STRATEGY AND CONSUMER BEHAVIOUR IN THE FINANCIAL SERVICES INDUSTRY: THE ROLE AND SIGNIFICANCE OF TRANSACTION RELATIONSHIPS

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CONTENTS

CHAPTER SIX

RESULTS OF THE EMPIRICAL TESTING

6.1 Introduction

This study has sought to develop an understanding of consumer purchasing and contracting behaviour in the context of the financial services industry and to examine the impact of this behaviour on the strategic alternatives available to firms. The rationale for this investigation is that consumer behaviour forms a key contingency which shapes the strategic options available to firms. To explore this linkage between strategic opportunities and consumer behaviour, the study has combined a number of theoretical approaches from the economics, consumer behaviour and strategy literature. The concepts of uncertainty and involvement define the broad parameters within which consumer behaviour operates. Using these concepts a matrix of consumer behaviour was constructed in Chapter One, which identified a number of behavioural ideal-types. Each ideal-type is appropriate in a particular context, it allows consumers to reduce the 'cost' of contracting and enable them to obtain the goods and services they require. This project has focused on the relational/dependent ideal-type of consumer behaviour and Chapter Four synthesised the existing consumer behaviour and transaction relationship literature to hypothesise the attitudinal antecedents of loyalty/commitment. These attitudinal antecedents and the hypotheses that flowed from them formed the basis of the qualitative and quantitative testing described in detail in Chapter Five. This chapter considers in detail the empirical results, seeks to integrate those results into the theoretical frameworks articulated in the first three chapters and to answer the global hypothesis developed in Chapter One. It is structured around the hypotheses and the questionnaire, so that the results generated are related very clearly back to theoretical concepts discussed in Chapters One, Two and Three. Chapter Seven develops the strategic and marketing implications of the results.

6.2 Empirical Results

The results of the empirical analysis are structured around the three hypotheses identified in the conclusion to Chapter Four.

H:1 Respondents' attitudes differ between rational/discrete and relational/dependent ideal-types.

H:2 Differences in attitudes exist between emotionally loyal and non-loyal respondents.

H:3 The hypothesised determinants of loyalty/commitment can be used to predict loyal/commitment in respondents.

6.3 H: 1 Differences between rational and relational instruments

From the discussion in Chapters Two and Three an *a priori* linkage was hypothesised between the form of purchasing/contracting ideal-type adopted by the consumer and the form of financial instrument purchased. This linkage was premised on the belief that the characteristics inherent within the financial instrument played a significant part in determining the choice environment and the individual's attitudes underlying the act of choice. The nature of that linkage between financial instruments and ideal-types is illustrated in Figures : 8/9

Figure 8 : Hypothesised Linkage Between Financial Instruments, Attitudinal Factors and Ideal-Type: Rational/Discrete

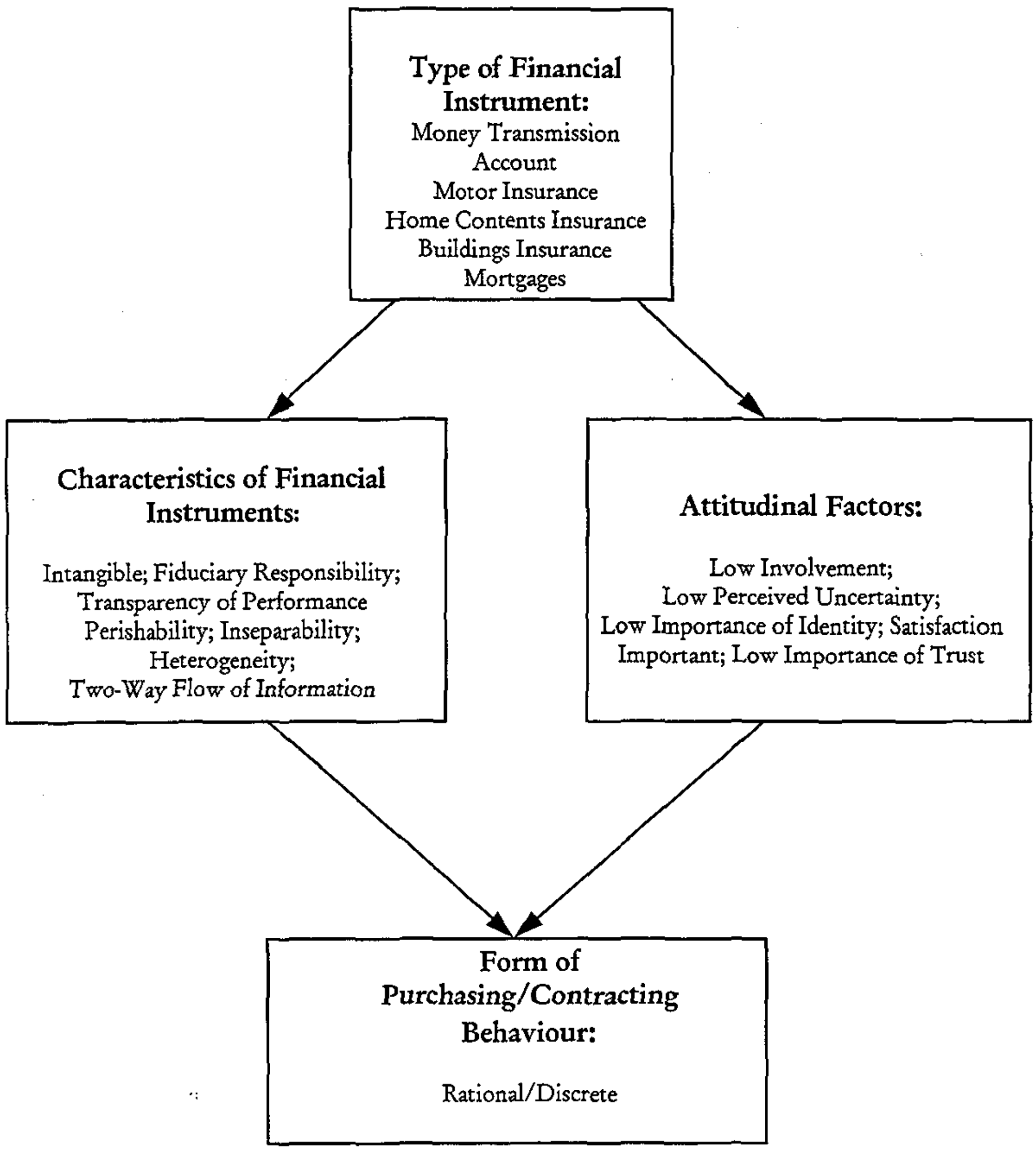
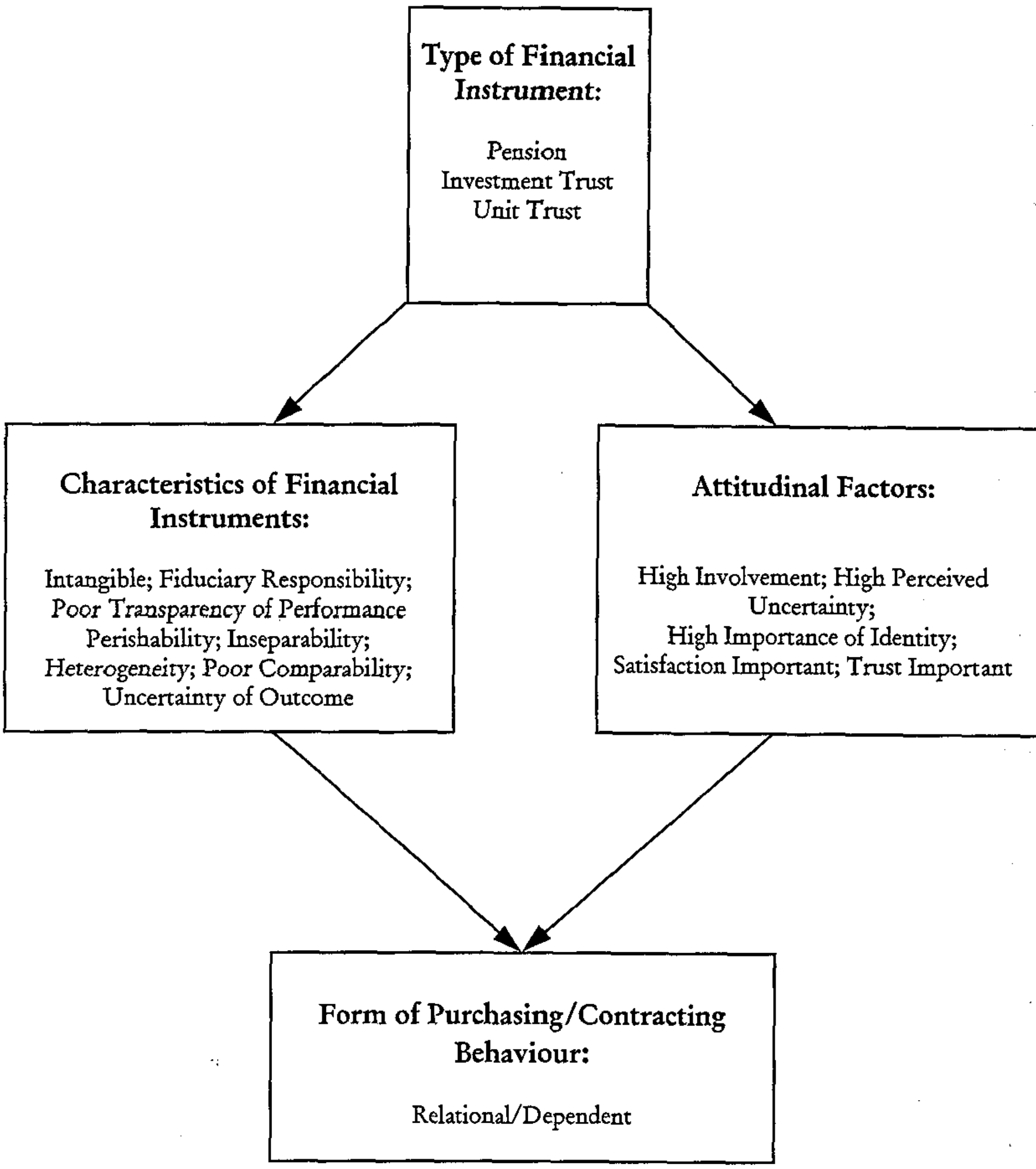


Figure 9 : Hypothesised Linkage between Financial Instruments, Attitudinal Factors and Ideal-Type: Relational/Dependent



In seeking to understand the nature of the interaction between the elements identified in Figures : 8/9, attention is focused on respondents' attitudes because they are perceived as determining the form of ideal-type used to structure purchase.[12] Attitudes determine behaviour and in testing attitudes the empirical research, both qualitative and quantitative, is able to examine the consumer behaviour ideal-type emerging from it.

The decision to focus on attitudes gave rise to the hypothesis:

H1 : Respondents' attitudes differ between rational/discrete and relational/dependent ideal-types.

To address these issues the questionnaire was deliberately split into general and investment sections to enable the research to draw out the differences between the instruments and, thus, test the underlying hypothesis. By using the same questions in each section of the questionnaire, very direct comparisons could be made between the responses. Answers to the questions were compared using the Kolmogorov-Smirnov test with a chi-squared approximation, the results of which are contained in Table : 4 in Chapter Five.

[12] It is possible to view the interactions represented in Figures : 8/9 as a 'gestalt'. The use of gestalts or patterns to describe complex social interactions is widely used in the social sciences, because human behaviour and the factors and attitudes that shape that behaviour, can be clustered together. It is only when such patterns or gestalts are highlighted that the behaviour can be adequately understood. Here the gestalt describes a holistic pattern of interactions between the characteristics of financial instruments, attitudes of individuals and the form of buying behaviour adopted. Only by linking these elements into a whole can patterns of behaviour be adequately understood.

These results indicate that, for certain factors, there are highly significant differences in attitudes between investment and general instruments. From the Kolmogorov-Smirnov test and examination of the chi-squared and cross-tab results, it is possible to draw conclusions on the differences in attitude between investment and general instruments. The discussion of those differences is structured around the sub-hypotheses identified in the conclusion to Chapter Four. These sub-hypotheses flow very directly from the global hypotheses and the theoretical discussions in the earlier chapters. Chapters Two identified two factors as significant in determining consumer behaviour, involvement and consumer confidence. Chapter Four developed the buying/contracting matrix through a discussion of the loyalty/commitment literature and resulted in three additional attitudinal factors being included in the analysis; identity, satisfaction and trust.

6.3.1 Involvement

The results of the Kolmogorov-Smirnov undertaken in Chapter Five (Table : 4), suggest that respondents' level of involvement differs according to the type of financial instrument and is consistent with the hypothesis formulated in Chapter Four:

H : 1.1 Involvement is positively associated with the relational/dependent ideal-type.

Drawing on the chi-squared and cross-tab results it is possible to conclude that the level of involvement displayed by respondents is higher for investment instruments than general instruments. The results indicate that respondents found the act of purchasing general instruments uninteresting, they were not involved in the act of purchase. This is possibly because of the very low level needs satisfied by the instruments themselves and that purchase is frequently driven by necessity rather than by desire.

The higher levels of involvement observed in respect of investment instruments is significant as involvement is perceived to be a key determinate in the loyalty/commitment literature (Beatty, Khale and Homer 1983) and consumer behaviour literature (Mittal 1989). Higher levels of involvement result in an awareness of the alternatives available, more deliberative purchase decisions and greater loyalty/commitment to the choice once it is made. Where decisions are made with little thought, the evidence suggests that loyalty or commitment to those decisions is limited (Beatty, Kahle and Homer 1988). Involvement forms one of the key building blocks of a transaction relationship, a linkage explored in Chapter Four, and the empirical results strongly suggest that in the context of investment instruments, involvement is relatively high. On the basis of these results and the hypothesised linkage between involvement and the relational/dependent ideal-type, H 1.1 is accepted at both the five and one percent levels.

6.3.2 Perceived Uncertainty

The Kolmogorov-Smirnov test of independence (Table : 4) in Chapter Four and the chi-squared and cross-tab results, suggest that higher levels of uncertainty are associated with investment compared to general instruments. These results confirm the hypothesis formulated in Chapter Four:

H : 1.2 Consumer confidence is negatively associated with the relational/dependent ideal-type

The Kolmogorov-Smirnov test results (Table : 4) indicate that respondents clearly recognise the higher levels of uncertainty associated with investment instruments and the results highlight the direction and strength of the relationship between investment instruments and confidence. These results will have one of two effects: either, respondents, recognising the uncertainty, will make no purchases of investment instruments; or they will seek to form relationships to guide their decision-making. The choice between these courses of action will be significantly influenced by individual's involvement with investment instruments. If they believe that investment instruments are important they will find ways to minimise perceived uncertainty; if not, they will avoid making a purchase. Consumer confidence is higher in respect of general instruments, suggesting that individuals will be more confident in taking purchase decisions about these instruments. These results are consistent with observed behaviour where consumers are increasingly prepared to accept greater responsibility and control than when purchasing general financial instruments.

6.3.3 Identity

Identity differed significantly between general and investment instruments according to the results identified in the Kolmogorov-Smirnov (Table : 4) and the chi-squared and cross-tab results. From these results it is possible to accept the following hypothesis

H : 1.3 Identity is positively associated with relational contracting contexts.

This hypothesis is accepted at both the 5% and 1% levels, suggesting a strong linkage between identity and relational contracting. Such a linkage is consistent with the literature reviewed earlier and suggests that individuals recognise the need to form transaction relationships with other parties when making complex purchase decisions. Respondents agreed, however, that it is important to use well-known firms when purchasing both investment and general instruments but that it is not important to know the person from whom they are buying when purchasing general instruments. This suggests they are prepared to trust financial 'brands' as a replacement for knowing and trusting individuals. Respondents indicated that, when purchasing investment instruments, however, the identity of the individual is important. This may be an indication that simply trusting the brand is not sufficient when purchasing investment instruments and that it may be a reflection of the higher perceived uncertainty associated with these instruments. It may also indicate that when buying investments the relationship between the parties is 'lubricated' by identity. This result is consistent with Rusbult's work on relationships which highlighted the importance of identity in the formation and maintenance of relationships.

6.3.4 Trust

The problems of measuring trust were discussed earlier with the particular problem of creating questions sufficiently sensitive to discriminate between respondents. Given these problems it is perhaps not surprising that no significant difference between investment and general instruments was observed by the Kolmogorov-Smirnov test (Table : 4) and this result is confirmed by the chi-squared and cross-tab results.

Given these results it is not possible to accept the hypothesis formulated in Chapter Four:

H : 1.4 Trust is positively associated with relational contracting

6.3.5 Satisfaction

The results from the Kolmogorov-Smirnov test (Table : 4) suggest that no significant differences in attitude were found between general and investment instruments and this result was confirmed by the chi-squared and cross-tab results. In Chapter Four the following *a priori* hypothesis was formulated:

H : 1.5 Satisfaction is positively associated with relational contracting contexts.

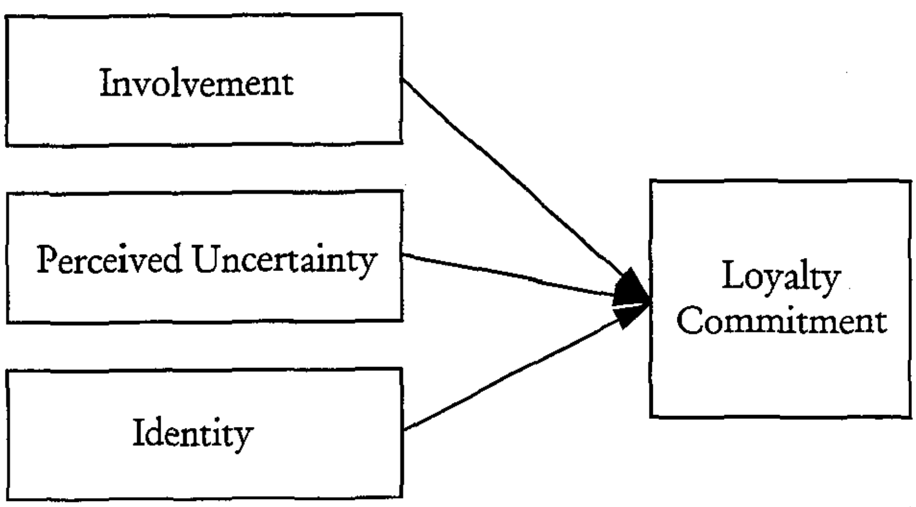
This hypothesis must be rejected at both the 5% and 1% levels on the basis of these results. This suggests respondents do not believe that satisfaction differs significantly between the types of instrument and this may be reflective of the problems of measuring satisfaction discussed earlier.

