant.

On a practical note, the understanding of the attribute value level for bank customers and ranking of these attributes might provide an indication of the variables that managers of financial institution need to strengthen in fulfilling customers' expectations in service delivery. First, the results of this study confirm the assertion that every financial institution knowing the value of attribute level for a customer has to find its ways of transferring these attributes to a higher level. Second, it is possible to evaluate a marketing image of bank competitors. Third, having compared values of attribute levels between bank and its competitors, the results can lead to the development of effective strategies how to excel the competition by putting more effort for the improvement of one or another the attribute level.

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