6.3.6 Discussion of Results

The results generated from the empiricism and outlined above, indicate significant differences between respondents' attitudes to general and investment instruments. This is important as the form of financial instrument, general or investment, was taken as a proxy for an 'ideal-type of purchasing and contracting behaviour'. Thus the results indicate the forms of attitude or construct which underlie the ideal-type of behaviour. The pattern of these results is consistent with the hypothesis that attitudes differ between forms of financial instrument and it is also consistent with the discussion in Chapter Four on the antecedents of transaction relationships.

Two important conclusions have been arrived at by the research: Firstly attitudinal differences exist between general and investment instruments, confirming the H : 0 global hypothesis that these differences would exist. Secondly, the research has established the attitudinal antecedents of transaction relationships. In the discussion of transaction relationships it was hypothesised that the factors of involvement, consumer confidence, satisfaction, identity and trust were linked to the formation of transaction relationships and two models representing that linkage were developed by the author drawing on the existing literature (Morgan and Hunt 1994). These results indicate that three of these five are, in fact, significant in the creation of transaction relationships: involvement, consumer confidence and identity. In the light of these results the two and five factor models can be rejected and an alternative three factor model created and accepted.

Figure 10 : The Three Factor Model



(A. G. Beckett 1997)

From these results it is possible to conclude that financial instrument can act as proxies for different forms of ideal-type. Such a conclusion is made possible because attitudes differ significantly between the different types of instrument and in a manner that was anticipated. If the results had not been significantly different, or had varied in a manner that was not anticipated, it would have been more difficult to reach this conclusion. Having concluded that investment instruments act as a proxy for relational contracting and transaction relationships, it is possible to draw further conclusions about the form of attitude which underlies transaction relationships.

It is possible that consumers are interested in the act of purchase rather than the financial instrument they are purchasing. Transaction relationships may fulfil higher order needs and thus consumers would, even if only for a limited period of time, find them interesting. These relationships are formed partly because they fulfil high order needs and partly because of the limited decision-making abilities of consumers. This combination of elements applies to investment instruments as they pose specific decision-making problems in terms of uncertainty and opportunism which are far greater than those experienced in purchasing general instruments. The reason for these decision-making problems was outlined in Chapter Three in the discussion on financial services characteristics. As a transaction relationship emerges and develops, the identity of the other transacting parties in that relationship becomes important (Ben-Porath 1980). This behaviour is consistent with the *a priori* understanding of transaction relationships developed in chapter three. The results of these tests also confirm the hypothesis implicit within the contracting matrix, that different forms of purchasing and contracting behaviour are matched with varying contexts and these contexts are defined by the degree of involvement and perceived uncertainty. Had high involvement instruments been associated with rational-active forms of purchasing/contracting behaviour, the hypothesis would have had to be rejected and so too the contracting matrix. Given the confirmation of the contracting matrix, the contracting/purchasing alternatives can be perceived as logical reactions to particular personal and environmental factors.

Drawing on the empirical results, two forms of buying behaviour can be identified which correspond to particular financial instruments. To purchase general financial instruments consumers use rational/discrete contracts, combined with low levels of identity, suggesting that brands, in the conventional sense, are not important to them. The results from the qualitative study suggest that consumers believed that all financial services providers were essentially the same, because they are regulated by government. Hence the failure to differentiate between brands; brands are not important because they have little relevance to the purchase decision. Traditional 'brand' management is based on the belief that consumers recognise and value brands and marketing academics and practitioners refer to consumers as having a 'relationship' with a brand (Christopher, Payne and Ballantyne 1991). It is doubtful, based on the results of this study, that consumers of general financial instruments have a 'relationship' with a brand. They may have a relationship with an independent broker who helps them to make a purchase decision, but this is an example of a transaction relationship. Moreover, that involvement is not extended to the provider of the financial instrument and this is evidenced by the qualitative study which revealed that consumers were typically unable to identify the name of the firm providing the financial instrument. Moreover, the creation of brand identities is meaningful only where consumption is visible. In such conditions the consumption of a brand communicates messages to others who witness the act of consumption. Financial instruments however, are not generally consumed in visible manner, the exception being gold or premium credit cards. Brands are therefore, unlikely to play their usual FMCG role in affect purchase decisions. Instead they are more likely to play a general reassurance role, reminding the consumer of the services available and the financial probity of a particular provider.

Given these results, the conventional approach to creating brand loyalty is unlikely to be effective where consumers simply do not recognise brands as important. Even advertising to raise the profile of the brand may not be effective. Certainly Direct Line had little difficulty entering a market in which the traditional incumbents would have argued their brand identity was strong. In this case brand identity was not an effective barrier to entry and this ineffectiveness may be a reflection of consumers' attitudes towards brands in this context.

When purchasing investment instruments the research has shown that individuals form transaction relationships to structure their purchases. These relationships are built on high involvement, low consumer confidence and high identity. The existence of identity makes the relationship difficult to substitute or imitate (Barney 1991) and consumers tend not to form 'relationships' where identity is unimportant. In other words, for a relationship to exist, there must be mutual recognition on both sides; interactions without this content cannot be described as relationships. The bond of identity develops the interactions into a relationship through which the consumer will channel future purchases. In this sense the relationship represents a strategic resource, because it excludes competitors and enables the firm to create added value for the customer.

Traditionally financial services providers believed that they had established relationships with their customers and based this belief on the level of repeat purchasing or the retention of customers over extended time periods. The results, however, indicate that consumers purchasing general financial instruments are more likely to be repeat/passive and make repeat purchases because the incentives to switch are not high enough, rather than as a consequence of commitment. Where incentives are created, as in the case of Direct Line, they move into the rational/active ideal-type and switch between providers. Frequently it is the existence of switching costs or lack of incentives that generates loyalty, rather than commitment to the firm. This is an important point because changes in technology are likely to erode switching costs and create new incentives and, as this happens, so existing strategic certainties are destroyed. Retailing and operating money transmission services via the Internet will, for example, radically re-define the strategic certainties which face banks and building societies.

6.4 Independence of Loyal and non-loyal groups

The second objective of the research was to identify if differences in attitude existed between loyal and non-loyal respondents using the hypothesised determinates of loyalty/commitment.

H:2 Differences in attitudes exist between emotionally loyal and non-loyal respondents

Respondents were separated into two groups in the manner described in Chapter Four and the results identified attitudinal differences between these groups. The determinants were drawn from the discussion of loyalty/commitment contained in Chapter Four and resulted in the creation of two models: a two-factor model based around the discussion in Chapter Two and a five-factor model, based on the work in Chapter Four. From the results generated in Chapter Five a number of conclusions can be derived and these are discussed below. All of the results discussed here are drawn from Table : 7 in Chapter Five which identifies which of the factors are significant. To assess the significance of respondents' replies to individual questions, the research drew on cross-tab tables; these tables are not included here because of their considerable size.

6.4.1 Involvement

The concept of involvement describes the individual's interest in a product/service, or the act of purchase. Involvement is critical as it encourages the individual to make a purchase, but involvement in financial instruments is likely to be low for the reasons discussed in Chapter Three. The expectation was that consumers would find the act of purchase rather than the actual instrument interesting and the questionnaire explored the attitudes of respondents in relation to the purchase of financial instruments. Involvement was found to be significant for both general and investment instruments at the 5% level and at 1% for investment instruments when comparisons are made between loyal and non-loyal respondents. The involvement result for investment instruments was particularly significant, suggesting that involvement differentiated between the two groups of respondents.

Involvement Questions

Q 1.02/2.02 I find shopping for and choosing general/investment instruments interesting

Loyal respondents demonstrated higher levels of involvement than non-loyal respondents and involvement in buying and choosing investment instruments was higher. The conclusion drawn here is that respondents find the act of choosing investment instruments interesting and confirms the discussion in Chapter Two that the act of purchasing investment instruments and the relationship that results, fulfils high order needs in Maslow's hierarchy. It is the fulfilment of those needs that consumers find interesting rather than the financial instrument itself.

Q 1.03/2.03 The general/investment instruments I buy say a lot about me as a person

Both loyal and non-loyal groups believed that general insurances said little about them as people, although loyal respondents believed that general instruments said more about them as people than non-loyal respondents. Similar results were obtained in relation to investment instruments. The conclusion drawn here is that because most respondents keep their financial affairs private, their purchase of financial instrument is not perceived as significant in communicating information about the individual to others. This 'invisibility' of purchase would confirm the discussion in Chapter Two that the role of brands is only important where their consumption is visible.

Q 1.04/2.04 From time to time I like to keep an eye on the market for general/investment insurances.

Loyal respondents demonstrated an interest in monitoring their general insurances. This interest in monitoring may suggest that they take more care when purchasing general insurances, and potentially become emotionally loyal/committed to a particular provider. Non-loyal respondents showed little interest in monitoring their general insurances, suggesting that, having made a purchase their level of involvement falls significantly. Similar results were observed for investment instruments, the only difference being that interest in monitoring investment instruments was generally higher for all respondents. Loyal respondents were particularly keen to monitor their investments, suggesting continued involvement even after purchase.

Q1.05/2.05 General/investment instruments are an important part of my life.

Loyal respondents believed that investment instruments were an important part of their lives. Interestingly enough, however, no group of respondents felt that general instruments were an important part of their lives.

In Chapter Four the following hypothesis was formulated:

H : 2.1 'Involvement is positively related to loyalty '

From the empirical results it is possible to accept this hypothesis: involvement is positively related to loyalty.

However within this conclusion, clear differences in the levels of involvement between loyal and non-loyal respondents become apparent. Involvement is positively correlated with both emotional and behavioural loyalty. These results suggest that the emotional needs of loyal consumers are met through the relationship they develop with a financial services provider, irrespective of the form of financial instrument purchased. Non-loyal respondents were found to possess low levels of involvement, suggesting that they found the instruments and the act of purchase uninteresting. One key factor that differentiated between levels of involvement was that of age. Younger respondents were generally less involved in financial instruments and their purchase than were older respondents. It may be that younger respondents, having less need for financial instruments because of their financial circumstances, find financial instruments generally less interesting. Given that involvement is closely correlated to loyalty irrespective of the type of instrument, differentiation strategies built around relationships will need to ensure that consumers' level of involvement in either the relationship or the instrument is high, and that the involvement can be maintained over time.

6.4.2 Perceived Uncertainty

Uncertainty and confidence are inversely related and, as the consumer becomes more confident, they will increasingly make their own decisions and using rational/discrete contracts to structure those decisions. Rational/discrete contracting is highly cost-effective if the individual is confident in his own decision-making abilities and does not require the assistance of other parties. Referring to Table : 7 in Chapter Five, consumer confidence was significantly different between loyal and non-loyal respondents at the 5% level for both general and investment instruments and 1% for general instruments. These results suggests that both loyal and non-loyal respondents associate uncertainty with the purchase of investment instruments. Referring to the cross-tab tables it is possible to explore in more depth respondents' replies to particular confidence questions.

Q1.062.06 It is important to spend a lot of time choosing the right general/investment instrument

All respondents recognised the need to spend time choosing the correct financial instrument. The need to choose carefully was particularly strong amongst loyal respondents. They perceived greater levels of uncertainty and responded to this through carefully considered choice and monitoring. Monitoring can be seen as uncertainty reduction behaviour which informs the consumer that s/he has made the right decision.

Q1.072.07 I always feel unsure when buying general/investment instruments

Loyal respondents felt more unsure when making purchases than non-loyal respondents. They perceived high levels of uncertainty and that uncertainty increased for investment instruments. Non-loyal respondents only associated uncertainty with investment instruments albeit at a lower level than loyal respondents.

Q1.082.08 General/investment instruments differ greatly in quality

Loyal respondents particularly believed that general/investment instruments differ in quality. This is undoubtedly a reflection of their underlying uncertainty when purchasing financial instruments. Non-loyal respondents did not believe that general instruments differed in quality and from this attitude they displayed relatively high levels of confidence in making purchase decisions about general instruments. They did however recognise the greater differences in quality between investment instruments.

Q1.09/2.09 Firms selling insurances differ greatly in quality

All respondents believed that firms selling financial instruments differed greatly in quality. This attitude was particularly noticeable in loyal respondents, which again suggests that they have high levels of uncertainty.

From these research results the following study hypothesis can be accepted:

H : 2.2 'Consumer confidence is positively related to loyalty '

Loyal respondents perceive higher levels of uncertainty than do non-loyal respondents. Consumer confidence is positively related to loyalty; the more uncertainty the individual associates with choice, the more likely they are to be loyal. The literature suggests that loyalty to a particular trading party reduces both uncertainty and the costs of transacting (Axelrod,1990; Ben-Porath, 1980). Consumers who are confident in their ability to make purchase decisions and perceive low levels of uncertainty are more likely to switch between providers.

6.4.3 Identity

Identity describes the importance the individual places on knowing the party with whom they are trading. When the respondent believes that the identity of the other transacting party is important, they are likely to develop loyalty bonds with identified trading partners. Some consumers for example place considerable importance on brand identity when making purchases; the brand identity is a significant factor in determining their purchase choices and developing loyalty bonds. In this respect the research sought to examine if attitudes toward identity differed significantly between loyal and non-loyal respondents. Attitudes towards identity where found to be significantly different between loyal and non-loyal groups for general financial instruments at the 5% level and significant at both 5% at 1% for investments, see Table : 7. These research results suggest that identity is a significant factor in differentiating between loyal and non-loyal respondents. To develop these results further each research question relating to identity was analysed drawing on the cross-tab results.

Q1.10/2.10 When buying general/investment insurances it is important to deal with a person face to face

Loyal respondents were more inclined to believe that it is important to deal face to face when purchasing financial instruments and this was particularly true when buying investments. Non-loyal respondents' attitude toward identity may affect their willingness to use direct forms of distribution that do not rely on face to face contact. If face to face contact is viewed as critical to the successful purchase of a financial instrument, direct distribution channels are likely to be avoided.

Q1.11/2.11 When buying general/investment instruments it is important that I know the person from whom I am buying

Loyal respondents were more inclined to place importance on knowing the person from whom they are buying insurances. This attitude was particularly strong when dealing with investment instruments.

Q1.12/2.12 When buying general/investment instruments I would rather use well-known firms, rather than firms I have not heard of

Loyal respondents believed that it was important to use well known firms rather than firms they had not heard of. This was particularly important when purchasing investment instruments.

Identity did appear to be more important to loyal than to non-loyal respondents. Non-loyal respondents believed that the identity of the party selling the instrument had little impact on their purchase decision.

From the literature review in Chapter Four the following hypothesis was formulated:

H : 2.3 'Identity is positively related to loyalty '

From the results of the K-S test and the analysis of the individual identity questions, this research hypothesis can be accepted in the context of investment questions at 5% and 1% and at the 5% level for general questions, see Table : 7. This suggests that respondents recognise the importance of identity when purchasing investment instruments. It also provides a rationale for the use of transaction relationships to structure purchases of investment instruments. Transaction relationships can be based on the interaction between two parties who know one another (i.e. identity) and can be used to facilitate the purchase of financial instruments which are complex, operate over extensive time periods and are inherently uncertain. The difference between the loyal and non-loyal groups in respect of general instruments is far less significant, suggesting that respondents do not believe that identity is as important when purchasing general instruments.

6.4.4 Trust

Of all the factors hypothesised as being a determinant of loyalty, trust is the most commonly used term. In this study the term trust is used to describe the willingness of the individual to delegate decision-making to another party. Once an individual trusts a financial services provider, (brand or individual) it is hypothesised that a bond of loyalty will develop. There are two difficulties, however, associated with questions concerning trust. One is that respondents may interpret the word differently from the way it is used in the questionnaire and answer accordingly. The other difficulty is that all respondents might answer the question in the same way, because trust is a 'good' attitude and one with which they wish to be positively associated with. Given the rather inconclusive results from the trust questions, it would appear that respondents have all answered in a similar manner. This suggests that the research questions were not sufficiently sensitive to discriminate between respondents.

The following questions concerning trust were formulated and the cross-tab results examined to develop the discussion:

Q1.132.13 I buy general/investment instruments on price/past performance so trust is not important to me.

Loyal respondents believed that trust was as important as price/past performance whereas non-loyal respondents believed that price/past performance was more important. The difference in attitude between loyal and non-loyal respondents, however, was not great.

Q1.14/2.14 When buying general/investment instruments I am prepared to hand over decision -making to another person.

Generally respondents were highly resistant to this idea. Loyal respondents were more likely to hand over decision-making, but the results were inconclusive.

Q1.15/2.15

When buying general instruments

Price is the (single/marginally the) most important factor

Trust is the (single/marginally the) most important factor

When buying investments

Past performance is (the single most/marginally the) most important factor

Trust is (marginally/the single) most important factor

Trust is a very difficult concept to measure and can be viewed as an outcome of the other factors. What can be concluded from these results, however, is that loyal respondents recognised the importance of trust and believed that it can play a key role in guiding their purchase decision-making. In Chapter Four the following research hypothesis was formulated regarding trust:

H : 2.4 'Trust is positively related to loyalty'

From the study results this hypothesis can be rejected in respect of both loyal and non-loyal respondents and for both general and investment instruments. This is perhaps a surprising result, but it has to be interpreted in the light of the problems discussed earlier when asking questions regarding loyalty.

6.4.5 Satisfaction

Consumers' satisfaction with general financial instruments was measured and no significant difference was detected between loyal and non-loyal respondents in relation to general instruments. There was a significant difference however, in relation to investment instruments at the 5% level. In the pilot study some problems had been encountered by respondents when answering questions concerning satisfaction. Respondents had great difficulty in identifying their feelings of satisfaction towards financial services instruments. This was particularly noticeable where the instrument had never been used, e.g. insurance and assurance, or were the instrument had long term consequences, e.g. pensions. In the full study the questions were adapted to reflect these differences. Drawing on the cross-tab results for each question it is possible to examine the pattern of respondents' answers and consider their implications.

Q1.16/2.16 I am usually satisfied with the quality of my general/investment insurances

Loyal respondents were generally more satisfied with their financial instruments than non-loyal respondents. The problem with this question, however, was that respondents tended to simply agree with it and thus the usefulness of the results was reduced.

Q1.182.18 The quality of my insurances will improve in the future

This question generated rather ambiguous replies, possibly reflecting that respondents do not know how to measure their current or future levels of satisfaction.

Satisfaction and loyalty/commitment are, however, perceived as being positively related and this was formulated into the following research hypothesis:

H: 2.5 'Satisfaction is positively related to loyalty'

Measuring satisfaction is a problem in the context of financial services instruments because respondents do not know how to quantify satisfaction and therefore have difficulty commenting. Interestingly respondents who had made an insurance claim changed insurance firms more frequently and were less satisfied with their insurers. Satisfaction is possibly only tested when the individual actually makes a claim; where policies expire without a claim being made individuals are unable to assess their levels of satisfaction. This is also true of long-term contracts such as pensions and investment instruments where judgements of satisfaction are only possible as the policy matures. From the results generated it was impossible to accept the hypothesis that loyalty is positively associated with satisfaction.

6.4.6 Linkage Between Relational/Dependent Ideal-Type and Loyalty/Commitment

A key research hypothesis identified in Chapter Four is the possible common attitudinal antecedents of the relational/dependent ideal-type and loyalty/commitment. This commonality is summarised in the hypothesis:

H : 2.6 'The antecedents of loyalty/commitment are consistent with those of the relational/dependent ideal-type'

The existence of this commonality is important as it suggests that those individuals using the relational/dependent ideal-type are also likely to be loyal/committed to the trading party with whom they interact. Such loyalty/commitment develops the ideal-type into a full transaction relationship and the potential for a strategic resource. From the results generated in Chapter Five and shown in Tables 8 and 9, it is possible to accept this hypothesis. The attitudinal constructs of involvement, consumer confidence and identity are found to be significant both in the formation of the relational/dependent ideal-type and loyalty/commitment.

6.4.7 Discussion of Results

From the above results it is possible to conclude that significant differences in attitudes exist between loyal/committed and non-loyal/committed respondents with regard to the determinants of loyalty. This suggests that loyal consumers have very different attitudes to non-loyal respondents, and provides a clear indication of the issues on which a loyalty programme needs to focus. These issues are discussed in more detail in the context of strategic resources and the marketing of loyalty. It must be stressed, however, that in preparing these results the research necessarily polarised the sample and therefore the respondents in the loyal and non-loyal groups are those at the extremes of the sample. Consequently, a number of respondents do not appear in this analysis because they could not be classified as being loyal or non-loyal on the measures used.

The pattern of these results differed according to the financial instrument being referred to. In terms of general financial instruments only consumer confidence was significantly different between loyal and non-loyal groups at 1%; whereas for investment instruments, identity, involvement and consumer confidence all registered differences at the 1% level. These results indicate that attitudes differ more markedly between loyal and non-loyal respondents with regard to investment instruments than general instruments. The strength of the results may suggest that respondents recognise the importance of factors like consumer confidence, identity and involvement in the context of investment (relational) instruments. In the context of general (rational) instruments by contrast, these factors are not considered as important because they believe that they are capable of making their own decisions; their involvement in the instrument is lower and identity is not considered as important. The net result is that rational/discrete contracts are used rather than transaction relationships.

The results in terms of differences between loyal and non-loyal consumers were corroborated using tests of independence with behaviourally loyal and non-loyal groups. These tests indicated that no significant difference in attitudes existed between emotionally and behaviourally loyal and non-loyal groups, suggesting that the hypothesised attitudes underlying loyalty are stable across different loyalty measures. What was not tested in this analysis was the direction of causation, although existing literature on loyalty/commitment suggests that attitude motivates action rather than vice versa (Ajzen 1988).

It is possible to conclude from the research results those factors or attitudes which are significant in creating bonds of loyalty/commitment between trading parties in the context of financial services and accept the following hypotheses:

H : 2.1 Involvement is positively correlated with loyalty/commitment

H : 2.2 Consumer confidence is negatively correlated with loyalty/commitment

H : 2.3 Identity is positively correlated with loyalty/commitment

The following hypotheses were rejected:

H : 2.4 Trust is positively correlated with loyalty/commitment

H : 2.5 Satisfaction is positively associated with loyalty/commitment

The problems in measuring trust have been discussed and it must be acknowledged that it may have affected the results. On the other hand it is also possible that trust is an outcome rather than a determinate of loyalty/commitment and, therefore, it is not meaningful to test this factor as an antecedent. This may be also true of satisfaction, which respondents found it difficult to determine, especially in terms of investment instruments where the consequences of present day decisions or actions may not become apparent for some considerable time.

In terms of building loyalty/commitment as a form of strategic resource, the results suggest that financial providers need to focus on consumers who hold these attitudes. Consumers who display loyal/committed characteristics and who purchase investment instruments are highly likely to form transaction relationships to which they are loyal/committed. These individuals could be viewed as a strategic resource, as it may be possible for a firm to return to these individuals and make further sales. Competing firms would have to offer significantly greater benefits to encourage these individuals to move from their existing relationship and to form another.[13]

Loyal respondents also appear to hold attitudes of high involvement, low consumer confidence and value identity for general instruments; the statistical significance is lower, however, than for investment instruments. These results suggest that these consumers form 'relationships' with financial providers to make purchases of general instruments, but they appear not be as strong as those created when purchasing investment instruments. Overall, as a group of respondents they are disposed to form transaction relationships based on loyalty and commitment when purchasing financial instruments.

Another significant factor is the failure of non-loyal respondents to recognise the importance of any attitudinal factors when purchasing financial instruments, irrespective of

[13] However, one area the empirical research did not investigate due to lack of funding, was that of the impact of time on involvement and consumer confidence. If involvement were to fall and/or consumer confidence to rise, the consumer may be prepared to break their existing relationship and forms a new relationship. One way of examining this issue would be to undertake a longditundinal study of consumer choice and the constructs of loyalty/commitment. Such a study was prohibitively expensive for the current researcher.

the form of financial instrument purchased. This suggests that they will use rational/discrete purchasing and contracting behaviour to structure their purchases of all forms of financial instrument. Such individuals are likely to remain highly 'deal-driven', continually searching for lower prices, and thus are not strong candidates for a loyalty-based strategy.

In terms of personal characteristics, none of the characteristics tested proved to be significant with the exception of age. Older respondents tended to display attitudinal characteristics consistent with loyalty/commitment and transaction relationships, whereas younger respondents did not and these results are consistent with those of Jain, Pinson and Malhotra (1987). What is probably most significant about these results is that attitudinal characteristics appear across all types of respondent, regardless of sex, marital status, social class and occupation. Simply testing by traditional forms of classification, such as social class failed effectively to identify underlying attitudinal characteristics.

At the end of Chapter Three, two loyalty/commitment models where created; the two-factor and five-factor modes. From the research results a hybrid, three factor model is developed. The results generated here identify where firms need to focus their marketing and strategic efforts to create loyal and committed consumers.

The research findings are significant, because attitudes of involvement, consumer confidence and identity were found to be important in determining both the choice of the purchasing/contracting ideal-type and the level of loyalty/commitment. These findings confirm the discussion in Chapter Three linking the antecedents of transaction relationships and loyalty/commitment. That discussion asserted that it was not possible to create a relationship without forming bonds of loyalty/commitment and that transaction relationships were formed to purchase certain types of financial instrument. The two sets of results have confirmed that this inter-linking of hypothesis is correct. The relational/dependent ideal-type, transaction relationships and loyalty/commitment are all based on similar patterns of attitudes. This interrelationship was summarised in the hypothesis:

H : 2.6 'The antecedents of loyalty/commitment are consistent with those of the relational/dependent ideal-type '

This hypothesis can be accepted on the basis of the statistical evidence collected and reported in Chapter Five. It has implications for firms seeking to create loyal/committed consumers as a form of strategic resource. The results suggest that if firms seek to create transaction relationships with their customers, they need to focus on those areas where consumers are prepared to use the relational/dependent ideal-type to structure their purchasing and contracting behaviour. In addition they need to develop consumer involvement with the interactions, increase consumer confidence in the relationship, increase perceived uncertainty outside of it and raise levels of identity. This combination of behaviours and attitudes will encourage the individual to develop transaction relationships to structure their purchasing and contracting behaviour and increase the chance that they will become loyal/committed to those relationships. These constructs that underpin loyalty/commitment need also to underpin the strategic and marketing behaviour of financial services firms and the strategic and marketing implications are discussed in more detail in Chapter Seven.

6.5 Predicting Loyalty/Commitment

The final global hypothesis draws on the existing empirical results reported above and seeks to predict loyal/committed respondents using the statistically significant attitudinal constructs of involvement, consumer confidence and identity. Such testing is important because it tests the robustness of the theory and the predictive power of the models. Bacharach (1989) argues that a key basis for evaluating the utility of theory and the relationships it seeks to articulate is the predictive adequacy of that theory; "a theory should provide a mechanism for predicting beyond chance." (Bacharach 1989 p.510). It is in this predictive context that the importance of the discriminate testing can be judged.

H : 3 'The hypothesised determinants of loyalty/commitment can be used to predict loyalty/non-loyalty in respondents '

The discriminate results reported in Chapter Five provides two indications as to the potential usefulness of the three-factor model. It uses the hypothesised antecedents of loyalty to separate respondents into loyal and non-loyal groups and then compares the results with the actual classification. The results of this test (see Table : 11) indicate that the model is able to predict if respondents are loyal or non-loyal to a 72.34% accuracy level; this is far higher that the 39% accuracy level which could be achieved through chance. The discriminate test also ranks the factors by their usefulness in predicting loyalty; involvement, consumer confidence and identity, are found to be most effective at discriminating between the two types of respondent. These are the factors identified in the earlier research as 'significant' in determining loyalty /commitment.

In combination these results confirm that the three-factors are effective in discriminating between types of respondent and that the factors selected for inclusion in the model are those most effective at discrimination. The results also suggest that the model fulfils Bacharach's requirements in that it is able to predict beyond chance and thus makes a significant contribution to theoretical knowledge. From these results it is possible to accept the hypothesis that the determinates of loyalty/commitment can be used to predict loyalty/non-loyalty in respondents.

6.6 Conclusion

From the discussion in Chapter Four, three global hypothesis were proposed and tested empirically. The results of that empiricism have been discussed and analysed in this chapter. From that discussion it has been possible to identify three key factors that differentiate between general and investment instruments and thus between rational/discrete and relational/dependent behaviour and, between loyal and non-loyal respondents. Using these three factors it has also been possible to predict loyalty/non-loyalty in respondents. Critically, these results confirm the broad thrust of the dissertation, that consumer behaviour varies in relation to the choice environment and that involvement and confidence play a central role in determining the nature of that behaviour. Given these results, the following chapter considers the wider strategic and marketing implications.

CHAPTER SEVEN

STRATEGIC CONCLUSIONS OF THE RESEARCH

7.1 Introduction

Having considered in some detail the empirical results and how they relate to the hypothesis derived in Chapter Three, it is useful to look at those results from a more general perspective. The adoption of a broader perspective also provides an opportunity to integrate the qualitative results with the quantitative results to gain a richer insight into consumers' behaviour. As suggested in Chapter Five, it is the drawing together of the research methodologies and the different types of information generated which allows the formation of a composite understanding of consumers' attitudes towards financial instruments. From the results of both the qualitative and the quantitative research, some important conclusions can be drawn. This chapter highlights three areas where the empirical results are combined with the theoretical discuss to generate advances in knowledge; the three factor model which emerges out of the empirical testing, the formulation of a dynamic model of consumer behaviour that reflects the three factor model and the development of strategic domains as an extension of the dynamic model. The first part of this Chapter reviews the empirical findings in more detail structuring that discussion in terms of types of financial instruments and loyalty/commitment. Then the attitudinal factors that make up the three factor model are examined and out of this discussion emerges the dynamic model of consumer behaviour. That model is extensively discussed and applied to financial services. The strategic implications of the model are then explored and again applied to the particular context of financial services. In conclusion the theoretical contribution of the Dissertation is examined and directions for future research suggested.

7.2 Types of financial instrument

7.2.1 General instruments

In regard to these instruments, respondents' involvement is low; they are predominately viewed as enabling devices used to acquire other forms of products and services, see the discussion in Chapter Two on Maslow's hierarchy in relation to general instruments. Involvement in the purchase decision is being increased through direct distribution channels , but falls quickly once the purchase is made. Consumer confidence is high because consumers believe that all general instruments and financial providers are essentially identical in terms of quality. As a result they perceive no risk in switching between providers. Given the lack of perceived uncertainty associated with purchase, it is not surprising that respondents believe that the identity of the individual or firm from which they purchase is unimportant. In terms of general instruments, consumers adopted the rational-active ideal-type approach to the structuring of their purchasing and contracting behaviour.

7.2.2 **Investment instruments**

In terms of investment instruments, the empirical results show that respondents' levels of involvement are relatively low, but that their involvement in the purchase decision is high. The relationship through which the instruments are purchased fulfils high order needs; self-actualisation, learning and development and a feeling of being interesting and wanted. The instruments themselves are not interesting as they communicate little to others when consumed, but the act of purchase is interesting and for some, enjoyable. The instruments themselves are inherently uncertain, due to the particular characteristics they possess and this uncertainty reduces consumer confidence. As confidence is reduced, so the identity of the individual or firm from whom the instrument is purchased, becomes increasingly important. In response to these factors, consumers adopt a relational/dependent approach which enables them to obtain investment instruments whilst reducing their exposure to uncertainty. As transaction relationships are formed, so identity becomes increasingly important, a finding consistent with the discussion in Chapter Four which highlighted the linkage between transaction relationships and identity. There it was argued that such relationships are based on known trading parties and part of their significance is that they cannot be easily replicated because of the role played by identity.

7.3 Loyalty/Commitment

The research sought to classify two groups of respondents within the study: 'loyal' and 'non-loyal' and then tested to see if their attitudes differed.

7.3.1 Loyal respondents

Loyal respondents displayed relatively high levels of involvement with financial instruments. This was particularly true of investment instruments, but also general instruments. Moreover, their confidence in making decisions is low although this attitude was more prevalent when considering investment instruments. Identity was perceived to be important for both forms of instrument, but again the attitude was more significant in respect of investment instruments. From these results it is argued that loyal respondents are purchasing in a manner which approximates to the relational/dependent ideal-type. This is particularly true of investment instruments, but may also apply, to a lesser degree, to general instruments. Moreover, their attitudes in the form of involvement, confidence and identity are encouraging them to behave in a loyal manner.

7.3.2 Non-loyal respondents

Non-loyal respondents demonstrate significantly different attitudes to loyal respondents. Their levels of involvement are lower for all forms of instrument, confidence in their ability to make choices is higher and the identity of the individual or firm providing the instrument is perceived to be unimportant. From these results it is suggested that these individuals will adopt the rational-active ideal-type when structuring their purchasing and contracting behaviour.

Given the results of the empirical study and the discussions above, financial services firms need to focus their marketing activities on three areas; involvement, consumer confidence and identity.

7.4 Attitudinal Factors

7.4.1 Involvement

A key underlying need of transaction relationships and the development of loyalty/commitment is the existence of involvement (Beatty, Kahle and Homer 1988). The essential problem for financial services firms is that the levels of involvement in financial instruments are relatively low, even for investment instruments, which using the traditional definition of high/low involvement, would be expected to be a high involvement purchase (Engle, Kollat and Blackwell 1986). However, in this study that view of financial instruments as a high involvement purchase has been challenged through reference to Maslow's hierarchy of needs as a determinate of involvement. Maslow's hierarchy defines a pattern of needs which individuals seek to fulfil, as each level of need is fulfilled they progress up through the hierarchy. Progression is driven by rising and falling levels of involvement in the needs within the hierarchy. Financial instruments, even investment instruments, only fulfil needs at the lower level of the hierarchy.

It is possible, however, that in the instance of financial services, the act of purchase rather than the financial instrument, fulfils higher order needs and is the locus of involvement.

Rational-active behaviour, the act of searching for a good deal, fulfils ego/esteem, prestige and recognition needs. The individual feels successful because they can negotiate and manage the purchase of the financial instrument and can communicate that success to others. The creation of a relationship between two parties, fulfils the need for affiliation and companionship and where information is exchanged, the need for personal development and learning can also be met. The consumer is 'educated' or developed through the interactions, to understand financial instruments and how they can help to improve their life. Through the social exchanges that occur the individual feels important, fulfilling ego and prestige needs and helping the self development of the individual, all higher order needs. These conclusions are consistent with the Fishbein's (1967) theory of reasoned action where he argues that rather than focus on attitudes toward a particular brand, researchers should focus on attitudes towards purchase. In this example the attitudes towards the financial instrument are less important than attitudes towards how purchase is structured and the involvement consumers have with the purchase process.

If the nature of buying behaviour is considered rather than the instrument, a far wider range of needs and motives are satisfied, this is illustrated in Table : 13.

Table 13 : Buying Behaviour, Needs and Motives

Rational/Discrete

Common Instrument Characteristics	Intangible; Fiduciary Responsibility; Transparency of performance; Perishability; Inseparability; Heterogeneity; Two-way Flow of Information
Needs and Motivations	Safety and Security; Success;
Types of Instrument	Annuities; Money Transmission; Motor, House Contents/Buildings Insurance; Life Assurance

Relational/Dependent

Common Instrument Characteristics	Intangibility; Uncertainty of Outcome; Poor Comparability; Poor Transparency of Performance; Fiduciary Responsibility
Needs and Motivations	Personal Development; Learning and Understanding; Self-Development; Ego/Esteem; Success; Prestige; Affiliation; Companionship; Affection
Types of Instrument	Endowments; Pensions; Unit/Investment Trusts;

Separating the financial instrument and the act of purchase enriches our understanding of involvement in the context of financial services. It also helps to explain why differentiation is so difficult to create and sustain in this market. Brands and the images and meanings they embody, encourage consumers to link a product or service to higher order needs within the hierarchy. In consuming a brand the individual fulfils higher order needs. Branding is thus heavily dependent on visible consumption or least consumption that can be communicated in some way. Where consumption is invisible, difficult to communicate, or consumers are reluctant to communicate their consumption patterns, brands are less important to the individual consumer. A good example of branding and the problems of invisible consumption is Perrier, the branded mineral water. Perrier's success has been to combine a product that fulfils a purely physiological need, with a strong brand image that satisfies the psychological needs of ego and esteem. However, Perrier's ability to satisfy those needs is dependent on visible consumption. If the water is simply placed into a glass and the bottle removed, ego and esteem needs are not met. Financial services face a similar problem to that of water, the service fulfils a low order need, and the problem is compounded in that consumption of most financial instruments is not visible. Because financial services possess so few visible clues around which involvement can be formed and as generate little direct pleasure when purchased, the overall level of involvement associated with the instrument is low. This will be true even for highly complex and expensive financial instruments. Such a conclusion would suggest that the creation of brands is unlikely to appeal to consumers. They are likely to be unaware of, or interested in such branding, nor would they allow it to influence their choice of provider. Differentiation generally and branding in particular, will only be effective where it links into the needs contained within Maslow's hierarchy.

The success of direct writers can also be explained in terms of Maslow's hierarchy. In purchasing in a direct form the consumer satisfies both a monetary need, in the form of lower premiums and psychological need, in taking greater control of their life. Enabling consumers to use rational-active behaviour and take greater control of their purchase decisions, raises the involvement in the purchase decision and encourages them to switch between providers. In a similar way, relational-dependent behaviour, that fulfils self-development, affiliation and learning needs, raises consumer's involvement in the act of purchase, rather than the instrument.

Changing our understanding of how consumers derive their involvement in the context of financial instruments, from instrument to act of purchase, generates new possibilities in terms of sustaining competitive advantage. The act of purchase and in particular the formation of relationships to guide purchase, fulfils a range of higher order needs such as personal development, ego/esteem, learning and self-actualisation. Fulfilling higher order needs raises levels of involvement and encourages the formation of bonds of loyalty/commitment to the relationship. Consumers are interested in the relationship and may even enjoy the attention it provides, this generates loyalty and from a strategic perspective, potentially sustainable competitive advantage.

In terms of general instruments, rather than focusing on the relationship formed between the financial services provider and the individual, firms could link their instruments with the items consumers seek to purchase. Such linkages could generate vicarious involvement, the individual is still largely uninterested in the financial instrument and the act of purchase, but they are involved in that which the financial instrument enables them to obtain. Linking financial instruments to goals and needs in this way has the potential to generate 'weak' relationships with consumers which could be developed into 'strong' relationships over time. Weak relationships are those based on factors extrinsic to the interaction between firm and consumer. Affinity group marketing, for example, seeks to create weak relationships through association with extrinsic factors such as dog and car clubs. Consumers' involvement in the financial instrument remains low, but their interest in the interactions with the financial services provider, is raised. Developing 'weak' relationships may be appropriate in the context of a youth market and/or when providing general instruments. In these contexts there is a tendency for consumers to adopt a rational/active mode of behaviour and the creation of 'weak' relationships would provide a limited means to establish a differentiation strategy and competitive advantage.

7.4.2 Perceived Uncertainty

The research explored the impact of uncertainty on purchase behaviour. Consumer confidence fell as the uncertainties inherent within the financial instrument increased. As confidence fell so consumers became more inclined to form transaction relationships. Alternatively as uncertainty decreased , the rational/active ideal-type was adopted, reflecting increased consumer confidence in their own decision-making. One of the problems faced by financial services firms is that both firms and instruments are typically perceived as being near perfect substitutes for one another, because they are all underwritten by the government. Such government backing reduces the need for careful choice, increases consumer confidence and thus encourages rational-active behaviour. It would be difficult for financial services firms, however, to suggest that their competitors were in some way financially unstable, as this could have a very negative effect on the entire industry and cause misgivings for government regulators. The impact of the direct writers is significant in raising levels of consumer confidence. Encouraging consumers to take on the responsibility of choice has increased their confidence in making decisions. This may have wider implications, however, because as confidence increases some respondents may seek to take greater control of the purchase decision in a wider range of financial services contexts.

7.4.3 Identity

Parties to an exchange can be vulnerable to the opportunistic actions of trading partners. Such vulnerabilities arise when parties to an exchange find it difficult to evaluate the 'trustworthiness' of the other parties. Identity helps trading partners to select reciprocal partners and to reduce the costs of information collection and the monitoring and enforcement of contracts. Thus, consistent with the discussion in Chapter Four on identity, this construct can be perceived as a device that enables individuals to reduce the transaction costs and perceived uncertainties associated with exchange. However, identity has a second key role in relation to involvement. Where consumers recognise and identify with notions of identity, be they brand names, corporate logos or particular individuals, consumers' interest in the products and services which possess these notions of identity is likely to be raised. Such raising of involvement will mediate the form of buying behaviour used to structure the purchase. The existence of identity changes the perceived uncertainty and the costs of dealing with that uncertainty as well as the degree of involvement the individual has with the particular product or service.

In the empirical research, identity was the only attitudinal characteristic found to be statistically significant, aside from involvement and perceived uncertainty. However, its influence is different to those characteristics. Whereas involvement and perceived uncertainty determine the broad nature of consumer behaviour, as articulated in the consumer behaviour matrix, identity mediates behaviour. Identity does not determine initially the form of behaviour used to structure purchase, but it is highly significant in determining how that behaviour unfolds over time.

The results of the qualitative and quantitative work in relation to identity indicate a need for a re-development of the consumer contracting matrix outlined in Chapter Two. In that matrix all four forms of behaviour are represented as substitutes for one another and selection of one form of behaviour flows from the initial conditions of involvement and perceived uncertainty. The inclusion of identity as an attitudinal factor challenges the assumption implicit in the matrix that all four alternatives are starting points for consumer behaviour. Incorporating this attitudinal factor into the concept of consumer behaviour ideal-types suggests that repeat-passive and transaction relationships, are in fact, mediated forms of behaviour into which the individual moves in response to recognition of identity. Identity's role in moving consumers from initial buying behaviour into stable, repeated behavioural forms is crucial from a marketing and strategic perspective. Repeat-passive and transaction relationships represent potentially strategic resources which firms can use to generate sustainable competitive advantage. The ability of firms to do this in highly competitive financial services markets may rest very directly on their ability to develop and manage notions of identity.

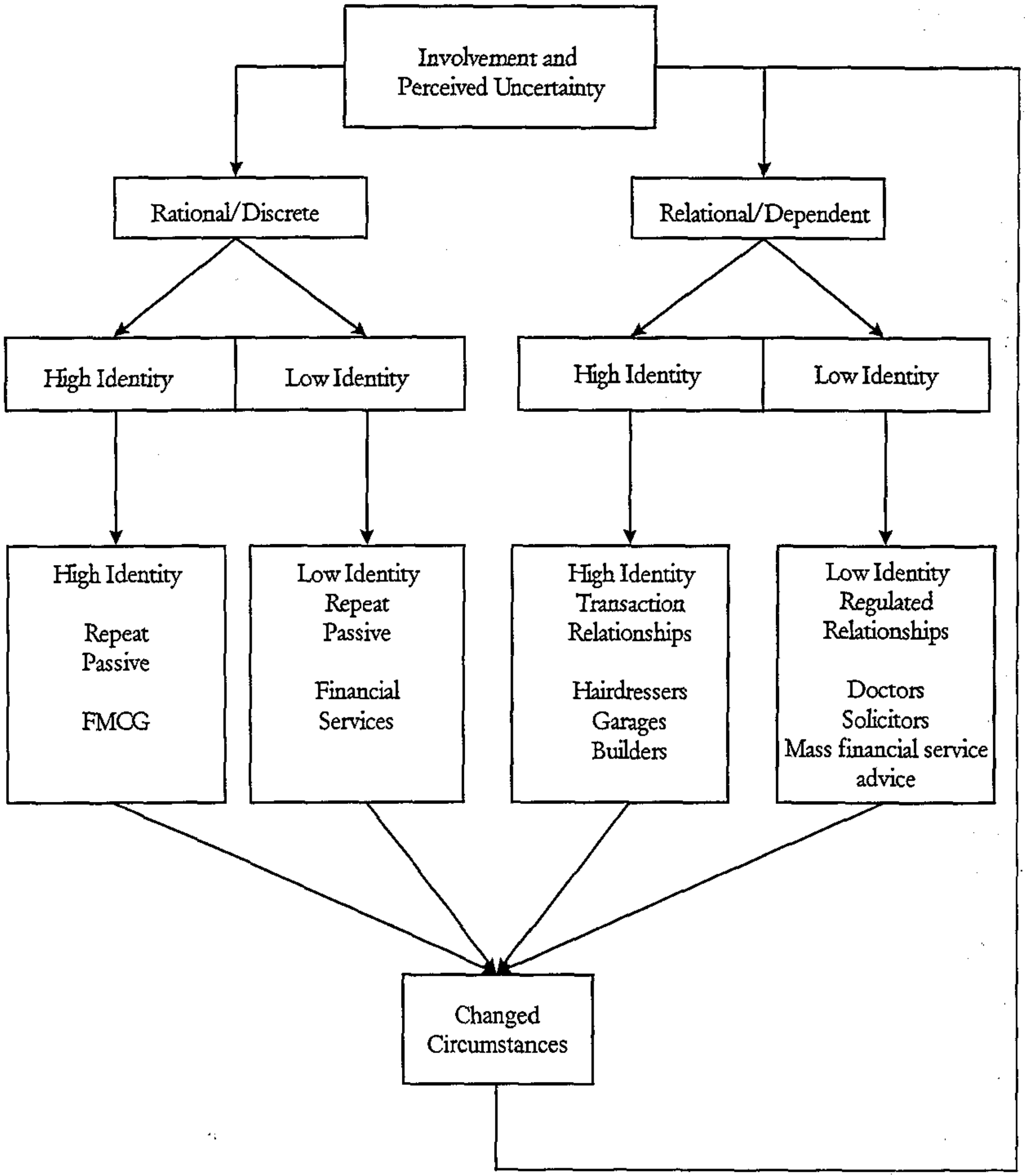
7.5 Dynamic Model of Consumer Behaviour

The dynamic model of consumer behaviour, shown in Figure : 11, explicitly recognises the interaction between consumers' attitudes over time and the resulting progression through contracting ideal-types. In particular the inclusion of a third attitudinal characteristic, identity, significantly develops our understanding of consumer behaviour drawn from the consumer behaviour matrix outlined in Chapter Two. At a simple level, the inclusion of identity expands the range of contracting alternatives from four to eight. At a more complex level however, the inclusion of identity suggests a hierarchy of ideal-types. Drawing on the qualitative research it is possible to suggest a sequence of stages through which the individual passes in making purchase decisions.

The initial attitudes of involvement and perceived uncertainty, combined with environmental choice conditions (primarily the nature of the products or services to be purchased) determine consumer behaviour. These initial conditions encourage consumers to adopt either the rational-active or the relational-dependent ideal-types. These initial ideal-types of behaviour are then mediated by identity overtime which transforms consumer behaviour into more stable patterns. Using these two initial forms of behaviour, two routes can be traced through the model; rational-discrete and relational-dependent.[14]

[14] The ideal-type of no-purchase has been omitted from the diagram leaving only the patterns of interactions. Clearly if no purchase is made, identity has no meaningful role.

Figure 11 : A Dynamic Model Of Consumer Behaviour



7.5.1 Rational-discrete

In the rational-discrete route the individual assumes responsibility for the choice of a particular product or service in the manner described in Chapter Two. Having successfully chosen a product or service and consumed it, any future purchases are likely to be influenced by the identity of that product or service, assuming that required levels of satisfaction are reached. Of course, if required levels of satisfaction are not reached, the consumer will return to the rational-active ideal type in search of a superior alternative.[15] Successful choice and consumption of a product or service encourages the consumer to move into a repeat-passive form of behaviour. The identity of the product or service reduces perceptions of uncertainty and raises levels of involvement as well as reducing the costs of future transactions. It is useful to discriminate between high and low levels of identity and their relative impacts of buying behaviour. High levels of identity would be associated with the consumption of highly visible products and services, where identity would be tied into the concepts contained within Maslow's hierarchy of needs. Identity is high or important where the consumption of a product or service communicates signals to other individuals and is thus related to the higher levels of Maslow's hierarchy such as self - esteem. High identity would also be associated with products and services that contained some degree of uncertainty which the existence of identity helped to reduce. Low levels of identity would occur where consumption is invisible and perceived uncertainty is low.

[15] Financial instruments with annual renewal points may encourage individuals to return to the rational-active ideal-type to reassess the instrument purchased because the consumer becomes highly familiar with the act of purchase and is encouraged to seek improved terms at every renewal point.

7.5.2 Relational-dependent

The second route through the model is the relational-dependent route, in which the consumer seeks to form relationships with trading parties to structure their purchases of products and services. Again this form of behaviour is mediated by the influence of identity. In forming a relationship with a trading partner the individual is acknowledging their vulnerability to opportunistic behaviour. The problem they face is selecting partners that chose not to exploit that vulnerability. This problem is compounded by the fact that all trading partners are likely to claim that they will not exploit the individual's vulnerability, even when they are likely to do so. A simple solution to this problem would be to observe the behaviour of trading partners and to make choices on the basis of those observations. However, the individual and organisational attributes which create what can collectively be termed 'trustworthiness' are difficult to observe directly. Because of the difficulties inherent in observing 'trustworthiness' the selection of trading partners can create significant problems for individuals and two approaches to overcome these problems can be identified; government intervention and personal identity.

Government can significantly reduce the problems of identifying 'trustworthy' trading partners through regulation. Doctors, accountants, solicitors and vets are all subject to extensive regulation because consumers have difficulty in assessing the 'trustworthiness' of these individuals as trading partners. Financial services has become increasingly regulated as government recognised the need to reduce the potential for opportunistic behaviour. The problem with regulation from a strategic perspective is that all firms are treated equally, thus limiting the ability of firms to use their 'trustworthiness' as the basis for competitive advantage.

Alternatively 'trustworthiness' can be communicated through personal identity, that is through personal contact or recommendation via networks of family and friends. Here the particular identity of the trading partner is important as this is what communicates notions of 'trustworthiness' to others. Such personal identity is particular valuable as it is expensive and time-consuming to create and cannot be transferred to other parties and thus can form the basis of sustainable competitive advantage (Peteraf 1993).

Again it is useful to discriminate between high and low levels of identity in the context of relational-dependent behaviour. Low levels of identity are likely to be associated with government regulation, because the consumer knows that all trading partners are equally regulated. As a result the consumer assumes that all trading partners are equally 'trustworthy' and avoid opportunistic behaviour, not because they are inherently honest, but because they are regulated. In essence the consumers trusts the regulation rather than the trading partner. High identity will be associated with personal identity, where knowledge of the other trading partner is difficult and costly to acquire.

Consumers 'return' to the top of the diagram when their particular circumstances change which encourages them to reconsider their current choice of product or service. The diagram can, therefore, be viewed as a flow chart with the consumer moving through the chart as their demand for products and services develops over time. Strategy and marketing, in creating new forms of wealth, seek either to alter consumers' current position in the model or to maintain that position.

7.6 The Dynamic Model and Financial services

Linking the dynamic model of consumer behaviour with financial services helps to develop our understanding of how consumers purchase financial instruments and how their behaviour alters as they operate those instruments over extended time periods. In Chapter Two it was suggested that consumers initially adopt one of two ideal-types to structure their purchasing behaviour and that the choice of ideal-type is dependent on the form of financial instrument being purchased. The empirical research has resulted in a modification of that understanding of consumer behaviour through the incorporation of identity and the resulting development of the dynamic model of consumer behaviour. In this modified view of buying behaviour, consumers still adopt either rational-active or relational-dependent ideal-types, but these forms of behaviour are then mediated by notions of identity.

The results of the empirical research suggest that consumers adopt either a rational-active or relational-dependent ideal-type when purchasing financial instruments and that the choice of ideal-type is heavily dependent on the form of instrument being purchased. Such a conclusion is consistent with the hypothesis outlined in Chapters Two, Three and Four. However, the research also highlighted the importance of identity and the original model of consumer behaviour generated in Chapter Two, the consumer behaviour matrix, has been reformulated to reflect the impact of identity on behaviour. In the context of financial services the research suggests that consumers place very little importance on notions of identity. This is because competing financial instruments are viewed as near perfect substitutes for one another and, as a result, of invisible consumption. Such a conclusion is strongly borne out in the qualitative discussion groups, where consumers experienced great difficulty in recalling the names of the firms from whom they purchase and this difficulty affected both forms of financial instrument.

These results suggest that purchasing behaviour in relation to financial services could be characterised as low involvement, low identity, uncertainty avoiding behaviour. In terms of the dynamic model of consumer behaviour, such a conclusion would place consumers into the low identity initial ideal-types and, once purchase occurs, the consumer would progress into either the low identity repeat-passive or low identity regulated transaction relationship ideal-types, depending on the form of instrument being purchased. This would indicate that financial instruments are purchased using one form of ideal-type, but operated using another reflecting falling levels of involvement, identity and perceived uncertainty. [16] Changes in any element of the contracting 'gestalt', the competitive

[16] These results, in helping to develop a dynamic model and also confirming the contextual issues of transaction relationships, reduce some of the confusion surrounding the term 'relationship' and how it is to

environment, renewal deadlines, individuals' circumstances, poor instrument performance, the emergence of new forms of instrument or distribution, will encourage the consumer to reassess their current choice of financial instrument and prompt a return to the initial ideal-types. The strategic challenge for financial services providers is to manage consumers' progression and position within the model and to seek to develop forms of competitive advantage that are congruent with the ideal-type of behaviour used to purchase and consume the financial instrument. [17]

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be applied. It has been applied, for example, to brands and marketing academics have discussed the individual's relationship with the brand (Christopher, Payne and Ballantyne 1991). The use of the term in this respect does, however, raise the issue of whether an individual can have a relationship with a brand. The key determining factor is probably one of involvement and whether an individual can develop levels of involvement that provide the basis for a relationship. If levels of involvement are low, as in the case of consumers operating in the repeat/passive ideal-type, they have not formed a relationship in any real sense. Involvement is a necessary pre-condition to loyalty/commitment and transaction relationships. For a transaction relationship to emerge, involvement must be sustained over time, otherwise the consumer is inexorably driven back to the repeat/passive ideal-type. A good example of this in the financial services environment is money transmission accounts. Consumers maintain these over extended periods of time suggesting that they have developed a transaction relationship with the provider. Yet observed evidence and the qualitative research in this study suggests that levels of involvement are very low and that consumers would switch providers if the benefits of doing so were sufficient to make it worth-while. Consumers are clearly operating in the repeat/passive ideal-type, but any changes to the consumer behaviour choice environment would encourage them to move into the rational/active ideal-type and reassess their money transmission needs. This process is occurring where consumers are switching to 'direct' banking via post and telephone services.

[17] Changes in the choice environment can shift consumers from transaction relationships into the rational/discrete ideal-type. A good example of this is Vision Express who have used the opportunities created by market liberalisation and technology to radically alter the way in which consumers purchase glasses and contact lenses. Traditionally opticians supplied the eye test, glasses and contact lenses and the service/product fell very directly into relational/dependant behaviour. Opticians were highly trained, viewed as professionals and consumers formed relationships with their opticians which continued over a period of years. Vision Express provide eye tests and glasses/contact lenses very cheaply and quickly, exploiting new technology and economies of scale to drive down prices. This has had the effect of breaking down the relationships that existed between the opticians and their customers and encouraging individuals to become rational-active consumers. The strategic resource on which the traditional opticians' competitive advantage and economic rent was based has, therefore, been eroded. Similarly, Direct Line are successfully eroding the competitive advantage and economic rent enjoyed by general insurers, by encouraging consumers to switch from repeat/passive to rational/active behaviour. In both instances changes in technology have led to changes in product/service characteristics which have encouraged consumers to re-evaluate their purchasing and contracting behaviour.

To articulate the strategic implications of the dynamic model of consumer behaviour in the context of financial services, that model needs to be integrated with the current understandings of strategy and the outcome of that discussion then applied to the specific context of financial services. The following section synthesises the discussion in Chapter One on strategic concepts with the dynamic model of consumer behaviour and out of that discussion emerges the concept of strategic domains which are explored in detail.

7.7 Strategy and Consumer Behaviour

In Chapter One, two forms of 'generic' strategy were identified; efficiency and differentiation and it was suggested that successful firms pursued these strategies, generating unique forms of wealth efficiently. It was argued that the ability to create such forms of wealth rested upon the possession of strategic or heterogeneous resources (Barney 1991). Heterogeneous resources enable the firm to create forms of wealth that are unique in the sense that they are difficult to imitate or duplicate. To limit the scope of the study and make it more manageable, it has focused on issues of differentiation rather than efficiency. It is concerned with how financial services firms differentiate themselves from their competitors, specifically focusing on the interactions between firms and consumers as a source of differentiation advantage. This is broadly known as a 'relationship' strategy and the Dissertation has explored whether relationships are a form of heterogeneous resources and if relationship strategies are appropriate in this competitive context.

In order to explore the potential for a relationship strategy the Dissertation has developed an understanding of consumer behaviour based around Weber's concept of ideal-types. A number of ideal-types are articulated in the Dissertation, based on three attitudes identified in the research as significant; involvement, perceived uncertainty and identity. To be of use in a strategic context it is important that the Dissertation can articulate a linkage between the concept of ideal-types and the generic strategies.

This linkage is achieved through the concept of strategic 'domains'. The strategic significance of the dynamic model of consumer behaviour flows from the role of ideal-types in limiting consumer behaviour in particular contexts. The ideal-type concept suggests that consumers, in purchasing products and services, adopt a limited repertoire of behaviours which reflects their underlying attitudes. Critically, this limited repertoire of behaviours limits the strategic options facing firms as they seek to create and maintain competitive advantage. Firms' ability to generate differentiation advantages is, therefore, limited by the attitudes and behaviours of consumers.

Such a conclusion runs counter to the implicit assumption contained within strategic literature that competitive advantage is the prerogative of firms and that consumers passively respond to the actions of firms. What the dynamic model of consumer behaviour and concept of ideal-types suggests is that consumers actively make choices about how they structure their purchases of products and services and that those choices significantly limit the strategic opportunities and threats facing firms. The assumptions concerning the role of consumers are very apparent, for example, in the work of Porter (1980) where consumers are viewed as essentially rational and driven by the overwhelming desire to reduce the price they pay for products and services. Clearly consumers have price tolerance zones and as long as their current choice of product or service remains within the tolerance zone existing patterns of purchase behaviour are maintained.[18] Price does, therefore, play a key role in determining consumer behaviour. However, the research here suggests that such rational, price driven behaviour is appropriate only in certain circumstances and at certain points in time. Competitive advantage could be understood in terms of the ability of firms to manipulate price zones by changing levels of involvement, perceived uncertainty and identity.[19]

The strategic domains are extensions of the four ideal-types identified in Figure 11, these four ideal-types characterise continuing patterns of purchase behaviour whereas the rational-active and relational-dependent ideal-types are stages through which consumers

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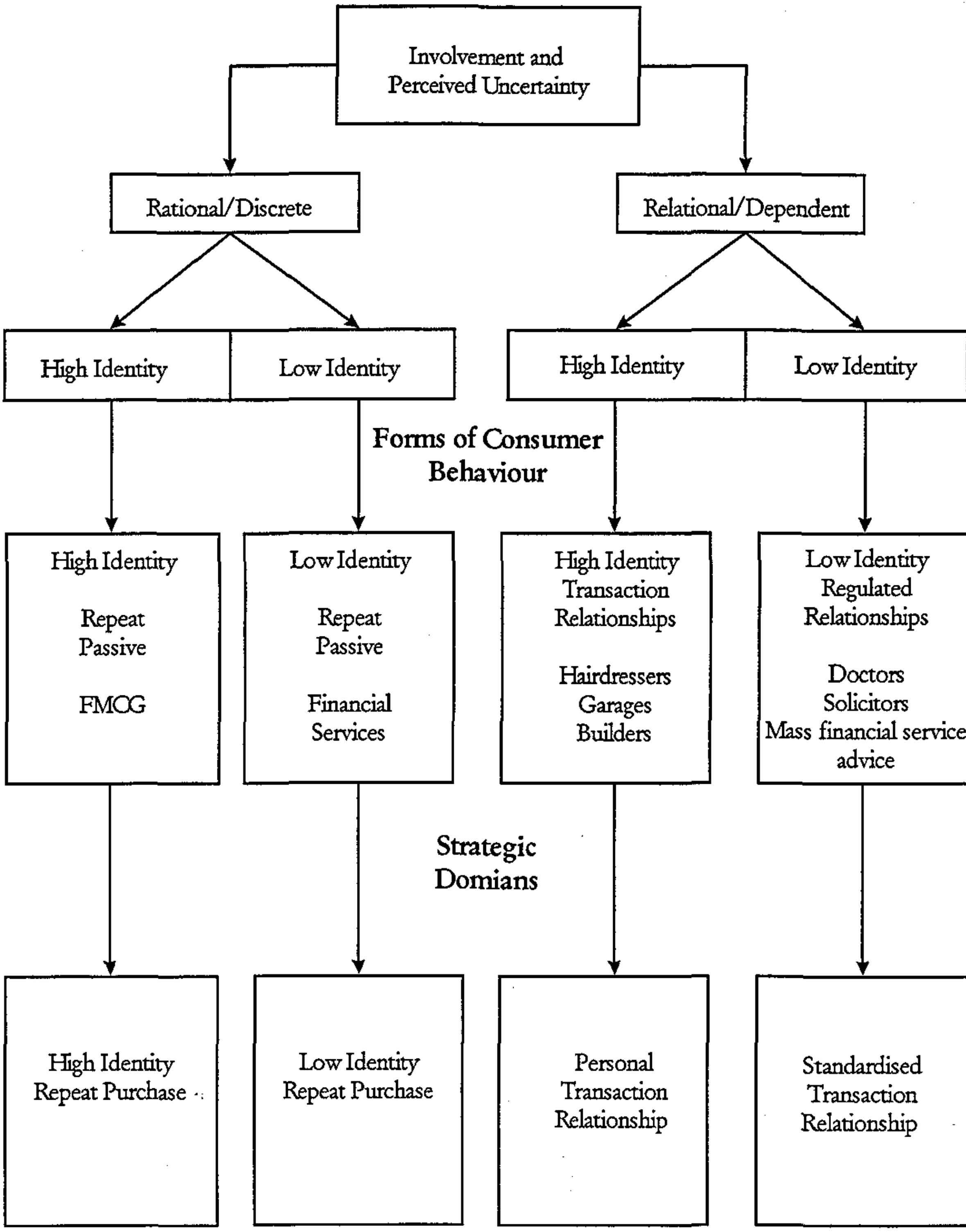
[18] Measuring such zones are notoriously difficult due to the problems consumers have in articulating future patterns of purchase.

[19] A good example of this strategy is offered by Gillette and the creation of expensive, technologically advanced razors that are sold at premium prices. Gillette have raised men's involvement in razors through advertising and investment in new forms of technology, creating new forms of competitive advantage and enabling them to stretch the price tolerance zone. As a result Gillette are able to sell a potentially commoditised product at premium prices and distance themselves from own label imitators. Following the thinking of economists generally, that price is the key determinate of consumer behaviour, Gillette would have accepted the consumers' price tolerance zone for razors and focused on price reduction measures and technology. Whereas the implications of the dynamic model of consumer behaviour suggest that manipulation of involvement, perceptions of uncertainty and identity, allied to new product and process technology, can enable firms to generate new forms of competitive advantage and stretch price tolerance zones.

pass as they formulate purchase choices. Competitive advantage is determined by a firm's ability to generate efficiency and differentiation advantages within the parameters of a particular strategic domain. Figure 12 highlights the linkage between consumer behaviour ideal-types and strategic domains.

Figure 12 Consumer Behaviour Ideal-Types and Strategic Domains



In the context of financial services the key strategic challenge facing firms is the generation of differentiation advantages which can be sustained over time. The difficulties in generating differentiation advantages were discussed in Chapters One and Two and are a consequence of the intangible nature and invisible consumption of financial instruments.

The ability to generate differentiation advantages requires certain features of the product or service to appeal to the attitudes of involvement, perceived uncertainty and identity. This is the key linkage between the work on consumer behaviour undertaken in the Dissertation and the broader strategic concept of differentiation. It is a linkage that has not been adequately explored in the strategic literature, largely due to the widely used approaches to consumer behaviour which are difficult to integrate with strategic concepts. The existence or absence of these key consumer attitudes and the way in which they develop over time, directly affects the strategic parameters within which firms operate. External factors limiting the strategic options of firms has a precedent in strategic management literature in the form of the work on contingency theory.[20] In this sense consumer behaviour acts as a contingency factor, limiting the range of strategic responses

[20] Contingency theory has been widely used to understand how firms' behaviour varies between contexts. It argues that firms' behaviour and structure reflects the external contingencies which affect it (Donaldson 1990) and that, as those contingencies change, so too does strategy and structure. As a theoretical approach its primary use is to highlight interrelationships between environmental factors and firm behaviour. It has been criticised for being rather deterministic, implying that firms are trapped by their environments and technologies and forced to adopt particular patterns of response. An interesting development of contingency theory is presented by Child (1972) and by Weick (1979) who view firms as choosing particular environments or technology in which to operate and then accepting the restrictions implied by that choice. It can be argued that consumer behaviour represents a form of contingency and the use of strategic domains highlights this contingency view of consumer behaviour. Other extensions of the approach have been developed by Miller and Friesen (1986a) and Murray (1988).

available to the firm. Consumer attitudes and behaviour towards products and services place the firms that supply these forms of wealth into strategic 'domains', which define and restrict the creation and maintenance of competitive advantage.

It could be argued that firms, in supplying certain types of products and services in particular ways, are consciously choosing to operate in a particular strategic domain. Those strategic domains are continually being re-defined by the activities of competing firms as they seek to develop or manipulate consumers' sense of involvement, identity and perceived uncertainty. Product and process technology plays a key role in its ability to enhance the forms of wealth delivered to consumers, to change the manner in which that wealth is created and the channels by which it is distributed.

The following discussion examines the limitations facing firms within each strategic domain at a general level and then applies this approach to the particular case of financial services. The discussion follows the structure outlined in Figure 12, identifying four strategic domains that flow from the four stable or equilibrium forms of ideal-type.

7.7.1 High Identity Repeat Purchase

Within this strategic domain consumers recognise and value notions of identity, brand names, images and associations and repeated patterns of purchase are made on the basis of brand recognition. Firms operating within this strategic domain seek to remind consumers of the existence of the brand through various marketing channels.

In strategic terms, firms operating in this strategic domain seek to create and maintain brand identities and develop those identities over a range of products to create a brand 'family'. A good example of this family branding strategy is the use of the Heinz name on a wide range of tinned products, or Sainsburys' use of its brand name on a myriad of different products and even financial services. The value of brands can be understood using the resource-based view of strategy, where brands are valuable, rare, difficult to imitate or replicate and are not easily substituted (Barney 1991). Where individuals recognise and value notions of identity, the existence of brands enables firms to generate forms of differentiation and competitive advantage. This is particularly true where consumption is visible and notions of identity can be communicated to other individuals.

7.7.2 Low Identity Repeat Purchase

Consumers within this strategic domain, make repeat purchases but do so without recognising or valuing notions of identity. This is because consumption of the product or service is invisible or because involvement in the product or service is very low. Lack of visible consumption and involvement will result in a commoditisation of the product or service by the consumer, that is they view the competing brands available as near perfect substitutes for one another. As a result consumers focus on price to determine choice and will readily switch back into the rational-active ideal-type to reassess current patterns of purchase. Switching costs are used to limit consumers' ability to reassess existing purchase patterns or raise the costs of doing so. New forms of technology and competitive liberalisation are particular threats in this strategic domain as they erode or eliminate switching costs and increase the likelihood of price competition. Consumers operate within this ideal-type when purchasing commoditised products and services such as financial services, telecommunications, water, gas and electricity supplies.

7.7.3 Personal Transaction Relationship

Within this strategic domain consumers are seeking to form personal relationships with providers of products and services and notions of identity play a key role in defining 'trustworthy' trading partners. These relationships are formed where consumption of a product or service, usually service, relies heavily on the skills of particular individuals and where little or no government regulation exists to minimise the uncertainties for consumers ex ante to consumption. In strategic terms personal transaction relationships can be viewed as a form of strategic resource capable of generating and sustaining competitive advantage. This is because consumers become loyal to those relationships and return to them when repeat purchases are made. In this sense they fulfil Barney's (1991) requirements for a strategic resource discussed in Chapter One. However, because of the highly personal nature of the service provided, expanding the supply of these services creates significant difficulties. The cost of monitoring staff is likely to be high and staff are in a unique position to appropriate away a significant amount of the surplus value created through the transaction. As a result firms tend to remain small, often in the form of family run businesses. Examples would include hairdressers, garages, restaurants, builders and small accountancy and law firms.

Where firms offering these services seek to expand, they begin to move into the high identity repeat-passive domain. A good example of this is national garage chains that seek to create brand names which offer reassurance and fulfil the trustworthiness role performed by individuals. Essentially the consumer trusts the brand rather than individuals and is able to transport their brand relationship to new locations. This standardisation of personal transaction relationships is a recurring strategic theme in this domain, particularly through the use of new technology and organisational forms such as franchising. The successful transferring of consumers from the personal relationship to the high identity repeat-passive domain, rests on the substitution of personal relationships with brand identities. In some cases this has been extremely successful, Vidal Sasson for example, whereas others such the Pierre Victoire restaurant chain, have been less so.

7.7.4 Standardised Transaction Relationship

In this strategic domain consumers seek to create relationships to obtain products and services, but attach low levels of importance to the identity of the trading partner with whom the relationship is formed. This form of transaction relationship will exist in areas heavily regulated by government or professional bodies, where the significance of identity is replaced by recognised qualifications, for example doctors, solicitors, accountants, vets. Essentially the consumer purchases the professional qualifications and experience of the provider, rather than notions of their personal identity, although over time as interactions occur these relationships can be transformed into personal transaction relationships.

7.8 Strategic Domains and Financial services

Having discussed the concept of strategic domains in general terms, the discussion can now be extended to the specific area of financial services. In applying the consumer behaviour matrix to the context of financial services, the Dissertation differentiated between general and investment financial instruments and demonstrated through empirical testing how consumers' attitudes differ between these types of instruments. As a result of those attitudinal differences, different forms of buying behaviour are adopted, represented by the ideal-types. General instruments are purchased using the rational-active and investment instruments using the relational-dependent. In broad terms the results of the empirical testing were consistent with the *a priori* hypothesis outlined in Chapters Two and Four. However, the empirical results highlighting the significance of identity promoted further development of the consumer behaviour matrix and its re-formulation into a more complex and sensitive model. This re-development has informed the discussion in this chapter on the inter-linkage of strategy and consumer behaviour and resulted in the concept of consumer defined strategic domains within which firms operate.

In the re-formulated version of the model two initial entry routes are identified; rational-active and relational dependent. These initial routes, when mediated by notions of identity, generate four ideal-types of behaviour into which consumers progress over time. It is using these four ideal-types that consumers make repeated purchases. In terms of purchasing financial instruments consumers still separate their behaviour to reflect the inherent nature of the financial instrument. As they progress through the model however, notions of identity then affect the ideal-type used to make repeated acts of purchase.

In the instance of general instruments consumers move into the low identity, repeat-passive ideal-type, where, having made a considered initial choice, consumers continue to purchase but cannot be described as emotionally loyal in any sense. Repeat purchases are made because alternatives are not available, the costs of switching are too high or the benefits too low or through consumer inertia. These consumers have been described earlier in the Dissertation as behaviourally loyal, where they repeat purchase, but, when offered a viable alternative, are likely to move into the rational-active ideal-type and re-consider purchase patterns. These consumers are frequently locked into patterns of purchase by switching costs and, where those switching costs are particularly onerous, can be viewed as a form of strategic resource on which competitive advantage can be built.

However, competitive liberalisation, developments in information technology and direct distribution of financial instruments are in combination eroding switching costs. These changes encourage consumers to regularly review their holdings of financial instruments and make it far easier for them to return to the rational-active ideal-type and purchase new instruments. In an industry experiencing competitive and technological change, operating in this ideal-type represents a key strategic weakness and that weakness is compounded by the inability of firms to attach notions of identity to financial services instruments.

Lacking notions of identity, firms are forced to compete on the basis of price and competitive activity is increasingly focused on issues of efficiency.

With regard to investment instruments, consumers use the relational-dependent ideal-type and form transaction relationships to make purchases. However, the dynamic model of consumer behaviour separates transaction relationships into two forms; personal and standardised transaction relationships. In the instance of investment instruments consumers can move into one or other of the transaction relationships.

Traditionally many consumers used Independent Financial Advisors (IFAs) to help guide their purchasing decisions. The relationships formed with these IFAs could be characterised as a personal relationship as the individuals within the relationship would know one another and the consumer trust the recommendations of the IFA. These relationships enabled IFAs to generate and maintain a form of competitive advantage and the relationships formed can be understood as a form of heterogeneous resource. However, the Financial services Act of 1986 closely regulated for the first time the interactions between a financial advisor and a consumer and, in so doing, enabled firms to standardise the provision of financial services advice. Regulation removes the need for consumers to rely on identity and personal interactions to determine trustworthiness. It is then possible to mechanise the provision of services and move the consumer into the standardised transaction relationship domain.

Alternatively consumers adopt the standardised transaction ideal-type and form a transaction relationship with a mass provider of financial services. Within these relationships the identity of a particular individual is far less important, instead the consumer trusts the brand, or more likely, the government regulation that implicitly underwrites that brand. These standardised transaction relationships are an effective means of selling and delivering investment instruments to a mass market. The skills of the financial services provider are embedded into the corporate information technology systems, and staff, with limited amounts of training and expertise, are able to access those systems and sell complex financial instruments to consumers.

The Financial services Act (1986), in regulating the interactions between financial services provider and consumer, has significantly altered the competitive dynamics of investment instrument sale and operation, by moving consumers from personal transaction relationships to standardised transaction relationships. Coupled with the developments in information technology and the requirement for an audit trail to accompany sales, this change has enabled firms to mechanise their provision of financial instruments. It has also encouraged consumers to view these relationships as reasonable substitutes for one another and thus potentially lessened their strategic significance.

Personal relationships represent a potentially highly effective route to competitive advantage because they fulfil Barney's requirements of a heterogeneous resource. Standardised transaction relationships, however, do not fulfil those requirements so effectively. Standardised relationships are not rare, in fact they are frequently widely available. They are valuable to the consumer but, once formed, can be easily and relatively cheaply duplicated, but cannot be imitated or substituted due to the regulatory requirements. The net affect of these attributes is that the standardised transaction relationship is unable to generate and sustain competitive advantage. This causes significant problems for financial services providers, who are increasingly finding it difficult to generate streams of profitable income from consumers purchasing investment instruments.

In many industries characterised by such relationships, competition is carefully managed by professional associations and firms supplying these services are often relatively small. This is not the case in the financial services industry where competition is largely unmanaged in terms of its intensity and firms are large and under threat from new entrants who are likely to increase the level of competition. In addition, advances in information technology have enabled firms to distribute financial instruments electronically and may result in the dis-aggregation of financial services totally. Ultimately this would allow consumers to generate and operate their own financial instruments via on-line providers such as Microsoft. In this outcome the sale of investment instruments passes from the *standardised transaction relations into the rational-active ideal-type* as *consumers'* perceptions of uncertainty fall through the empowerment effect of information technology. Whether such dis-aggregation happens or not, simply the conclusion that consumers utilise standardised transaction relationships to purchase investment instruments has a significant impact on the hypothesised approaches to differentiation identified in Chapter Four.

In Chapter Four it was proposed that an alternative route to differentiation was to use the interaction between the consumer and the financial services provider as a basis for added value. Rather than add value through a physical brand, value is added and differentiation created through the interactions between the trading parties. In this way the consumer is encouraged to become loyal/committed to the firm, make repeat purchases and thereby, concentrate their purchases.

The rationale for such consumer behaviour is based on the discussion in Chapter Four, which focused on the advantages of stable trading relationships limiting uncertainty, opportunism and ultimately transaction costs and on the empirical results reported in Chapter Six. Loyalty/commitment to a stable trading partner, it was argued, enabled consumers to reduce the uncertainty they face in purchasing; the consumer is guided by the other party. Opportunism is reduced as bonds of loyalty/commitment are developed, trading parties are far less likely to behave in an opportunistic manner if they know and are committed to one another. Loyal/committed consumers are a significant resource for the firm, in that the relationship provides some protection from competitive forces and particularly the focus on price-based competition. Given the benefits to both parties, this study sought to identify in what contexts such relationships are created and used and ascertain the factors that lead to their formation.

Strategy is then focused on the creation and maintenance of these relationships over an extended period of time. This vision of strategy was outlined in Chapter Four and was based on the belief that transaction relationship were formed in the context of purchasing financial services instruments and that those relationships could be viewed as a form of strategic resource.

However, the implications of the dynamic model and particularly the separation of transaction relationships into high and low identity forms, are that financial services providers will be unable to use transaction relationships as a means of creating and sustaining competitive advantage. This is because in the context of financial services, consumers adopt the standardised transaction relationship, whereas the form of strategy articulated in Chapter Four is consistent with personal transaction relationships, where the consumer uses notions of identity to identify the trustworthiness of trading partners. Such relationships are widely used where the 'costs', be they financial or psychological, of a poor purchase decision are high. That strategy is far less relevant with the standardised relationships which guide the purchasing of financial instruments. This is because identity, one of the key factors that transformed the relationship into a strategic resource, is not important to the consumer. It is not important because, as suggested earlier, government regulation obviates the need for consumers to personally know the individual with whom they are dealing. Consumers assume, therefore, that all financial services providers are perfect substitutes for one another. The loss of identity as an active variable in guiding consumer behaviour in the context of financial services, is particularly significant as it would suggest that standardised relationships are unlikely to provide a basis on which a relationship strategy can be based.[21]

7.9 Conclusions

In concluding this discussion of strategy and consumer behaviour in the context of financial services it is useful to refer to the overall project hypothesis stated in the conclusion to Chapter Two. That hypothesis argued that 'The strategy of financial services firms is contingent on consumer behaviour and that behaviour is contingent on the form of financial instrument purchased.' Through the formulation of the dynamic model of consumer behaviour and the development of the concepts of strategic domains it is possible to reflect on that hypothesis and to consider its implications in the context of the financial services industry.

The conclusion that the type of relationship used by consumers to purchase investment financial instruments has limited strategic potential in terms of loyalty and commitment is particularly significant. Taken with the conclusion that general financial instruments are

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[21] It is possible that once purchase has been made that operation of the investment instrument occurs from the low identity, repeat-passive ideal-type and that all sense of a 'relationship' is actually lost by the consumer. This is because the interactions within the relationship are so mechanised the consumer is no longer required to interact with individuals at any level. Testing this hypothesis would require a longitudinal study of financial instrument buying behaviour.

purchased using the low identity rational-active ideal-type and operated using low identity repeat-passive ideal-type, it highlights the key role traditionally played by switching costs, inertia and ignorance in this industry. These structural features of the industry reduced competitive pressures and enabled large financial services providers to enjoy reasonable levels of profitability. However, as suggested earlier, the forces of competitive liberalisation and information technology are eroding these structural features and raising levels of competition. Given these changing competitive conditions three broad strategic responses can be identified that, within consumer defined strategic domains, offer the potential for financial services firms to generate and sustain competitive advantage.

One strategy would see the withdrawal of financial services firms from the commoditised areas of the market and seek to concentrate on the creation and maintenance of personal transaction relationships with customers. This strategy would enable firms to generate sustainable competitive advantage through the personal relationships they created with consumers and would possibly appeal to high net worth consumers. It has, however, a number of disadvantages. The creation of personal relationships raises the importance and significance of sales staff and creates the potential for them to appropriate away the competitive advantage gained through higher wage demands. This problem occurs in service industries, particularly with highly skilled staff such as consultants or lawyers and would explain why firms offering these services are frequently organised on a partnership basis. This strategy also implies a significant market withdrawal for large financial services providers and it is unlikely that such a radical re-focusing of strategy is possible. Finally, in the case of a large number of consumers for whom financial instruments will always remain a low involvement purchase, the formation of personal transaction relationships will always remain highly unattractive simply because of the low volumes and value of financial instruments purchased.

An alternative strategy, building on current practices, would involve the aggressive 'bundling' of financial instruments. These bundles of financial instruments are then sold through standardised transaction relationships. This bundling of financial instruments enables financial services providers to strengthen switching costs and thus, indirectly, to generate competitive advantage by literally locking consumers into certain relationships. Strategic and marketing activity is then focused around the initial stages of relationship creation using devices such as affinity marketing and aggressive price reductions.[22] For bundling to work effectively the advantages of bundling for consumers have to be very apparent and the costs of those bundled instruments very competitive. If this is not the case consumers will be prepared to adopt the low identity, rational-active ideal-type and unbundle their purchases. This bundling strategy is, to a greater or lesser degree, currently

[22] Affinity groups describe groups of individuals who are linked by a common interest, such as, cats, football clubs, cars, etc. Worthington and Horne (1992) argue that affinity based marketing emerges in the work of Doyle (1986) and provides a means of linking positioning strategy, differential marketing and market segmentation. Marketers have increasingly recognised the benefits of linking their products and services with consumers' interests and using those interests as a form of market segmentation. Consumers are often heavily involved in these interests and are prepared to purchase products and services that relate to their interest or are deliberately linked to it. Such linkage very directly addresses the problem of low involvement. So, for example, certain football clubs have begun to link sales of season tickets with purchases of financial services. The individuals are no more involved in the financial instrument than before, but they make a purchase or move into the repeat/passive ideal-type due to the association with their central interest. This approach has been successfully used in areas such as vintage motor cars and the selling of motor insurance, pet insurance and using trade unions as marketing channels. Affinity group marketing could be usefully applied to simple financial instruments, using the rational/discrete ideal-type.

being implemented by a large number of mass financial services providers. It is essentially an accommodating strategy in that it seeks to maintain existing organisational resources and competences and to mould these to 'fit' the emerging competitive conditions. Success depends on the ability of 'new' providers like supermarkets and software providers to unbundle financial instruments and offer consumers the ability to purchase and operate instruments using low identity, rational-active and repeat-passive ideal types. If these providers are able to effectively unbundle instruments, mass financial services providers will struggle to sell bundled financial instruments and use switching costs as a route to competitive advantage. The current evidence would suggest that new providers are able to effectively unbundle instruments and offer low cost or high interest alternatives and that the generation of switching costs will be, in the medium-long term at least, extremely difficult.

A third strategy would focus on the separation of manufacturing and operation of financial instruments from their distribution and sale. Such a strategy would reflect consumers' attitudes towards financial instruments and in particular their perceptions of low involvement and failure to value notions of identity. Under such circumstances and in increasingly competitive conditions, a separation of activities enables the two areas of the organisation to focus on their relative strengths and build competitive advantage in those areas. A good example of such a strategy is that of divestment strategy.

Divestment franchising describes the franchising of existing vertically integrated firms.

Using a divestment strategy, existing distribution networks are sold to franchisees. The financial provider removes themselves from certain activities, in this case the day to day management of a branch, to concentrate on areas of operation where their skills and resources can be most useful. The franchisee becomes the owner of the branch and is encouraged to develop a sales culture, managed at a branch level and move away from the more bureaucratic approach of vertical integration and hierarchical management. However, the franchisor retains a degree of control over the activities of the franchisee, ensuring compliance with training and behaviour requirements laid down by the regulatory authorities. In this way the benefits of a market-based system of organisation are combined with the advantages of vertical integration.

This separation of activities through divestment franchising represents a far more radical strategy than the bundling strategy suggested earlier. Critically it reflects the lack of heterogeneous or strategic resources available to financial services providers as the strategic value of traditional resources are eroded through developments in information technology. Similar strategies have been implemented in other service industries where consumer involvement is low, for example airlines have disinvested their catering and back office activities such as accounting. This disinvestment has allowed the airlines to cut costs and to concentrate on those areas of the business where they add most value. In both the airline and financial services industries the lack of heterogeneous resources in terms of supply and the impact of consumer attitudes in determining the strategic domain, force providers to seek organisational changes as a means of generating competitive advantage.

Such a strategy suggests that the resource-based approach to strategy has limitations. It is premised on the belief that the firm is able to identify and protect key heterogeneous resources and use these to generate competitive advantage. In certain industries however, particularly service industries, such an approach to strategy may be extremely difficult to implement.

The Dissertation sought to identify how, through an integration of the resourced-based view with consumer behaviour, it might be possible to generate sustainable competitive advantage in the financial services industry. It has to be concluded, however, that this strategic approach is unlikely to generate competitive advantage, except where consumers are prepared to create and maintain personal transaction relationships through which they purchase and operate financial instruments. For a large number of consumers for whom financial instruments represent a low involvement, low identity purchase, personal relationships are not an appropriate means of acquiring financial instruments. These consumers use the rational-active, low-identity and the low-identity, regulated, relationship ideal-types to guide their purchase decisions. In both instances that nature of the consumer interaction is unlikely to provide the basis for sustainable competitive advantage. Therefore, the hypothesis that 'The ability of financial services firms to generate competitive advantage rests on their ability to create and maintain relationships with consumers', is accepted, but is dependent on the definition of the concept of a 'relationship'. The dynamic model of consumer behaviour in differentiating between different forms of relationship, develops our understanding of relationships and qualifies the acceptance of the project hypothesis. Only personal transaction relationships provide the basis for sustainable competitive advantage, standardised relationships do not. Such a conclusion suggests that notions of relationship marketing and strategy only have a very limited application in this industry and highlights the limitations of the resource-based approach to strategy as a route to competitive advantage.

7.10 Theoretical Contributions and Directions for Future Research

As a final conclusion it is worth considering the theoretical contribution of the Dissertation and the potential applications for future research. To reiterate Whetten's (1989) comments in reviewing what constitutes a theoretical contribution, the most fruitful avenue of theory development often involves the borrowing of a perspective from a field of study and applying this into new areas. The result should be the generation of new ideas and way of understanding the phenomena being studied. This Dissertation sought to understand the interaction between strategy and consumer behaviour in the context of financial services and results in a number of significant theoretical developments.

Four key areas of theoretical development can be identified; the ideal-type concept, the dynamic model of consumer behaviour, the resulting modified understanding of strategy and a more sensitive understanding of the concept of relationships.

In terms of theoretical contribution perhaps the most important addition this study makes is the articulation of the concept of ideal-types to describe consumer behaviour. That concept encapsulates much of the richness and diversity of consumer behaviour, but does so within categories that possess very distinct characteristics. Those categories are part of an overall framework that enables researchers to impose order on otherwise disordered and diverse phenomena. Without such a framework there is a very real danger that research veers from sweeping generalities through to the description of minutiae of individual behaviour. Intermediate structures, like ideal-types, link broad theory with actual behaviour by grouping phenomena into manageable sized parts that can be comprehended and analysed. As Peterson (1995) notes "For research to be made on relationship marketing that is to understand why consumers are willing to enter into relationships with marketing entities - it is probably necessary to develop a mid-range definition (of consumer behaviour)" (p. 279). The concept of behavioural ideal-types provides researchers with a means of differentiating between forms of consumer behaviour in a manner that existing consumer behaviour models do not. The work undertaken in this study is an extension of the seminal work of Fishbein on consumer behaviour. Fishbein's focus on consumers attitudes towards the act of purchase rather than the product or service significantly broadened the conceptualisation of consumer behaviour. This study has taken that conceptualisation as its starting point and then sought to group sets of attitudes into ideal-types and use these to describe patterns of behaviour. The advantage of this approach is that it builds on an established and accepted conceptualisation of consumer behaviour, but through the use of ideal-types, simplifies that approach allowing it to be used in a strategic context.

The second significant contribution to knowledge made by the Dissertation draws on the empirical work and on the three factor model of loyalty/commitment used to predict consumers' loyalty/commitment. That model is an extension of existing work, (see Morgan and Hunt (1994)), but this extension occurs within the ideal-type framework and thus provides a basis for a comprehensive model of consumer behaviour. Morgan and Hunt's work fails to provide a meta approach to consumer behaviour as it is not rooted into an overarching understanding of consumer behaviour. The meta approach to consumer behaviour emerges through the dynamic model of consumer behaviour.

Using the concept of ideal-types and the three factor approach the dynamic model highlights the forms of ideal-type used by consumers to structure their purchases of products and services. Through the inclusion of notions of identity it differentiates between high and low identity behaviour and draws a distinction between high and low identity relationships. This separation of relationships into different forms on the basis of identity, significantly develops our overall understanding of relationships and locates that understanding into broader notions of consumer behaviour articulated through the dynamic model.

The third area of significant contribution emerges in the strategic applications of the dynamic model. Having identified a number of ideal-types used by consumers to structure their purchases of goods and services, the Dissertation extended this approach to develop the concept of strategic domains. Strategic domains emerge as the ideal-type restricts the range of behaviours adopted by the consumer when purchasing products and services. Firms' range of strategic options are, therefore, limited by the buying behaviour of consumers. Thus an interaction exists between the forms of value created by the firm, the attitudes of consumers towards buying those forms of wealth and changes in the environment or societal attitudes and norms. These elements form a 'gestalt' within which forms of wealth are created and consumed. The gestalt remains in balance or 'equilibrium' until distributed by an event or technological innovation. Firms, through their strategic and marketing behaviour, have the ability to manipulate the forms of wealth they create, changing the gestalt and potentially encouraging individuals to adopt new ideal-types. This linkage of elements explains why firms like Direct Line and Vision Express have been so successful. By changing how they create and distribute forms of wealth they have configured a new gestalt to which consumers have then responded. Because they have created the change, these firms are best placed to exploit the new opportunities that emerge as consumers alter their ideal-types. In essence they have created a 'fit' between a new choice environment, consumer behaviour and the form of wealth created by the firm. Until other firms are able to reflect this revised 'fit' in their marketing and strategic behaviour, these firms enjoy considerable competitive advantage. There is, however, considerable danger in reconfiguring the gestalt as it may produce unwanted effects. In the case of financial services direct distributors, enabling consumers to seek out lower prices and/or higher quality has switched consumers from the repeat-passive into the rational-active ideal-types and driven prices and profits in the industry even lower.

The second interaction between strategy and consumer behaviour, is developed in the context of consumer relationships based on the relational/dependent ideal-type and resource-based views of strategic management. The resource-based view of strategy argues that successful strategies and competitive advantage are based on strategic resources. The research has demonstrated that consumer relationships can be classed as strategic resources within the framework suggested by Barney (1991). That conclusion is based on the proven premise that it is possible to form consumer relationships in the context of investment instruments and with certain consumers who are pre-disposed to create relationships to which they are loyal/committed. These individuals, particularly in the context of investments, can be viewed as strategic resources around which strong differentiation can be based.

Finally, it is possible to draw conclusions that relate specifically to relationships and our understanding of the concept in a strategic context. The dynamic model of consumer behaviour differentiates between forms of transaction relationship on the basis of identity. This refinement represents a significant and useful contribution to the current debate on the role and importance of relationships in these contexts.[23] From the perspective of this work when discussing relationships it is important to differentiate between the two types

[23] For an examples of that debate see the special issue of the Journal of the Academy of Marketing Science (1995 Vol 23) and the special issue of the Journal of Marketing Theory and Practice (Spring 1997). Both issues carry a number of papers that examine the role and significance of relationships.

of relationship, as the strategic and marketing implications of each are quite different.

The strategic implications of standardised relationships are that they need to be buttressed by structural factors such as switching costs and limits on market entry, if they are to generate sustainable competitive advantage. Whereas personal relationships are a potential heterogeneous resource and therefore, the basis for sustainable competitive advantage (Barney 1991).

In terms of financial services providers, who traditionally distributed financial instruments through standardised relationships, this inability to create and sustain competitive advantage in the absence of structural market factors is highly significant. It suggests a need to radically reorganise their businesses and to focus on those areas where their wealth creating abilities are most useful and profitable. Thus it was suggested earlier that financial services firms could undertake a process of divestment franchising and focus on the manufacturing, rather than distribution areas of their business.

From these areas of theoretical contribution emerge future directions of research:

i) The concept of ideal-types needs to be tested in different product/service applications to identify if the concept has a wider application. By testing the ideal-type concept researchers will be able to build a composite understanding of consumer behaviour.

ii) The dynamic model of consumer behaviour needs to be tested over extended periods of time using longditundinal research methods to identify how consumers move between ideal-types as their attitudes towards the act of purchase change. Such a study would need to examine a range of products and services for comparative purposes.

iii) The role and use of relationships needs to be carefully evaluated in the light of the discussion in this Dissertation.

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APPENDIX : 1 QUALITATIVE RESULTS

Protocol For Qualitative Discussion Groups

A number of factors are hypothesised in the research as affecting the context in which relational forms of exchange are used in preference to rational-discrete forms of contracting. These factors relate to the nature of the financial services instrument itself and the consumers' attitudes towards that financial instrument. In the qualitative study the objective is to explore individuals' attitudes towards financial instruments and this exploration is structured by drawing on the theoretical discussion in Chapters One, Two, Three and Four. From that discussion a number of key attitudes are identified.

Involvement

Are consumers' interested in financial services? Are there particular financial instruments they are more or less interested in? What determines their level of interest? Do they believe that financial services say much about them as a person? Do they enjoy buying financial services?

Perceptions of Uncertainty

Do consumers feel confidence when purchasing financial instruments? What factors increase or decrease that confidence? What impact are direct distributors having on how consumers buy their financial services? Are the direct distributors increasing consumer confidence levels?

Identity

Is the identity of a financial services provider or individual important? Can consumers identify who they are insured with? Are brands important? Do brands affect how consumers purchase? Does the importance of identity vary according to the type of financial instrument purchased?

Trust

How does trust affect consumer's decisions to purchase? Is trust important to them? Does it vary by type of instrument? Does trust in a financial provider depend on identity? Does trust vary by individual and if so why?

Satisfaction

How do consumers measure staisfaction? Are they satisfied with their financial instruments? Does the level of satisfaction vary by type of instrument? Does satisfaction affect future buying behaviour? Is loyalty affected by satisfaction?

The overall intention here is to identify the attitudes that underlie the ideal-types of behaviour, focus on the contexts in which the relational-dependent or rational-discrete behaviour is used and identify if attitudes vary by type of respondent. The discussion with the interviewees should be focused into these areas. Additional areas that could be explored relate to the linkage between instrument characteristics and behaviour. Thus, attitudes to service characteristics could be explored and this would include the following:

Extended time periods - how consumers cope with the extended time periods over which certain financial instruments operate? Do these time periods affect their attitudes to the financial provider?

Uncertainty - does the inherent uncertainty in particular financial instruments cause them anxiety? How do they cope with this anxiety? Do they recognised the inherent uncertainty of investment instruments?

Intangibility - does the lack of tangible evidence worry consumers? Do they prefer financial instruments that have lots of associated tangible evidence? Should the amount of evidence be increased or decreased?

Poor comparability - do consumers make comparisons between financial instruments? Do they find this difficult to do? How do they do it? Do they think that it is important? Does the ability to compare affect theri purchasing behaviour?

Cost of an incorrect decision - do consumer recognise the potential cost of an incorrect purchase decision? Do this affect their purchasing behaviour? Do they differentiate between high and low risk financial instruments? Can the perception of risk be linked to their confidence levels?

Qualitative Interview Notes

10th November	7.00 pm	Loyal Customers/Dependent Children
	8.30 pm	Disloyal Customers/No or Independent Children
24th November	7.00 pm	Loyal Customers/No or Independent Children
	8.30 pm	Disloyal Customers/Dependent Children

10th November

7.00pm Loyal customers/Dependent Children

Int - Interviewer

Res - Respondent

Interviewer introduces himself and asks the members of the group to do likewise.

When this is completed interviewer introduces the subject and asks the group to think about the financial services they have purchased, he asks them if they could rember the names of the firms from whom they have purchased and what they have purchased. Interviewer indicates that they will not be asked direct questions about their financial services but general questions about how they feel about financial instruments.

Int One of the areas we want to focus on is how interesting you find financial services.

Res Not very - laughs

General agreement

Res I don't spend a lot of time thinking about, except when I purchase

General agreement

Res There not something you think about every day

Res I find them very boring, not interesting at all

A number of the group agree with this

Int What about when you purchase?

Res When you are actually buying them you choose carefully and then you forget them, until they have to be renewed

Int So when you buy a financial instrument, say motor insurance you are more interested then?

General agreement

Res Yes, because its then that you can get a good deal, once you have brought it then you just leave it alone.

Int Is this true of all financial services, or just things like motor insurance?

Res Motor insurance, house insurance and that kind of thing because it is purchased once a year and then gets reviewed. I think things like motor insurnce are really boring, until you make a claim and then you really find out how good it is.

General agreement

Int But are some financial services more interesting than others? (interviewer explains differences between forms of instruments, highlights general and investment instruments)

Res Yes, like investments, I like to monitor my investments, see what is happening and talk to my broker about them.

Res Investments are different to things like motor insurance or even your bank account, you have to keep an eye on them, see what they are doing.

General agreement

Res They are also more complex and risky so you have to watch them or get someone to do it for you

Res Yes, I don't really understand them so I use a broker, he tells me what to do, when and so on, it would be difficult without him.

Res I find all financial instruments uninteresting, I never buy investments is that what you call them? I simply can't afford them.

Res Thats right, you only buy financial instruments when you need something else, they help you get what you are actually interested in.

Int How confident do you feel when buying financial instruments?

Res That depends on what you are buying

General agreement

Res Investment instruments I think are difficult to buy, they are complicated

Int Does everyone agree with that?

General agreement

Res Direct Line has made it easier to buy general instruments.

General agreement

Res I much prefer buying over the phone than dealing by post or going into an office, its so much quicker.

Res Yea and cheaper, Direct Line have really cut the cost of motor insurance

Res Thats right, I check up on my Broker now using Direct Line to make sure they are not too expensive and if Direct Line are cheaper I let my broker know.

Res Direct Line have made it far easier to know what you should be paying for motor insurance.

Res I feel much more confident when I'm buying simple financial instruments, like motor.

General agreement

Int How important is identity to you when buying financial instruments, by identity I mean brand identity or knowing the person from whom you are buying.

Res Knowing whom I am buying from when I'm buying investment instruments is very important to me.

General agreement

Int So everyone agrees with that?

General agreement

Res Arn't most financial services firms very similar?

Res No I don't think so, look at all those people who have lost money in the BCCI thing.

Res Again it depends what you are buying. If you think you understand what it is and how it works then identity is not so important is it? I mean as long as I know the brand I heard of them like, I don't mind buying from them if you see what I mean.

General agreement

Res Thats right I feel fairly confident when I'm buying motor insurance and I reckon that most firms are the same so identity is not so important, but thats not the same when I'm buying what you are calling investments, then I'm much more careful and seek lots of advice.

Res Yes getting advice is important, it helps you to make the right decision.

Int So for you identity is important?

Res Yes it is, I always buy from people I know, you can be far more confident that you are getting a good deal.

General agreement

Int Is being loyal to a firm or individual important?

Res Yes it can be, as they know you they look after you.

Res I use a broker and I usually stick with him because I think you get a better deal

General agreement

Res I used to use a salesperson from an insurance company, he was very good but he has moved on and I have lost contact with him.

Res That happens a lot, sales people move on and you lose contact with them. That then means all the commission you have paid them is lost and they no longer help to look after what you have already brought, its dreadful really.

Res Yes I think paying commisions without knowing what you are getting for them is not right.

Int Does everyone feel like that about commissions?

Res Yes, I would rather pay for what I am getting and know how much it is costing me.

General agreement

Int Going back to knowing the person from whom you are buying, how important is trust?

Res I suppose trust is always important what ever you are buying.

Res Yes but it is particularly important if you are buying investments, because its your money that it going into them.

Res Thats right giving someone money requires a lot of trust.

Int Is trust less important when you are buying general insurances like motor?

Res I think trust is still important.

Res It is but you are not giving the person money to keep and invest.

Res But you need to trust the firm to pay up when you make a claim and often they don't.

Res Or they try to get out of paying, like when I made a motor claim and I spent six months arguing with the firm about it before they paid up. You have to be very resourceful and determined.

Int Finally, because we are running a little short of time, how satisfied are you with your financial services?

Res I am reasonably satisfied, especially with my broker, he looks after me.

Res You only know if you are satisfied if you make a claim, then you know.

General agreement

Res It is difficult to tell how satisfied you might be until you know how good the company is.

Res Thats right once you have had to make a claim that is when you know if you are satisfied or not. The rest of the time they just take your money and you never hear from them and if you do make a claim you have to fight every inch of the way.

Res Yea, all these customer service things are all talk and talk is cheap.

General laughter

Int On that note I would like to thank you for your help and wish you a safe journey home.

End of First Session

8.30 pm Disloyal Customers/No or Independent Children

Int - Interviewer

Res - Respondent

Interviewer introduces himself and asks the members of the group to do likewise.

When this is completed interviewer introduces the subject and asks the group to think about the financial services they have purchased, he asks them if they could rember the names of the firms from whom they have purchased and what they have purchased. Interviewer indicates that they will not be asked direct questions about their financial services but general questions about how they feel about financial instruments.

Int One of the areas we want to focus on is how interesting you find financial services. I know that it is difficult to think about financial instruments and discuss them, but we what to know how you feel about financial instruments.

When talking about financial instruments we differentiate between general and investment instruments. Interviewer explains difference between forms of instruments.

Int Can I start with you David. Do you enjoy owning financial services?

Res	Not really, obviously I own financial instruments you have to, but I don't enjoy them like I would a car or something, they are just useful.

Res	Thats right you buy them to obtain other things.

Res	I don't think that anyone really enjoys owning financial services, they are an evil necessity

General agreement

Int	Is that true of all financial services or just what I've called general instruments?

Res	Well things like motor and household insurance you have to have, you can't get by without them. But investments and the like you sort of choose to buy rather than having them forced on you. So I suppose those are different, if they go well then you do enjoy that.

Int	Do you find financial services interesting if not enjoyable?

Res	Some are interesting, like the gentleman, Bob? says investments if they go well. I have some investments and I check up on those regularly, you know to see what is happening.

Res I am interested when I buy, I want to make a good deal, but once I've got whatever it is then my interest goes down pretty quickly.

Res I agree, I search around for a good deal and then I forget about it, thats why I can't rember the name of my insurance company.

Res You would if you have had to make a claim. I look much more carefully at companies since I had to make a claim and had a long fight with my insurance company. It took over twelve months to sort out. Since then I've been careful to insure through a broker with large companies, even if it means paying a bit extra.

Int So you are interested in the company you are buying the insurance from?

Res Thats right, you have to be careful because you are really buying on trust.

Res But even then you are not interested in the financial services, you just want to

buy a good one and to be sure the company pays up. Its not like buying a car, which you might actually enjoy buying.

Res You are not interested in the company as much as that you want to buy a financial services that does the job.

Int Do you think that the financial services you own say something about you as a person?

Res How do you mean?

Int Well the car you own may say a lot about your personality, who you are, is this true of financial instruments.

Res No, because no one knows what you buy, or the companies you buy from.

General agreement

Int Okay lets move on and think about when you are actually buying financial instruments, do you feel confident about making your own decisions or do you need some one to help you?

Res That depends on what you are buying. If you are buying something you understand then you feel confident because you understand it, but if you don't then you don't feel confident and you need help. Does that make sense?

Int Absolutley.

Res Thats right you confidence changes according to what you are buying and how difficult it is to understand.

General agreement

Int So when buying motor insurance for example, do you feel confident?

Res Yes because motor insurance is motor insurance, the most important thing is the price.

Res I disagree, the company is important to.

Res But most of the big companies, you know well known ones are the same, they are all look at by the government and they would not be in business if they continually cheated people.

Res I think that Direct Line has helped to raise my confidence when buying motor insurance because I now check my broker to make sure that he is not to expensive and push the price down if he is.

General agreement

Int So Direct Line has made things easier by allowing you to make comparisons?

Res Yes, because then we have a benchmark against which it is possible to measure price.

Res And because I think most motor companies are very similar I have no problem in switching between them.

Res I think switiching between them keeps them on their toes. It makes them work harder for your business and that way they don't take you for granted.

General Agreement

Res I always check my insurances now, every year, to make sure I'm not paying too much.

Res Thats right and Direct Line has helped the average customer to make those kind of comparisons.

Res But that is not so true of investment instruments. Companies vary far more and you need to be very careful when you buy. I am far less confident when buying investment instruments, than when buying general instruments because they are so much more risky.

Int Is that why you might get help to make those decisions, a broker prehaps?

Res Thats right, to help you make the right decision.

Res Your broker helps to reduce the risks of investing by giving you advice on what you buy.

General agreement

Int Okay, talking about brokers, how important is the identity of the person you are buying from, how important is it that you know them or know the company?

Res I think it is very important, I have known my broker for a long time and have built up a relationship with him.

Int Is that true of other people here, that you have built up a relationship with a broker? David

Res Yes, I have kown my broker for a long time and I suppose you could say we have a relationship, well a business one at least.

Res I certainty go to my broker first and listen to what he has to say and often buy from him, especially any investments, but even things like mortgages.

Res The identity of that person is important, because yo know them you can trust them to give you good advice and not try and rip you off like insurance salesmen who keep ringing me up.

Res I don't trust sales people because they are driven by commission and will sell you anything that brings them in more commission.

Res Do they earn very much on commission? I always thought it was a small amount?

Res No, it can be a lot, all of the first year's premium. So if you pay in one hundred pounds a month, they would get all of that for a year.

Res Gosh, that is a lot I never imagined that it would be that much.

General agreement

Int So it is important to know your broker, but what about insurance companies or investment firms is it important to know them?

Res Yes although I usually take my Broker's advice and assume that he has checked the firms.

Res When I'm buying things like motor insurance or house contents I assume that

any large firm is okay. They are carefully monitored by the authorities anyway.

General agreement

Int So to summ up when you buy general insurances you feel confident and as long as you buy from large companies you are not worried about identity.

General agreement

Int Yes, that describes how you feel?, David, Sue?

Res Yes, certaintly I feel more confident about buying general than investment instruments.

Int	Okay, lets talk briefly about trust. Is trust important to you when you are buying financial services, I mean how do you know when to trust a firm?

Res	That is difficult, I suppose it goes back to identity and knowing the person. I trust my broker because I know him and have transacted a lot of business with him over the years. I would not use an insurance salesman simply because I don't know them and so I can't trust them.

Res	It is difficult to know who to trust, I suppose using large companies helps.

Res	Yes trust is difficult to prejudge.

Res	I don't know what you mean by trust.

Int	By trust I mean that you are prepared to take someone else's advice and be guided by their experience.

Res	Then I don't trust people selling insurance because as I said before insurance sales people chase commission and that is all they are interested in.

General Agreement

Int Finally, as we are running out of time I would like to ask you some questions about how satisfied you are with you financial services and how you might measure that satisfaction. Jane do you think about how satisfied you are with your financial services.

Res It is difficult I think to be satisfied with financial services, they are simply there arn't they. Its not like buying cloths which you then enjoy wearing. You have to buy financial services to get the things you actually want. I don't think that I really enjoy owning or using financial services.

Res The only time I notice my financial services is when they go worng and then I'm angry, otherwise I expect them to work, it is what we pay for after all.

General agreement

Res I think talking about satisfaction is difficult, you are satisfied when something works well, like a mortgage to buy a house or a claim on an insurance policy, but apart from that, your bank account for example, it is just there. And getting to the branch is simply a pain, especially now they keep closing their branches.

Int Okay as we are running short of time I would like to thank you for your help in taking part and wish you a safe journey home.

End of Second Session

24th November

7.00 pm Loyal Customers/No or Independent Children

8.30 pm Disloyal Customers/Dependent Children

Int - Interviewer

Res - Respondent

Interviewer introduces himself and asks the members of the group to do likewise.

7.00 pm Loyal Customers/No or Independent Children

When this is completed interviewer introduces the subject and asks the group to think about the financial services they have purchased, he asks them if they could rember the names of the firms from whom they have purchased and what they have purchased. Interviewer indicates that they will not be asked direct questions about their financial services but general questions about how they feel about financial instruments.

Int I would like to start by talking to you about how interesting and important financial services are to you. So I would like you to think about which financial services you own that are important to you.

Res You never really think about financial services in that way, do you? I mean being interesting or important.

Res I think that certain financial services are important, especially where lots of money is involved or you are investing. And in those cases obviously you take more interest in what is happening, you need to be careful.

Res That's right you need to know what you are doing and make sure you get good advice, otherwise you can lose all your money.

Int Are there financial services where you don't need to take great care when buying then?

Res Yea, motor insurance, household insurance, that kind of thing.

Res I disagree I think that there are big variations between firms selling insurance and the type of service, I use a broker to identify which is the best service for me and when I had to make a claim this worked well.

Int How do you mean worked well?

Res The broker helped me work through the administration, he knew the company, they knew him, it was the right service for me, I had enough cover and so on. Because of him I believe that the claim was settled quickly and fairly.

Int So you don't use Direct Line or that type of firm?

Res Well I check on how expensive my broker is by phoning Direct Line and if he was way off the mark I would let him know.

Res Telephone brokers do help you in that way, to check up on how much you should be paying for insurance, even if you don't actually use them.

Int Do any of you use telephone brokers?

A number of respondents indicate that they do.

Int So why do you use them?

Res Because they offer good value for money, their quick, easy to use, instant cover and frankly I do want to mess around with brokers, cheques in the post and endless telephone calls. And motor insurance is not that important to me and most companies offer a service or a product which is at least as good as any other company. If they didn't they would go out of business and Direct Line is now the biggest private motor insurer and so must be doing something right, or else how would they stay in business?

Res What you say may be right for motor insurance and even things like house contents insurance and life assurance, services that are basically brought on price, but when you start investing money that's when you need advice and help.

Res That's right and those are the type of instruments that are interesting because you have to know what you are doing or use a broker to help you.

Int Are those the financial instruments that are important to you, those that you find interesting?

Res All financial instruments are important, why else buy them, but some you have to take more care and attention with when buying so as not to make mistakes.

Res Yes I would agree with that, I think that it is important to make the right decision when investing your money and to do that you need the help of a professional.

Res You have to have certain financial services, otherwise you can't own a car, buy a house or what ever, you don't have a choice and I think that you want to buy those financial services as cheaply as possible, with the least effort and fuss and for me that means Direct Line.

General agreement

Res I agree, if you are making a very deliberate choice to buy something like an investment, then you are interested in it and it is important to you.

Res That's right and in those cases you often need to seek help and advice, using a broker for example.

Int Is identity important to you? By identity I mean brand identity or knowing an individual who you deal with.

Res I think knowing someone is far more important than brands. A brand is just advertsing and marketing, whereas knowing someone can actually help you sort out problems.

Res Which of course can be a problem with telephone services, you hear about these people who have terrible experiences trying to sort out problems when they buy direct, computers are a good example.

Res I don't think that brands are important in financial services, knowing people is.

Int Do you trust idividuals you know then and is that why you like dealing with particular individuals?

Res I suppose so, it is certainly easier to trust someone you know.

Int Do you trust financial services firms generally?

Res I'm not sure, I don't think they are completely dishonest, but they are very sharp at times, especially when it comes to insurance claims.

Res Yea, I don't think they set out to cheat people, although it might feel like that at times.

Res Trust does depend on what financial services you are talking about. For investments and pensions it is very important because you are handing over your money to them and asking them to invest it on your behalf. In those circumstances you have to trust the firm, if you don't it would be stupid to hand over your cash. But if you are talking about a bank account for example, trust is not quite as important because they are not spending your money, but carrying out your instructions and that is quite different. So trust does depend on what you are talking about in terms of what you buy.

Res I use a broker to help me chose and buy financial services and I trust him.

Int What type of financial services?

Res Mostly insurances, motor, household and the like. I find his advice very useful and it was particularly important when I came to make a claim.

Int Is that common do many of you use brokers to buy insurances like motor?

Res I don't any more, but I did at one time. I find using the telephone easier now.

Res I still use a broker, but I test that broker whenever I make a purchase to ensure that they are quoting a competitive price.

Res Brokers are useful when you are buying really complex financial services like investments, because they explain how they work and they identify what your needs are.

Res Thats only so they can sell you more.

Res I used a broker but I find that the person I deal with keeps changing and that is a problem. I get fed up with having to talk to a new person, who also incidentally seems to want to sell me new financial services every time and not discuss the ones I already have. A could of years back I got fed up with this and decided to stop using them, but that means that I now don't have any regular financial advice.

Res I think that it is important to stick with the same firm and even the same person, that way you do get better advice. Because they know you and know that you will come back to them in the future, brokers or sales people will treat you differently, take more car I suppose.

Res Loyalty I think cuts both ways, as the gentleman said it is important to you that you that you always deal with the same person, so that they know you and you know them. Otherwise you never really build a relationship with that one person. I have used my broker for years and I introduced my sister and her husband to him and he now helps their children. The best introductions or advice is nearly always through word of mouth rather than advertsing or out of the telephone book.

Res Trust and loyalty are important when you buy financial services because I often have to ask for advice, so I neeed to trust the person giving that advice and to trust them I have to know they. So it is best if I use the same person to buy financial services.

Int Okay I think that we have covered enough in the session. Iwould like to thank you for your help in taking part and wish you a safe journey home.

End of Third Session

8.30 pm Disloyal Customers/Dependent Children

Int - Interviewer

Res - Respondent

Interviewer introduces himself and asks the members of the group to do likewise.

As with the earlier discussions the interviewer indicates that the purpose of the session is not to ask direct questions about the respondents holdings of financial instruments, but to examine their attitudes towards those financial instruments.

Int One of the areas we want to focus on is how interesting you find financial services.

Res Not very - I guess financial services are a bit boring

General agreement

Res I don't spend a lot of time thinking about, except when I purchase

Int Why when you purchase?

Res	Because you need to make the right decision at that point, once the decision is made then and only then can you forget about them.

Res	I don't even bother to think much about when I purchase financial services, I mean they are all the same nowadays arn't they, all the big firms are exactly the same. So I don't think there is much point looking around, I just find a well known firm, like (indicates a name of a firm) and buys from them.

General agreement

Int	Do you enjoy owning financial services?

Res	I don't think that anyone really enjoys owning financial services, they are an evil necessity

General agreement

Int	Is that true of all financial services?

Res	Well things like motor and household insurance you have to have, you can't get by without them. But investments and the like you sort of choose to buy rather than having them forced on you, so I suppose those are different, if they go well then you do enjoy that.

Res To be frank I think that financial services are totally different from other goods and services, they don't make me feel good when I buy or use them, they are simply there when I need them.

Int Do you feel confident when you purchase financial services?

Res That depends on the financial services.

Int How do you mean?

Res Well, simply that in certain cases I'm pretty sure as to what I am getting and in others I need help in making the right choice. So my confidence varies.

Int So your confidence varies according to the form of financial services you purchase?

Res Yes

Int Is that a common feeling?

General agreement

Int What makes you feel more or less confident? Are there any particular circumstances or type of financial instrument that makes you feel more confident?

Res Depends what you mean by confidence?

Int Okay, by confidence I mean that you would buy a financial instrument without seeking advice, that you would decide which company to purchase from.

Res I suppose I feel confident buying things like motor insurance simply because I buy that every year and I know what it is suppose to do.

Res Certainly things like investments, thats what you called them, are very uncertain and I will not buy them at all, much too risky.

Res There is always risk with financial services, because they relate to the future and you can't test them, so you can never be certain. No matter what the firms tell you the small print always gets you. Ive tried claiming on insurance policies before and in my experience it is very difficult to get them to pay up for a claim.

Int Does the identity of the financial services firm make a difference to how confident you feel? I mean if they are well known does that make a difference?

Res I suppose so, you can probably trust large firms whereas yo can't small firms like brokers.

Res I don't think you can trust them at all, irrespective of their size or who they are. I mean look at all the problems with misselling pensions, that hardles encourages trust. All financial services firms, large and small, are out to make a profit, probably at your expense.

General agreement

Int That is interesting, but returning more directly to the issue of identity, does the identity of the firm influence your attitudes at all? Does it for example make a difference if you know the identity of the person with whom you are dealing?

Res It is more reaasuring to deal with a firm or an individual you know. If you know the person for example you are more likely to get a decent service than if you deal over the phone. I've found that dealing over the phone is okay when you have a simple request and you know what you want, but if you don't then it can be very frustrating.

Res I never really use the same person, I prefer to look around for the best deal. I think you need to keep firms on their toes.

Res Yes, I use telephone services because you can look around very easily for the best deal which is important. It used to be important to stay with the same firm for years and years but not now, moving is far better.

Int In moving from firm to firm do you receive better levels of service?

Res I think so, firms know that you will move and they try harder to satisfy you. In the old days they virtually ignored the customers, we simply had to accept what they provided no questions asked.

Res This is true, look at banks and bank opening hours, I mean they were never open before when I could get to them, but now that has changed, they open on Saturdays and I read that they might open in the evenings as well.

Int So you are satisfied with the service you receive from financial services firms?

Res I suppose so, although I often never think about being satisfied. You use financial services to obtain other goods and services, I don't feel good or any thing when I use a financial services. Not like owning a car for example which is enjoyable.

General agreement

Res It is difficult to think about being satisfied with a financial services. They either work or they don't and if they don't you get cross and if they do, well I expect them too so it is no surprise. When you buy a financial services you expect it to work, so when it does you don't really feel satisfied do you? it is what I expected, like the car starting in the morning, I don't jump for joy.

Res But you do feel satisfied prehaps when you look at your car or see it in an advert and think yeah that is a good car, it does look good or whatever. Or if you buy a meal and enjoy it or cloths and enjoy wearing them, then you feel satisfied, especially if someone else notices and comments on your cloths or car, it makes you feel good.

Int And you don't feel that when you buy and use financial services?

Res No, they are just there, there to be used to get at other things like cloths, cars and meals out.

Res	Financial services are boring because they are not fun to use like other things, you know, products and services, so I'm always looking for good value.

Int	And what is good value?

Res	A reasonable financial services at a low price or at least one with low charges.

Res	Thats right its often the charges you have to watch with financial services. When you buy pensions for example, it is the hidden charges that you don't see that are crucial, thats what burns up all your money and makes them big profits.

Int	Has anyone suffered from pensions mis-selling? No, do incidents like pensions mis-selling affect your view if financial services firms?

Res	Well yeah of course it does, you feel that they are out to cheat you, to sell you any old crap as long as it makes them plenty of money.

Res	And then they produce adverts to tell you how good and bloody wonderful they all are, it is a joke really.

Res	Salesmen are after their commission, you have got the money and they want to squeeze it out of you and as much as possible, thats the truth of the matter and no amount of advertsing will make the slightest difference.

Res I think it is wrong that salesman are paid by commission, it simply encourages them to sell more. They pretend that their advice is sort of free, which its not, you pay later on and more probably.

Int Do you trust financial services firms?

Res Not really, not after all I've heard about them. Once they have your money there not very interested in you and what you need. I mean once you have purchased insurance you try and make a claim, they will do almost anything to get out of paying up.

Res I think I trust some firms, big high street firms, not to actually lose your money. Or at least to deliberately cheat you, but you do have to watch them.

Res Thats right some financial services firms are pretty useless actually and I think customers should have more information so that they can keep an eye on them.

Int Would more information from the financial services firms help then?

Res Yes, as long as you could understand that information. It is no use sending out stuff you can't understand, which is what they currently do.

Int In terms of information do you mean information on the performance of the financial services, how well or badly it is doing, that sort of information?

Res Yes, and how to sort things out if it is doing badly.

Res Except they don't tell you if things go wrong, they think up lots of clever excuses, so it is difficult to really tell if what you have brought is a good investment or pension.

Res Thats right, you have to have information on which to make comparisons and if you don't have that how can you tell if the financial services is good or bad?

Res You can't, which is exactly what they want.

Int So you might trust them more if you had more information?

Res I suppose so, at least you would have a clearer idea as to what was happening.

Res You do need to be able to understand the information that has been provided and for a lot of people that too can be a problem.

Int Does using a broker help?

Res A good broker should be able to guide you and help you make decisions.

Int Okay I would like to thank you for your help in taking part and wish you a safe journey home.

End of Fourth Session

APPENDIX : 2 QUESTIONNAIRE

BOURNEMOUTH UNIVERSITY
FINANCIAL SERVICES RESEARCH CENTRE

CONSUMER ATTITUDE QUESTIONNAIRE

Please read the following carefully before answering any questions.

Would the person or persons in your household who makes decisions about insurance and investments please complete this questionnaire. Answer all the questions, but if you cannot answer one do not worry go onto the next question.

The questionnaire is divided into three parts. The first part asks questions about general insurance which covers motor, house contents and buildings insurance. The second part looks at investments; this refers to endowments, unit trusts, investment bonds and regular saving schemes with insurance firms. The third part asks questions about loyalty, some are general, some relate directly to financial services.

Some of the questions may seem slightly strange, but do not be concerned, just try to be as truthful as possible and to think carefully about your answers.

Thank you for your help.

SECTION 1: GENERAL INSURANCE

1.01 Do you or your partner own any: motor insurance?

house contents insurance?

buildings insurance?

If no, then please proceed to section 2

Now we want you to think about these policies and read the statements written below. Indicate if you agree or disagree with the statement by ticking in one of the five boxes. If you are not sure of an answer leave it blank.

1.02 I find shopping for and choosing general insurance interesting .

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

1.03 The general insurances I buy say a lot about me as a person.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

1.04 From time to time I keep an eye on the market for general insurances.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

1.05 General insurances are an important part of my life.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

1.06 It is important to spend a lot of time choosing the right general insurance product.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

1.07 I always feel very unsure when buying general insurances.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

1.08 General insurances differ greatly in quality.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

1.09 Firms selling general insurances differ greatly in quality.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

1.10 When buying general insurances it is important to deal with a person face to face.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

1.11 When buying general insurances it is important that I know the person from whom I am buying.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

1.12 When buying general insurances I would rather use well known firms, rather than firms I had not heard of.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

1.13 I buy general insurances on price so trust is not important to me.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

1.14 When buying general insurances I am prepared to hand over decision-making to another person.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

1.15 When buying general insurances:

- Price is the single most important factor ☐
- Price is marginally the most important factor ☐
- Trust is marginally the most important factor ☐
- Trust is the single most important factor ☐

1.16 I am usually satisfied with the quality of my general insurances.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

1.17 The quality of my insurances will improve in the future.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

SECTION 2: SAVINGS AND INVESTMENT

2.01 Do you or your partner own any savings and investment products, such as:

Please tick appropriate box(es)

- Investment bonds ☐
- National savings ordinary or investment account ☐
- National savings capital or income bonds ☐
- National savings yearly plan ☐
- Pension: Member of a company pension scheme ☐
- Pension: Additional voluntary contributions (AVCs) ☐
- Pension: Persona; pension plan ☐
- Save-as-you-earn account ☐
- Share options ☐
- Stocks and Shares ☐
- TESSA (Tax exempt special savings account) ☐
- Unit linked life assurance ☐
- Unit trust and investment trust holdings ☐
- Endowment assurance policies ☐
- Government securities (Gilts) ☐
- Building society accounts ☐

If you have no investment products then proceed to section 3.

Now we want you to think about the policies you own and read the statement(s) written below. Indicate if you agree or disagree with the statement by ticking one of the five boxes.

2.02 I find shopping for and choosing investment interesting.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

2.03 The investments I buy say a lot about me as a person.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

2.04 From time to time I like to keep an eye on my investments.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

2.05 Investments are an important part of my life.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

2.06 It is important to spend a lot of time choosing the right investment product.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

Now we want you to think about the policies you own and read the statement(s) written below. Indicate if you agree or disagree with the statement by ticking one of the five boxes.

2.07 I always feel very unsure when buying investments.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

2.08 Investments differ greatly in quality.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

2.09 Firms selling investments differ greatly in quality.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

2.10 When buying investments it is important to deal with a person face to face.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

2.11 When buying investments it is important that I know the person from whom I am buying.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

2.12 When buying investments I would rather use well known firms, rather than firms I had not heard of.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

2.13 I buy investments on performance so trust is not important to me.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

2.14 When buying investments I am prepared to hand over decision-making to another person.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

2.15 When buying investments:

- Past performance is the single most important factor ☐
- Past performance is marginally ☐
- Trust is marginally the most important factor ☐
- Trust is the single most important factor ☐

2.17 I am usually satisfied with the quality of service from my investments.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

2.18 The quality of service from my investment firm will improve in the future.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

SECTION 3: GENERAL QUESTIONS

We would now like to ask you some questions on your attitude to loyalty . Please try to answer all of the questions.

3.01 Which statement describes you best when you do your weekly shopping

i) I usually buy low priced, own label products to maximise good value ☐

ii) I usually buy branded goods even though they are more expensive ☐

3.02 As a consumer, I cannot afford to be loyal to a firm; I always seek the best deal I can find.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

3.03 Often you have to be loyal than to go to a different firm as a new customer.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

3.04 It is often much easier to remain loyal than go to a different firm as a new customer.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

3.05 If I know staff personally I will often go back to them when making purchases because they usually give me a good deal.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

3.06 I am loyal to firms that have provided me with excellent service in the past.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

3.07 Buyers nowadays shop on the basis of price not loyalty.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

3.08 Often I would rather buy from a firm I know because changing firms takes too much effort.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

3.09 Are you committed to any organisation or cause?

Yes ❑ No ❑

3.10 If I know staff personally I will often go back to them when making purchases because they usually give me a good deal.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

3.11 Loyalty is a two way process between two people.

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree

3.12 Are there any products, to which you are committed or loyal?

Yes ❑ No ❑

3.13 Would you describe yourself as a loyal customer?

Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree