

Banking culture: a customer perspective

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Executive summary

In light of concerns about banking culture and the impact that a poor culture can have, the Financial Services Consumer Panel wanted to look at culture from a customer's perspective, to answer the question "what would a good culture look like, and how could it be measured?" To shed light on this question, the Panel commissioned the University of Bristol's Personal Finance Research Centre to undertake qualitative research with personal and micro-enterprise bank customers. Specifically, the research set out to identify the key attributes of both a positive and negative banking culture from the perspective of personal and micro-enterprise customers and to explore any gaps between customer expectations and reality. As a result, the Panel hoped to identify a set of indicators which could be used to measure a bank's culture from the customer perspective, and to track changes over time.

Understanding positive culture

Participants in focus groups were able to identify a number of values that they believed encapsulated a positive bank culture. They recognised that the culture of a bank is driven from the top, but must permeate down through the bank, to be expressed to consumers through their frontline staff. They judged the culture through their personal experience of interaction and communication with frontline bank staff, both face to face and on the telephone. They believed that a bank with a positive culture would value and invest in its staff.

Core values

For customers, a positive bank culture means:

- Being accessible
- Being open and transparent in all dealings
- Treating customers as individuals
 - having systems that are flexible
 - being sensitive to difficult situations
- Being proactive in meeting customers' needs
- Putting customers' needs before profits
- Going beyond what the regulations require
- Doing what you say you'll do
- Taking responsibility when things go wrong

Current banking culture

Participants did not believe their expectations of banks were unrealistic. Some thought that there had been a small shift towards a more positive culture in recent years. However, they felt that banks were still broadly failing to deliver positive values, highlighting three areas in particular:

- **Accessibility:** Participants said they wanted to be able to access services, products or help easily and in a way that suited their needs but often found that it fell short of this aspiration. However, they did understand that it was unrealistic to expect an entirely bespoke service.
- **Treating customers as individuals:** Participants felt that, while bank staff could be approachable and friendly, the systems they had to work within often failed to

treat customers as individuals. Staff lacked autonomy over decisions, which were often automated, and sometimes did not reflect the particular circumstances of the customer.

- **Taking responsibility when things go wrong:** Participants cited the overall response by banks to the mis-selling of Payment Protection Insurance, and personal examples of banks not dealing with complaints in an effective manner, although a few customers had had a more positive experience.

Small and micro-enterprise business banking

The experience of business banking customers was considerably more negative than that of personal customers. Many participants did not have their expectations met at all, and felt their business custom was not valued. They really wanted a named contact or business manager who understood how their needs differed from those of personal retail customers. In particular, participants felt that bank staff often did not appear to understand the importance of cash-flow to the success of a business, and took lending and other decisions that had a negative impact on cash flow. Above all else, participants did not feel they received the level of service for which they were paying as business customers.

1 Introduction

Financial services regulators around the world are beginning to focus to varying degrees on the prevailing culture within banks and other financial institutions. Internationally, this was brought into sharp focus by the role that banks played in the financial crisis and, subsequently, in high profile misconduct issues such as exchange rate manipulation and LIBOR rigging (see for example Bank Governance Leadership Network, 2015). Within the UK it has also been evidenced by a series of examples of product mis-selling, and most notably by the large-scale mis-selling of payment protection insurance. The Parliamentary Commission on Banking Standards has also highlighted the impact of poor culture within banks (Parliamentary Commission on Banking Standards, 2013).

Poor culture has been identified as the root cause of poor conduct and customer service by a number of supervisory reviews by the Financial Conduct Authority across a wide range of aspects of financial services provision, most particularly but not exclusively, ones involving sales and advice. For example, the Financial Conduct Authority in its 2014 thematic review of mortgage lenders' arrears management and forbearance concluded that examples of both good and bad practice could be traced back to the culture prevailing within firms (Financial Conduct Authority, 2014).

This mounting concern has led to regulators in a number of countries identifying the need to tackle poor culture as an important part of their supervisory work during the financial year 2015-16 (see for example Australian Securities and Investment Commission, 2015; Central Bank of Ireland, 2015; Medcraft, 2015; Tanzer, 2015). The Financial Conduct Authority is no exception and, in its 2015 Business Plan, notes:

A firm's culture is a key driver behind the behaviour of those in it. In many cases, where things have gone wrong in a firm, a cultural issue is at the heart of the problem.

An effective culture is one that supports a business model and business practices that have the fair treatment of customers and clients at their core, as well as behaviours that are supportive of market integrity. Creating such a culture begins at the top, and we will continue to work with firms to ensure that conduct issues are a priority for them and a key issue on their boards' agendas.

FCA Business Plan 2015/16

Looking across the work planned by regulators in the UK and elsewhere it is possible to identify some common areas of concern. These include poor risk management, inappropriate incentive structures and target setting for staff, systems that are misaligned with consumer interests, attitudes to customers and a failure to treat customers fairly.

Despite this focus by regulators, remarkably little work has been done on how a bank's culture manifests itself to its personal and small / micro-enterprise customers. A range of sources show that customer trust in banks and other financial service providers has fallen in recent years (for an overview see Kempson, 2015). In large part this is due to the role banks played in the financial crisis and lack of trust among customers is most acute in countries where banks had to be taken into public ownership and where supervisory action has been taken against banks for issues such as rate fixing or mis-selling.

Earlier research has also explored customers perceptions of 'fairness' within financial institutions (Opinion Leader, 2010), customer satisfaction with banks (Which? 2015) and the difficulties encountered in relation to banking by small and medium-sized enterprises (Research Works Ltd, 2015). These provide insights into what customers might be expected to consider a positive or a negative banking culture, but none have addressed it directly.

The research on customer perceptions of fairness found that communication and customer care were just as important as products and price. It also identified a close association between fairness and customer service but also with issues such as reliability and value for money. Moreover, although customers believed that it was very important for financial services providers to treat their customers fairly, they thought that such providers (along with the utilities companies) treated their customers much less fairly than major retailers. Financial services firms were specifically criticised for the loss of personal and individualised services, lack of transparency, high pressure marketing, poor post-sales communication and poor resolution of problems and complaints (Opinion Leader, 2010).

1.1 The research

The overall aim of the research was to provide an understanding of what an ideal, or positive, banking culture looks like from the perspective of personal and micro-enterprise¹ customers and how it might be measured.

Within this there were a number of more specific objectives:

- To identify the key attributes of both a positive banking culture and a negative one from the perspective of personal and micro-enterprise customers
- To better understand what bank users expect and want from their bank

¹ A Micro enterprise was defined in line with the EU recommendation 2003/361, which is fewer than 10 employees and a turnover of $\leq \text{€ } 2 \text{ m}$

- To explore examples of how positive and negative cultures have manifested themselves in the experiences of personal and micro-enterprise customers in their dealings with their bank
- To explore any gaps between customer expectations and reality and how they believe that their experiences are influenced by the culture of their bank.
- To explore what changes in bank culture are needed to improve customer experiences in future
- To identify a set of indicators to measure a bank's culture (ranked from positive to negative) from the perspective of a customer, and allow changes over time to be tracked.
- To identify key components of culture from a customer perspective that might inform the supervisory and thematic review work of the FCA

The research was qualitative, using focus groups, and was conducted in two stages.

Stage one focussed on:

- understanding how consumers perceived the concept of the 'culture' of an organisation
- what values they felt underpinned a positive banking culture, and
- how these values would manifest themselves to customers

These issues were explored in five focus groups each lasting one and a half hours. This included four groups of personal bank customers, from different age groups and differing levels of engagement with banking, and one with micro-enterprise bank customers. (See appendices for full details of the composition of the groups). These groups were audio-recorded and verbatim transcripts produced. The transcripts were then analysed thematically to identify the key components of a positive bank culture from a customer perspective and a set of 36 potential indicators designed to capture these components (see appendices). These indicators were written in the form of attitude statements.

Stage two involved a further five focus groups, each lasting two hours, whose composition mirrored those in stage one. The discussions in these groups focussed on:

- exploring the values identified in stage one in more detail, and
- discussing the set of draft indicators to identify the ones that customers were best able to use to assess their own bank and also to identify the most appropriate format.

Again the groups were audio-recorded and verbatim transcripts produced, which were analysed thematically.

1.2 This report

Chapter 2, which follows, explores how bank culture was perceived by personal and micro-enterprise customers. It identifies the key attributes of a positive banking culture and what customers want from their bank.

Chapter 3 develops this further and looks at how banks measure up against customer views of what a positive culture should entail. It identifies the gaps that existed between customer expectations and reality and what changes in bank culture are needed to improve customer experiences in future. It concludes by identifying key components of culture from a customer perspective that might be used to inform the supervisory and thematic review work of the FCA.

Finally, Chapter 4 provides a set of indicators that customers were able to use to measure their bank's culture based on their own experiences, and which could be used to track changes in bank culture over time.

2 The customer view of a positive bank culture

2.1 Customer understanding of positive culture

One of the key aims of the research was to try to elicit a customer understanding of 'culture', as a distinct entity from customer satisfaction and fairness, which form part of a company's culture but are not the whole picture. We set out to explore this theme by asking how participants would recognise if a company had a 'positive culture' and for examples of ones that did, either within the financial services industry, or in other industries such as retail or the utilities.

What materialised was a description of a culture that puts customers' needs central to what an organisation does. It was thought to emanate from the top and permeate the whole organisation.

Although it was sometimes difficult for customers to articulate, it was generally clear to them when customer needs were secondary to other factors. Utility companies, particularly gas and electricity suppliers, were often mentioned as examples of a negative culture, and their tendency to keep customers who telephone them on hold for long periods was found to be frustrating, and disrespectful to the customer – indicating that the business did not place enough value on their customers' time to invest in a staffing level that could provide a more timely service. Being treated fairly was also important to customers, and they did not want to feel that they were likely to be exploited or 'ripped off' in any way.

On the whole, participants seemed to have realistic expectations with regard to the culture of banks. There was little indication of ones that were not practical and achievable.

While customers were more price sensitive to certain banking products (notably credit cards and savings accounts) than others, price was not the only factor when choosing which provider to use; a positive culture was also very important. Participants recognised that retailers such as John Lewis, which was held up as an exemplar of positive culture, are rarely the cheapest option. But they were valued for providing a consistently good service, regardless of which branch is visited or which member of staff is seen.

Having a positive culture was seen to be an active process; organisations were expected to go beyond the minimum expected of them by regulators and always to give their customers the best service or products for their needs.

Demonstrating Positive Culture - Apple

In one focus group with personal bank customers, Apple was held up as an example of a company with a positive culture: it was perceived as demonstrating many of the values that emerged as underpinning a positive culture:

- *All of the staff were evidently well trained*
- *Before the customer attended an appointment, the staff member 'did the groundwork' to ensure they could assist the customer*
- *There was no feeling of 'hard sell'*

"They make you feel special as a customer, look after you, and the product sells itself" (30-55, personal customer, Loughborough)

While Apple has a particular advantage of achieving a desirability of the product itself, the participants were describing the culture that underpinned the service given to customers. It should also be noted that many customers were less interested in the exact make up of a banking product, particularly current accounts, and more interested in the way in which it is delivered.

The other key understanding that emerged from the groups was how a positive culture is seen to work, and how it is embedded in organisations. Participants understood that a positive culture was driven from the top, and was cascaded down through all staff levels,

First Direct

First Direct stood as an example of a company who understood how their company values would be expressed through their staff; the consistently friendly and knowledgeable service that was given by their staff was widely praised, and demonstrated the importance of having well trained staff who shared the values of the organisation.

channels and products to the customers. Some participants in the group worked in customer facing roles, and were therefore aware of how the treatment of staff will affect the service received by customers.

It was recognised that a company with a positive culture would value its staff. It would train its staff well, not only to be knowledgeable about the products or services that they offered, but also about the values held by the company. Staff would have good working conditions.

"They've been saying that some companies... have jumped in and said we're going to pay our staff the living wage, not the minimum wage but the living wage... so you think they must care...By treating the staff right then they will be happy in the job anyway." (30-55, personal customer Loughborough)

And they would be incentivised to provide good customer service rather than to solely work toward the achievement of sales targets. It was recognised that banks need to be

profit making, and a positive culture was not seen as inimical to this. Indeed it was felt that, ultimately a positive culture should increase profits.

“They should be rewarded on good customer service as well, I work in a sales job and bonuses are part of being a salesperson but they need to do it under the regulations and then they'll have good customer service, they should come sort of hand in hand, if you're getting good customer service and hitting your targets then they should get bonuses.” (30-55, personal customer, Guildford)

2.2 Micro-enterprise customers' understanding of positive culture

In many ways, micro-enterprise bank customers were better able to articulate what a positive banking culture should look like than personal customers were. In part this was because the values that they wanted to embed in their own businesses were identical to the ones that they believed should underpin a positive banking culture.

Micro-enterprise customers described a positive banking culture as being multi-faceted. The most important aspect for business banking was accessibility regardless of the channel used by the customer to deal with their bank. These customers wanted accessibility to be demonstrated by the opening hours of the bank better mirroring a regular working day. In addition, flexibility (or lack of it) was also felt to be a good indicator of culture, particularly in terms of local branches being able to authorise loans or changes to accounts.

Furthermore, customer service (typically measured in branch and on the phone) was also seen as an indicator of a bank's culture. Staff that were happy to help, were proactive, showed accountability when resolving issues, or went beyond expected service levels in their dealings with customers were expected if the bank's culture was to be seen as positive. Finally, transparency on charges and fees on amount and why they were being applied was also felt to be important.

2.3 How a positive culture manifests itself to customers

Customers (both personal and micro-enterprise ones) were able to identify a number of core values that they believed encapsulated a positive bank culture. These were:

- Being accessible to customers
- Being open and transparent in all dealings with customers
- Treating customers as individuals
 - having systems that are flexible
 - being sensitive to difficult situations
- Being proactive in meeting customers' needs
- Putting customers' needs before profits
- Going beyond what the regulations require
- Doing what you say you'll do

- And taking ownership when things go wrong

These values were not discrete and they often overlapped with one another – for example, to demonstrate a proactive culture, by necessity a bank would also have to be treating customers as individuals. The rest of this chapter looks at these values, and the sorts of behaviours that would indicate to a customer that that these values underpinned a bank’s culture.

2.3.1 *Being accessible to customers*

One of the key factors underpinning a positive culture as identified by customers was being able to access services, products or help in a way that was suited to their needs. These needs often varied by product, or by method of contact, and it was felt to be key that they could reach the bank how and when they needed to.

In a branch setting, this could mean being able to speak to a staff member about a routine enquiry easily, rather than being asked to make an appointment and return, or being able to speak to a member of staff instead of being directed by concierge staff to a machine. For telephone contact, this meant being able to speak to a member of staff without going through long automated menus, or being kept on hold for a long time, especially on premium rate telephone numbers².

Accessibility was also felt to include the approachability of staff. This was particularly the case for customers that used a bank branch, where layout was sometimes confusing, and customers could not work out where to go for help. Consequently they were keen that customers should not feel they were imposing on staff if they asked for assistance.

2.3.2 *Being open and transparent in all dealings with customers*

Complete openness and transparency was also considered to be an integral part of a positive banking culture and is reflected in banking regulations. Well-designed key features documents were mentioned as examples of how the relevant information should be presented.

However, being open and transparent in a way that actually signals a truly positive culture requires more than just the passive provision of information. In the context of buying a financial product, it meant ensuring that the customer is fully aware of what they are buying and any potential consequences if they make the purchase.

This clarity was sought across all transactions and contacts with the bank, including changes to terms and conditions of exiting products. Many of the participants believed that banks often worked to the letter rather than the spirit of regulations relating to

² Since 26 October 2015, the FCA has banned firms from using 084/087 numbers for customer service lines. The participants had drawn on past experiences with banks and experiences with other providers in formulating this requirement.

transparency. As a consequence they often felt overwhelmed by the amount of information they were given, much of which was opaque.

“It’s just like a needle in a haystack really trying to think what you actually need out of all of that” (30-55, personal customer, Sutton Coldfield)

It was also felt important that banks were open and transparent about their decision making too. For example, some participants thought that customers being turned down for credit should be told the reasons in an honest and helpful manner.

“You don’t know obviously what they’re doing in the background because all their credit checks and things like that can affect your credit rating and there’s a lot of hidden things that they could be doing that you’re none the wiser about” (30-55, personal customer, Guildford)

Micro-business customers, also wanted greater clarity over routine bank charges and fees or in relation to overdraft facilities. As well as understanding what they had been charged for and why, they also wanted to know that the charges they paid were fair and comparable with other similar sized businesses.

2.3.3 Treating customers as individuals

Making customers feel as though they are being treated as an individual with their own particular needs and financial history was mentioned in all of the groups in some manner. Customers appreciated it when bank branch staff demonstrated the ‘personal touch’. This was especially important for micro-enterprise customers who wanted to be able to deal with staff who understood their business and its needs

It was accepted that customers generally do not get to speak to the same staff member twice – especially if they made contact by telephone. In these circumstances it was important that the staff listened to the customers, and responded to them as an individual rather than simply reading from a script.

Being treated as an individual also meant that staff should be able to access important details relating to the customer, including any previous occasions when they had made contact. They resented having to repeat the same information each time they made contact – and especially so when the person they were speaking to was reading from the same script each time.

As well as having staff who listen to customers, it was equally important for bank staff to have the flexibility to act on this knowledge. While understanding the need to judge risk, it was felt that a positive banking culture would have systems that allowed staff to really look at an individual’s financial circumstances, rather than use an inflexible formula. This was especially important in cases when a personal customer was experiencing financial difficulty, whether short or longer term or a business customer was experiencing a fluctuating cash flow.

“It’s because one week you could be absolutely on your backside you’ve got no money because you’ve just ploughed a load into a job that you’re going to paid for next week... it’s just such extreme from week-to-week, I think or day-to-day even... it’s more cash-flow management” (ME, Bristol)

2.3.4 Being proactive in meeting customers’ needs

A positive culture in banking was seen as one where the institution would actively assist their customers, not merely have a set of services and products that they can access. This could proactively manifest itself in a number of ways.

To demonstrate a positive culture fully, a bank would be expected to understand the customers’ needs and to have the staff and systems that find ways to meet these needs. Examples emerged from the groups that were felt to demonstrate this, such as Apple, as

Demonstrating pro-activeness

One participant, who regularly visited his branch to conduct transactions on his current accounts, was asked if there was any other help he needed once he had completed the intended transaction. He raised the subject of a loan he had with this bank, and how he was concerned over the interest rate he paid. He was given the opportunity to see a different member of staff there and then, where the member of staff offered to lower the rate of interest he paid on the remaining term of the loan

“It saved me a fortune, I’ve only been with one bank, Barclays, and they’ve been fantastic with me... It was great, when I walked out the bank that day I was doing cartwheels!”

they will always try to be flexible and find the right solution for their customers’ situation.

From a banking perspective, this could include approaching the customer if there was a savings product that had a higher rate of interest than the product they currently held. Proactivity can be shown in very simple ways too, and as mentioned at the beginning of the chapter, there is often an overlap between these values, and accessibility and proactivity can overlap either face-to-face or on the telephone, with the staff member simply asking if there any further help needed.

Customers also articulated a real desire to be kept informed during the various processes, and to have a bank follow up a new purchase of a product with a phone call to ensure that the product was suitable for their needs

Proactivity was also a seen as part of dealing with those in financial difficulty, along with treating them as an individual. Few of the participants had personal experience of financial difficulties, but there was a general agreement that banks should actively approach those who were experiencing difficulties, to offer them help, rather than just waiting for the customer to get in touch.

2.3.5 Putting customers' needs before profits

Putting customer needs before profits underscored many of the values that participants felt would demonstrate positive banking culture. Overall, there was great deal of realism about the fact that banks were businesses and would therefore be profit making, and this could in fact be seen as a positive quality.

“If they don't make profit then they're not going to be there...They're going to go bust” (30-55, personal customer, Bristol)

However, some groups described behaviour illustrating how banks often put profits before everything else, including meeting customer needs. Often this was in the form of received wisdom or what they had read in the press. The mis-selling of payment protection insurance and bankers bonuses that were linked to sales alone were frequently mentioned.

The most commonly mentioned example from their own experience was that banks appeared to be far more interested in attracting new customers than they were in retaining their existing ones. This manifested itself especially in the difference in the interest rates that were offered to new customers in comparison to existing ones.

Another example, this time of a positive culture, was making it easy for customers to cancel products that turn out not to be suitable.

2.3.6 Going beyond what the regulations require

Companies that were regarded as having a positive culture were seen as going beyond the bare minimum to comply with regulations to provide the best service that they could for their customers. This was a slightly intangible element, but those who felt that they received this 'going the extra mile' felt that it reflected a company that truly cared about its customers.

“I've always felt like they've [Co-op] always gone the extra mile, like phoning me, she said you know well what time will suit you and then phoning me when I've said that it would suit me” (under 30, personal customer, Alsager)

“If you complain they take your complaint seriously and they do something to try and make it better rather than just apologising... And John Lewis follow it up, I've had someone follow up afterwards saying, you know, were you happy with the outcome” (30-55, personal customer, Loughborough)

2.3.7 Doing what you say you'll do

Demonstrating integrity in all aspects of the way customers are treated was unsurprisingly viewed as an important part of positive culture. A common theme throughout the groups was that if a company said that they were going to

One woman had recently bought a new house, and was impressed with the integrity with which the company she bought from had behaved. She accepted that a new house would have snags, but the company had always sent someone round to fix them within a week

contact a customer, or send through a document then that it should generally happen when it was promised. The timescale of the action happening itself was less of a concern than having their expectations met.

2.3.8 Taking responsibility when things go wrong

While few in the research had direct experience of things going wrong, it was important to customers that the banks took ownership of problems when they did occur, particularly if the bank was at fault. However, in instances where the customer is responsible, such as losing a debit or credit card, it was also felt to be important that the bank was actively working towards a resolution. Taking ownership meant that the bank would accept responsibility for resolving the issue, including: contacting the customers rather than waiting for the customer to keep contacting them, setting timeframes for the next stages and keeping customers informed when these slipped, and ensuring that the resolution reached was fair.

“Santander they wrote to me recently and said we've messed up, we haven't calculated your monthly statements properly and they've refunded like £100 odd, which I thought was quite honest” (30-55, personal customer, Guildford)

One issue that was felt to be particularly important in problem resolution was not having to repeat the same information at each contact. Regardless of how the contact was made, it was expected that bank systems should enable staff to be able to capture the information to draw on again.

“Many years ago, you could go in there and you knew, you knew the names, you knew the manager, you knew everything about him, it was probably a more relaxed thing. But I think today if I went in Monday with an issue and I didn't solve it and I went in the next day I'd be talking to somebody else and I've got to go through the same spiel I went for an hour the day before, which can be very frustrating” (Over 55s, personal customer, Loughborough)

3 How banks measure up against customer views of a positive culture

On the whole, customers' experiences of doing business with their banks did not live up to the positive culture they thought should exist, although many were broadly happy with the service they received from 'their bank'.

The areas of largest disconnect between expectations and reality were:

- **Accessibility:** there were many different issues in terms of accessing bank services, particularly though face to face or telephone contact.
- **Putting customer needs before profit:** while this was not the most important factor in how customers judged positive culture, most participants felt that the opposite currently applied.
- **Flexibility to treat customers as individuals:** while customers could feel as though their bank staff treated them as individuals, bank systems and processes often restricted staff's ability to recognise customers in this manner, as staff often lack autonomy over automated decision-making.
- **Taking responsibility when things go wrong:** the overall response by banks to the mis-selling of Payment Protection Insurance outweighed the few examples where customers had had a more positive experience.

Some, but by no means all, customers thought that there had been a small shift towards a more positive banking culture in recent years. But the general consensus that this was not, on the whole, a voluntary shift, but had occurred in response to pressure from regulators.

It is worth noting in this context that many of the focus group participants had more than one banking relationship. Generally speaking this was because they held different products with different banks, although some had more than one current account and these were with different banks. Among the micro-enterprise customers, most held their business banking and personal banking with the same banks, however, a few had chosen different institutions, and one or two had changed accounts over the years.

There were three broad groups of personal customer:

1. Those who had a current account with one bank, generally for a long period of time, but had credit cards, savings accounts or mortgages with one or more other institutions.
2. Those who had all or most of their products with the same institution, but often with the exception of credit cards. Often these were relatively long-term relationships.
3. And a small number who switched current accounts regularly, or had multiple accounts.

The main motivations for switching, among the small minority who did so, were generally incentive driven. On the whole they were unrelated to banking culture except where a customer had either a negative experience or an unresolved problem with their bank, and this could then be a driver for switching accounts. They had found the switching process very straightforward and problem-free.

Many micro-enterprise customers used the same bank for business banking that they used for personal banking, although a small number of new micro-enterprise customers used different banks for business and personal banking. This could be from a desire to keep the two accounts separate, or for more pragmatic reasons

"I chose TSB, I chose a different company than the one that I have my personal banking with, which is First Direct. I chose them because they were local and I wanted to, I need to be able to pay cash and cheques in" (ME, Bristol)

Micro-enterprise customers had a perception that switching banks would be much harder than if they were to just switch a personal bank account. This was largely down to the added complexities they felt existed when it comes to business banking. There was a sense that they felt that banks take advantage of this - with it being considered particularly hard to move card machines or to change the payment facility if they have websites that that customers can use to make payments. The need to then communicate changes to suppliers, customers, alter direct debits and standing orders, and change anything that has their bank details printed, is enough of a barrier to stop the switch away from even the most unsatisfactory business banking relationship. The branch network was often key to businesses, in order to pay in money and cheques, so the extent of this network would influence the potential to change banks. For these customers, there is a reluctance to change the 'status quo' even when it is not at a service level they expect.

"The banks are quite unique in that they know that if they give you a fairly shoddy and inadequate service you're not going to leave" (ME, Bristol)

In order to switch, there would have to be a number of improvements, to warrant the change and expected problems. They would need to know that they would be allocated a business banking manager, have someone to organise the switch, have lower / more transparent charges and also be inspired by the banks dealing with them, thus giving them the confidence that the bank will get it all right.

When discussing their relationship with their bank, personal customers frequently reverted to speaking about the one with which they had a current account, although this was peppered with views about relationships relating to other products too. The channel by which they most frequently contacted their bank was a big influence in the perception of the relationship. Those who tended to use a branch generally felt that they had more of a relationship than those who banked online, or even telephone banking users to an extent (First Direct customers being a notable exception). This stemmed largely from familiarity with the staff.

“The relationship personally with me is going into a bank: well I don't go in there often, if it was Costa then I'd be having a relationship with everybody in there, but for a bank I don't go in” (Over 55s, personal customer, Loughborough)

However, it was also noted that the type of relationship you had with a bank should not affect the service you receive from them.

“When I go in, I would expect the right people to come and sort my problem out as quickly and as smoothly as possible, that's all you really ask for really” (Over 55s, personal customer, Loughborough)

The nature of the actual and desired relationship with banks was raised in the group, to discuss the extent to which customers felt there was, or should be a ‘duty of care’ within this relationship (see appendix for topic guide).

The majority of customers thought that the culture of a bank should be closer to that of an accountant or lawyer than to a retailer. In reality they found it much more like a run-of-the-mill retailer. This perhaps indicates a belief that ‘caveat emptor’ underlies the current culture of banking. There was little faith that banks were actively trying to meet their customers’ needs.

Having a current account was, to all intents and purposes, not optional and there was therefore a sense that banks should have some obligations towards their current account. This belief was less pronounced for other products, however the underlying principle that banks should offer some form of duty of care remained.

“They should be responsible shouldn't they and they should make you feel safe and secure, yes because it's your money, it's your livelihood, it's your life isn't it” (30-55s, personal customer, Bristol)

Even those who had a positive view of their bank did not have appear to have any expectations that banks would behave with a ‘duty of care’ towards them. Some of the older participants believed that this was how the relationship with banks used to be, but was not how it currently is.

“{They should} have guidelines to say this is how you should be treating people” (under 30s, personal customer, Loughborough)

The main exception to these views was among younger participants, whose primary channel of use was online, and some customers speaking about the bank with whom they held a credit card or savings account. Here the relationship was viewed as entirely transactional and they were content with this.

“Anything that's online like just a one off ISA it [the relationship] doesn't really matter to me, all I've gone for is the best possible rate I can get and it doesn't really matter what's behind it” (Over 55s, personal customer, Sutton Coldfield)

The relationship between banks and micro-enterprise customers, however, was somewhat different. They generally felt that banks *should* have a duty of care towards their business customers largely because it involved the customer's livelihood.

A desire for an enhanced service level for business customers ran through all the values, largely because micro-enterprise customers felt that their relationship with their business bank needed to be far more individual than the relationship regarding their personal banking.

"I take it really personally if they annoy me or they treat me badly, because your business is so much pivotal to your life, you pay your mortgage from it and you pay for your kids if you've got them, whereas the personal I'm just 1 of 30 million people with an account" (ME, Bristol)

Their need for a closer relationship was based on the volume of money going through their current account, and the fact that there was felt to be more at stake for a business customer – namely their livelihood. In addition, there was a feeling that banks should view micro-enterprises as a longer term prospect – micro-enterprises that could grow into bigger ones, providing the bank with selling opportunities.

That micro enterprise customers incurred charges for the banking service they receive was a big factor in affecting their perceptions of how the relationship with the bank should be; they were very aware that they were paying for a service. Banks were therefore regarded as suppliers, and as such, were compared to other supplier relations that the businesses had.

In practice, micro-enterprises did not rate the service they got from their bank positively. Frequently the current relationship was felt to be impersonal, transactional and inflexible. Some considered their bank to be the only supplier that they could not negotiate with, and one where they were rarely asked to rate their satisfaction with the service they received.

"I think they're like a public service in a way, because we support them as taxpayers and we have no choice in this they should be more like the NHS or something like that" (ME, Bristol)

3.1 Being accessible to customers

There was an overarching sense that reductions in staffing levels had affected the accessibility of banks and the opportunities for customers to contact someone when and how they would like to. A few participants mentioned that, even in a branch, it was harder to speak to a member of staff, and customers were often guided by concierge staff towards using an ATM, rather than going to the counter. While some were happy to be directed in this manner, others were not comfortable with, for example, paying money in through an ATM or expressed concern of the impact of this on older customers, who may

find it hard to use a machine, or who would miss the personal contact. Others raised the their concern over the need to make an appointment when they are already in branch, especially for relatively routine matters, and that this could result in a long wait, or even a need to return another day.

Another issue that was raised with respect to using ATMs in banks was the loss of the opportunity to easily address more than one issue while at the bank. On a more positive note, those who had recent experience with counter staff recounted that they were often asked if there was any other help that they needed.

Overall, there appeared to be a concrete need for improvement in terms of accessibility, with a tacit acknowledgment, however, that it was unrealistic to expect an entirely bespoke service. Dissatisfaction often arose from a shift in the way banking services are delivered, resulting in customers having to change their method of accessing them. For example, customers may be inconvenienced as branch closures occur.

Expectations for access by telephone were high, as many participants already experienced 24 hour a day access to other providers. And being able to speak immediately to a person able to deal with an enquiry was viewed as the benchmark, but was frequently not the case.

“With First Direct you ring up and they ask you, you don't have to go through putting in your account number or anything else, you can just tell them your postcode and your surname and then they take you through security and that's it. So they answer the phone... I've used Santander, I've used Lloyds TSB and the process of actually just getting through to speak to someone or to make an appointment is incredibly difficult” (30-55 personal customer, Sutton Coldfield)

There were a few participants who were not currently able to speak to their bank at any time of the day or night, and this was felt to be disappointing. It would seem that a higher level of telephone access was expected as a trade-off for sacrificing face-to-face contact. Some participants expressed a wish that they could phone the local branch directly, but accepted that this was unlikely.

For micro-enterprises, having a named contact at their bank who can deal with all their business banking needs was considered to be vital for the smooth running of their business. Few reported experiencing this in recent years. However there were differences in experience, and to some extent expectation, depending on the size of the business, its cash-flow health or how long the business had been trading. The larger, and longer-established businesses were the ones most likely to have a relationship manager at their bank.

How a customer is able to interact with their bank was especially important to micro-enterprise customers. The time and effort needed to complete a transaction, or speak to someone in the bank about a specific issue had an impact on their productivity. Telephone banking tended to be disliked as automated phone systems were a source of frustration and call centre staff were seen as not understanding the customer's business needs. An inability to route calls to a local branch where someone did understand their needs exacerbated the problem.

One micro-enterprise, a residential landlord who has banked with Barclays for over 25 years, says he now has no relationship with his bank. Although he doesn't feel the need to see a business manager generally, when he does go to a branch they don't know him anymore (the local branch where he was known got closed) – he is just another customer stood in the queue.

The experience of banking in branch was not always any better. Customers felt inconvenienced by branch closures which meant that, as well as frustrations over time spent travelling to the 'local' branch, there was a sense that staff no longer knew them or their business.

“...The difficulty when it comes to business banking...you can't walk into your branch unless you've got a relationship manager because they'll just pass you on, they'll say this is a business banking issue [so] we can't help you” (ME, Bristol)

Online banking was viewed most favourably by business customers as it enabled them to have 24-hour accessibility and to deal with their own needs where this was appropriate.

3.2 Being open and transparent in all dealings with customers

Few complaints arose about any perceived lack of information when taking out new products, and participants appeared broadly aware that there were regulations regarding the information that should be given to a customer, particularly in relation to the purchase of mortgages and investments. The concerns expressed by participants related more to the volume and lack of clarity of the information they were given, believing it confused customers as often as it informed them.

“I think you know, they make it complicated and very dry and legalistic, I mean just make it like, you know, it's not actually complicated but they put it in a complicated way” (under 25s, personal customer, Loughborough)

Mortgages were generally felt to be presented in an open and transparent manner, particularly in comparison to other products

“I remember on the mortgage application form it said very clearly there was a section that said the rates change, they can change, and therefore as an example, if the rate goes up by a percentage point this is what will happen on

your payments. So it did actually have a section that read out okay it will increase by a certain number of pounds... whereas things like current accounts and credit cards I don't know, it's almost as if it's not as important so the communication isn't as great. (Under 30s, personal customer, Alsager)

Packaged banks accounts were cited as a product where the information provided was considered opaque. Some customers raised concerns over how clear the terms and conditions of the products or services included were, such as the level of exclusions from the travel insurance offered. Consequently they felt unable to judge whether the account actually represented good value for money.

"If you're getting breakdown insurance, you're getting holiday insurance and other things that to be honest I haven't really gone into, it's probably quite a good deal isn't it, but if you're not using it, it's not. I don't need breakdown cover, I get it through my car anyway, so." (30-55, personal customer, Sutton Coldfield)

Changes to the terms and conditions of credit cards, and the way in which these were presented to the customer, was also mentioned frequently as an example of how simply providing information in a formulaic way was not the same as being open and transparent.

"You get, your account has changed slightly, but they don't actually highlight,, they don't say oh this bit, this clause has changed, they don't highlight what's changed, I don't believe, they send you the whole booklet out again." (30-55, personal customer, Sutton Coldfield)

The level to which banks demonstrated they were open and honest with customers was a particular source of frustration for micro-enterprise banking customers. Lack of transparency when it came to business banking fees or charges for overdrafts was often an issue. These customers needed to understand the charges they incurred and felt that there was often no clarity on what the bank was charging them or why.

"I have no idea how my charges compare with a similar size business down the road... It would be nice to know that it was all fair" (ME, Glasgow)

In addition, both personal and business customers disliked small print buried in detailed paperwork and banks failing to use plain English.

3.3 Treating customers as individuals

The extent to which participants felt that their bank treated them like an individual was largely dependent on the main channel that they used to contact the bank.

Unsurprisingly, those who visited a branch regularly were far more likely to feel like they were treated like an individual than those who primarily managed their accounts or products online. Some personal customers reported that they were recognised by branch

staff and gave examples of ways in which how they were treated made them feel like an individual, rather than a generic account holder. This tended to be with smaller, local branches where the customers visited frequently.

Contact by telephone was not necessarily seen as a barrier to treating customers as individuals as long as the staff were friendly, helpful and could access all relevant information so that there was continuity in cases where more than one contact was necessary. First Direct was particularly mentioned favourably in this context. It was where telephone staff were felt to be reading from a script, or were unable to answer queries, that this became an issue.

In the case of products that were managed online, customers were not expecting a personal services, and would not use that channel if they were.

Where banks were less successful in meeting customers' expectations was in having systems that were able to offer flexibility. A number of personal customers gave examples of where they felt, given their particular financial history with that bank, that they could have been offered greater flexibility. However, a customers' financial history may be also provide a reason for a lack of flexibility offered by the bank.

“I did have an issue with RBS, it was my bank before Nationwide. I wanted an overdraft, a very meagre overdraft considering my salary, it was like a 40th of my salary and I just stood in the branch and they point blank refused me, I was like really, I've got a steady job, I've got this amount of income, I just want this now, I just need it now for a reason and they just blank, so I just moved my account, that was it” (over 55s, personal customer, Loughborough)

Conversely, examples were also given of when their bank had shown a degree of understanding in difficult circumstances. Where this happened it was greatly appreciated, and engendered a sense of loyalty to the bank concerned.

With other sensitive situations, such as bereavement, again people had little experience, but noted that it was important to give people privacy when discussing sensitive matters; no one wanted to be talking about sensitive matters at a counter where they would be overhead.

Micro-enterprise customers, like personal ones, described 'treating customers as

One personal customer described how different financial institutions treated him many years back, when his business at the time closed and left him bankrupt. During the bankruptcy process he was told by his adviser that he would only be able to have a basic account and that Barclays Bank was the only bank that would give him one. But after speaking to his bank, NatWest, they discussed the options with him and they let him keep all of his accounts.

“They looked at my history, they looked at how I'd banked with them and, you know, what happened to me wasn't my fault because I was always straight with them”

individuals' as being important in a variety of different circumstances – not just every day banking. Having systems that were flexible and sensitive to a customer's needs in difficult situations were also important.

One micro-enterprise business, in the motor trade, had banked with NatWest for many years. Post-financial crisis they've seen less and less of a business banking manager and now feel that the bank doesn't know their business well and doesn't always give a perception of working with the customer's best interest at heart e.g. there is no flexibility for the local branch to tailor solutions to his business, or to easily accommodate the peaks and troughs of the business

Micro-enterprise customers felt that being treated as an individual meant needing to have a relationship with one person who knew their business well and who could manage the account. Having a named contact within a branch, or on a direct phone number, was an important part of how the customer knew they were being treated as an individual. However, the current experience was not necessarily a positive one if the contact could not then tailor a conversation or a service to the needs

of the customer. Micro-enterprise owners talked about their frustration of banks systems no longer being flexible, and staff doing no more than ticking boxes on a computer screen. There was felt to be a lack of common sense being applied to decision making when the circumstances of customer did not fit the exact criteria required.

“The old days of an individual bank manager in branch who knew you and knew your account and knew your business has long, long gone” (ME, Bristol)

3.4 Putting customers' needs before profits

As discussed in the previous chapter, there was a clear view among participants that banks put profits before customer need, but this was often based on generalised information not their own experience. Where it most manifested itself to customers was in a sense that currently, customer loyalty was neither valued nor being rewarded. Indeed, one of the most mentioned complaints about current banking was that it sought to attract new customers with better interest rates than were available to existing customers. This was mentioned for credit cards, mortgages, and savings products. It left customers in a dilemma about how they should behave; they wanted to be offered a good deal as an existing customer, but felt they would have to move banks for the best deals.

“You shouldn't be able to get the cheap rate straightaway as a new customer, you should only get them if you're an existing customer long term” (30-55, personal customer, Guildford)

In fact, as discussed earlier in this chapter, many of the customers showed a high level of loyalty to 'their' bank, and not only did not switch but also held all their financial products with the same bank. This led them to feel that banks were exploiting customer inertia when it comes to switching.

"I think that's what banks rely on as well, because a lot of people take out accounts or whatever when they're young and carry it through you know they tend not to change banks or whatever as a rule, unless they've had really bad experience, they just rely on that." (30-55, personal customer, Loughborough)

While micro-enterprise customers accepted that banks need to make money, the fact that business banking is not free raised their expectations in terms of service levels. There was also a general assumption that a bank was less likely to act in the customer's best interest if it meant they would make less profit.

3.5 Being proactive in meeting customers' needs

One of the most common experiences recounted in the focus groups was sales masquerading as a proactive attempt to meet customer needs. Often this related to the indiscriminate nature of the approaches that were described, such as a customer being asked if they wanted to buy house insurance when they had gone into a branch to deposit money into an account. This was particularly disliked by micro-enterprise customers, who felt it was unprofessional and inappropriate if a member of staff tried to sell them a personal product, such as pet insurance, when they were conducting a business transaction.

Some customers, however, had experienced a genuinely proactive approach by their bank that was helpful to them. Annual personal 'health check' reviews were reviewed positively. So, too, was ensuring that marketing material sent to customers was appropriate to their needs.

"They will actually phone you up and say it's time for your financial review and you can decline it or you can go in and have a personal interview with someone and go through all your finances" (30-55, personal customer, Sutton Coldfield)

On the other hand, the failure to tell existing customers if a product they held had been superseded by a better one was a common complaint.

Proactive communication from the bank to the micro-enterprise customer was rare. Customers mentioned annual conversations regarding overdraft renewal, but few had experience of other proactive communications being received from their bank.

"The bank would never do that [phone to say how to save money on new or existing products] all they do is send you standard terms and conditions... there's no heads up as a business owner... there's nothing to help you" (ME, Bristol)

3.6 Going beyond what the regulations require

On the whole, customers did not feel that the majority of banks went beyond what the regulations required them to do. As discussed in greater depth in section 3.9, recent examples of when banks have taken a different, more overtly customer-focused stance were thought to have stemmed from a regulatory obligation.

However, there were some specific examples of where this had been the case and where the customers concerned really appreciated it. One or two people mentioned that the Co-operative bank sent a hamper to customer when they completed their mortgage, containing a bottle of champagne, some chocolates, and some household basics.

“It's when you feel like you're getting extra, you know, if you feel like you've got a bit more than what you went there, so we went for the mortgage, no one discussed a box and then I got a box so then I felt like I'd gained something” (30-55, personal customer, Loughborough)

This was obviously appreciated, but the gesture did not need to be great to achieve a positive effect on the customer.

“After they've sold it to you, I don't know, just doing something to make me feel happy...” (under 30s, personal customer, Loughborough)

3.7 Doing what you say you'll do

In terms of routine matters, both personal and business customers complained about the way banks behaved. One participant recounted how a mistake had been made on her credit card account, which the bank had promised to rectify, but she then found her credit rating had been affected. Others gave examples of when banks promised to call back, but didn't. However, one of the main examples given of banks failing to do what they say they would related to changing the terms and conditions of existing products. The recent increase in fees for the Santander '123' account was highlighted in a number of the groups. While it was understood that banks would sometimes need to change terms and conditions under certain circumstances, some customers felt that banks advertise low interest rates and incentives (such as free holiday insurance) to attract new customers, but, in their experience, such terms and conditions often changed for the worse soon after the account was opened. This may well have been because they were offered only for an introductory period but this information was buried in the small print.

“It was about £24.00 a year and now it's going up to £60.00 so, for my mum, is it t going to be worth her while to keep that account...? hey stopped the holiday insurance didn't they, you used to get your holiday insurance free with that account and they just pulled the plug on that, like secretly” (30-55, personal customer, Loughborough)

3.8 Taking responsibility when things go wrong

A relatively small number of participants had experience of dealing with banks in terms of problem resolution, so there was little first-hand experience to draw on. However, one or two did mention experiences that they had had when trying to resolve issues.

Most of the participants' perceptions of how banks perform in relation to 'taking responsibility' was drawn from both their own experiences, and media portrayal, of 'the PPI scandal', as it was referred to. The way that banks had responded was felt to demonstrate clearly their attitude towards accountability. Some banks had taken responsibility for the process when contacted by the customer, and had then sent

One younger customer was a victim of fraud, with money taken from his personal and joint accounts while he was on holiday abroad. His bank was able to refund the money into one of his personal accounts straightaway, but it took three further phone calls before the money was refunded to his joint account. Each time he was told it would be 24 hours, and contacting the bank from abroad was costly and inconvenient, and could have been avoided if they had been upfront about how long it would take.

customers their refund. Other experiences had not been so positive, and in these cases customers had needed to find many years' worth of bank statements, work out the amounts themselves, and often chase bank staff repeatedly before the case was resolved. This was considered totally unacceptable because the banks were perceived to be clearly at fault and were therefore expected to take responsibility for sorting things out.

There were also a few other examples (such as the one in the text box) of when banks did not manage to take ownership of problems, leaving the customer to continually contact the bank, until the matter was resolved. Coupled with the sense that banks may not be as open and transparent as they should be, the perceived lack of responsibility fed into a

concern that banks were not putting customers first, and that they personally needed to ensure all was correct with their accounts and products.

Micro-enterprise customers particularly felt that 'taking responsibility' should actually be a consideration for banks all the time, not simply when things go wrong. They described banks as needing to be accountable day to day, in terms of all aspects of customer service, not just when there was a problem.

When things did go wrong, business customers did not always feel that their expectations were managed in terms of continuity of contact and the bank taking responsibility for resolving the problem, nor were problems always seen through to a satisfactory outcome.

"You might get to that point [resolution] but it might have taken you six different phone calls and emails and everything else to get there and they've taken god knows how many hours" (ME, Bristol)

“I have to take responsibility when I make mistakes, so why shouldn't they” (ME, Bristol)

3.9 Perceptions of recent changes to banking culture

In many of the groups, customers spontaneously mentioned recent changes they had noticed in the ways in which banks treated their customers. This was particularly evident in branch: the introduction of a staff member in a 'concierge' role was much commented on, as was the fact there is a higher level of automation in branches. One or two noted how their bank had removed the glass screens in front of the counters, and assumed this was to appear more open to customers.

Some changes to process were also noted. For example, those who had switched accounts recently were aware that it is simpler than it used to be. And, in one or two of the groups, customers had been contacted by their bank to inform them of a mistake the bank had made.

“I had a credit card [company] phone me up and they apologised for the poor service because they listened back to the conversation that we had, and as a gesture of goodwill they reimbursed me £20 to the account” (30-55, personal customer, Guildford)

Overall, there was a general sense that banks were moving towards considering customer needs again in a way that, certainly in the 2000s, was felt to have disappeared. One group commented that banks were trying to indicate a change of culture through the way they present themselves in advertising.

“The adverts is all now, what's the Santander one, simple, clear, fair or something, the wording has all changed, they're trying to change your perception I think with the adverts” (30-55, personal customer, Loughborough)

The extent to which these changes were welcomed often depended on how the bank presented them, or how they were interpreted by the customers; many thought the introduction of a welcome kiosk in branch was positive, as it meant *“there's always someone standing there ready to take your questions and answer anything”*, to others it was a way of cutting back on staffing levels, and directing customers to use an ATM instead.

Overall, these changes, however welcome, were perceived to be driven by changes in regulations, and were essentially being enacted unwillingly by banks. Customers also felt that the changes they had noticed were cosmetic and not illustrative of a change in culture.

“They're maybe okay at improving in one or two aspects but for me personally the feeling is that they're still in there making money regardless of what I feel, how much cash I plough into them, you know, so they're maybe smiling at you

a bit more but they're not necessarily giving you a better deal." (Over 55s, personal customer Glasgow)

The discussion around positive culture, and how companies are perceived suggests that it can be 'heritage' that effects people's perceptions; that they have been seen to be trustworthy over a number of years, before real cultural change is recognised.

"They're [John Lewis] doing the right thing and you know they've been doing it for a long time" (ME, Bristol)

Such reputations that time to build but can be easily lost if customer service falls short. In one group, reference was made to Marks & Spencer, whose good reputation has now fallen. This was attributed to a combination of a deterioration in customer service, specifically cuts in the number staff on the shop floor to help customers, and negative press coverage.

While there were customers of 'challenger' banks in each group (for the definition see the recruitment questionnaire in the appendix), they generally held credit cards or savings accounts rather than bank accounts with these banks, and therefore were not really in a position to judge if there were any tangible differences to the culture. Even the few who held current accounts with these organisations had generally switched accounts too recently to feel able to comment on the culture.

Micro-enterprise customers also said that they had noticed some behaviour changes with their banks but that these generally did not indicate a change in culture. Most of the changes perceived mentioned by micro-enterprise customers were those that arose after the financial crisis of 2008, such as changes in lending practices and, notably, the loss of business banking managers, and were seen as negative.

Micro-enterprise customers felt that bank staff were now unable to work to the needs of the customer, and did not know the customer's business or listen to them. A lack of a business banking manager was repeatedly seen as the reason why the relationship between bank and customer has become more distant.

3.10 Conclusions on the effect of bank service on switching

While the aim of the research was to understand and define a positive banking culture, within this context, reasons why customers may choose to switch or to stay with their bank emerged. Although customers did not, on the whole, think that their bank lived up to their aspirations of a positive culture very few of them had switched provider. In contrast, there was more evidence of people switching credit cards, and online savings products, and this was largely be explained by how 'push' and 'pull' factors seemed to work within the financial services sector.

Both 'push' and 'pull' factors to switching bank accounts materialised from the research. The potential 'push' factors were essentially the poor service issues discussed earlier in

chapter three. A few customers (personal and business) had switched their current account from one bank to another because problems had arisen with the bank, and the customer was not happy with the way in which it was handled. But there were others who also expressed dissatisfaction with the service from their bank but had not switched provider. This suggests that push factors, while important, have to be considerable to encourage switching.

The principal pull factor mentioned was financial incentives - particularly for credit cards and savings accounts where the sums of money involved could be significant. It was less of a factor for current accounts, although the Santander 123 account had attracted customers for the financial benefit it offered. And a very small number of people had switched accounts repeatedly in response to financial incentives. However, from the group discussions it was clear that participants did not think that using financial incentives to encourage account switching was indicative of a positive bank culture. Indeed, it was thought more reflective of a negative culture that puts the needs of new customers over those of existing ones.

As other research has shown, inertia is the key determinant of switching behaviour across all kinds of service (Hartfree and Evans, forthcoming). That being the case, it seems unrealistic to rely on customers switching providers to drive a positive bank culture.

Indeed, it was clear from the focus groups is that most personal and business customers wanted their existing provider to give a good service and did not want to have to switch providers to get it. This reluctance to switch stemmed partly from the belief, that for current accounts in particular, there was little difference between the banks. Indeed, those who had switched accounts more than once had come to this conclusion. For business customers, there were more practical difficulties to switching (see 3.11).

“I don't want to go anywhere near changing, because I know it will end up being a nightmare and the banks know that, they know” (ME, Bristol)

So, while many customers were happy to ‘rate-chase’ for credit cards or online savings accounts, for current accounts, it was more important to have a reliable service and easy, appropriate access to the products they required. Broadly speaking, the expectation from the majority of both personal and business customers was that they should be able to get a good level of service from their existing bank and that it was this that should be addressed and not the encouragement of switching.

3.11 Implications for regulatory supervision of bank culture from a consumer point of view

Customers recognised that, as commercial bodies, banks had to be run efficiently and make a profit. Consequently there would be changes to the services and products they offered their customers. However, a key theme running throughout this research is the

extent to which banks, and other financial institutions, were doing this at their customers' expense and to their detriment.

This report has identified a number of such changes that appear to be most problematic and indicative of a negative culture that regulators may wish to take into account in their supervisory work.

The first group of changes relate to the ease and cost for customers of dealing with their banks, with access becoming more difficult and costs being transferred from the banks to their customers. The most egregious of these was, perhaps the practice (no longer permitted by the regulator) of having call centres that could only be accessed through a premium rate telephone number for dealing with customer enquiries and handling problems and complaints. It also included customer helplines where there are a large number of menus to be negotiated, long recorded messages – some of them marketing – and then lengthy waits to be connected to someone who can help. This is exacerbated further when the staff who eventually answer the call work inflexibly from prepared scripts that are inappropriate to the customer's circumstances or reason for calling. Since a growing emphasis on telephone banking (including as an adjunct to internet banking) is inevitable it is important that these practices are kept under review. Customers recognised that branch-based banking services are being reduced but, again, there are practices that are transferring costs from the bank to the customer. These involve long waits to speak to a member of staff only to find that they have limited knowledge and autonomy, and are compounded when the referral to an 'adviser' involves making an appointment on another day.

The other key area of change is the transfer of responsibility from the bank to the customer who has to manage their own customer service. Here two main areas stand out. There is a growing trend for the customer having to take responsibility for progressing their enquiry or complaint and ensuring that it is being dealt with. The customers who took part in the research spoke of calls not being returned and needing to chase their bank and of their frustrations at the lack of continuity of service, and the need to keep repeating the same information (often following the same script) each time they telephoned. There was also considerable disquiet about the way existing customers were left to find out for themselves when the products they held had been superseded by better ones, with better interest rates, that were routinely offered only to new customers. This in itself, however, is rarely enough to persuade customers to switch current accounts; customer inertia is a well-established trait that inhibits customers from switching suppliers of all kinds of services, and this would appear to be being exploited. The few who had switched accounts had done so either as a result of a major problem with the bank, or, for others, entirely for the financial incentive offered.

Micro enterprise customers were particularly reluctant to switch banks for their business accounts, even when they were unhappy with their current provider, as they saw a risk in switching as much as staying (see 3.10). It was generally perceived to be far harder to

switch a business account than a personal one. This was for a number of reasons, including having credit card machines linked to accounts, informing customers of the change, the need for easy access to branches, and an underlying belief that there is little difference between banks deters business customers from switching.

4 Developing a set of indicators that reflect the bank culture that customers want

The final stage of the research focussed on identifying a set of indicators to measure a bank's culture from the perspective of personal and micro-enterprise customers and to allow changes over time to be tracked. This included identifying the values (and aspects of values) that customers felt in a position to assess and whether this differed between different groups of customers, by the products and services they used or the channels by which they conducted their interactions with the bank. To do this a set of attitude statements was compiled from the discussions of the values held in the first wave of focus groups, and participants in the second wave of groups were asked to rank their bank on each of the statements for each product they held. Where they felt unable to provide a ranking they were asked to indicate whether this was because they did not feel able to do so, based on their personal experience of dealing with the bank, or because the statement itself was ambiguous or unclear. Having done this individually the groups reconvened to discuss each of the measures in turn to identify which statements worked best and why. They then discussed the best format for the questions, which focussed on whether it was better to have a score out of five for each statement or to have a ten point scale with statements at either end; one indicating a positive culture and the other a negative one.

4.1 Values and aspects of values that customers felt able to assess

There were some values, such as *being proactive* and *going beyond what the regulations require* where the examples given in the focus groups were very specific and it was difficult to produce generic statements for testing.

In the discussions of the attitude statements it became clear that there were other values that customers identified as very important indicators of a positive banking culture but about which they felt unable to make an informed assessment of their bank based on their own experiences. This applied particularly to the *putting customers' needs before profits* value.

Finally there were values such as *being accessible* that proved difficult to measure generically across all channels.

Although respondents were asked to provide a set of assessments for each product they held with a bank, there was surprisingly little difference in the relevance of the questions for different products that was not explained by differences in the channels they used to interact with their bank.

In the sections that follow we discuss for each value the draft statements that were tested. The statements themselves are given in the text boxes.

4.1.1 **Being accessible to customers**

The main sentiment contained in the statements tested (see text box) – the ease and speed of doing business – was considered to be the right one to measure, but the generic statements were felt to work less well than those for other values, and many did not apply across all channels. It was also clear that the generic statements were less appropriate for small and micro-enterprises than for personal ones.

So one of the most important points to come out of the discussion of the statements tested under this measure was the need to make them more channel specific.

There was also support for including a measure relating to a customer having the choice about how they make contact with their bank.

4.1.2 **Being open and transparent in all dealings with customers**

In general the first two statements tested for the *being open and transparent* value worked well, although there were suggestions for rewording to improve them. Generally

Being open and transparent

I always feel fully informed when I have taken out a new product

I always feel fully informed about any changes to terms and conditions on products I have

I worry that there are hidden conditions/ consequences when I take out a new product with my bank

customers felt that 'feeling informed' was less relevant than being given information that is clear and easy to understand.

That being said, these statements were thought appropriate regardless of the channel used by a customer, were equally relevant for personal customers and micro-enterprises and applied across all products

Being accessible

When I try to contact my bank, I find it easy to speak to someone who can help me

When I contact my bank by phone, I have to call a premium number

I am kept waiting for long periods before I can speak to someone who can help me

I can quickly get to speak to a member of staff at my bank who can help me.

I find it hard to access the information or service that I am looking for

4.1.3 **Treating customers as individuals**

In relation to treating customers as individuals, all the statements tested were thought relevant and most were relatively easy for customers to assess based on their own experiences. The one area that posed some difficulty related to staff being knowledgeable. There was discussion regarding what yardstick to judge this by and also a belief that respondents would not expect each member of staff to know everything. What

was more important was that they could either obtain the information needed by a customer quickly or refer a customer seamlessly to someone more knowledgeable than them.

The measures were felt to be very important by all groups of personal customers and also by the micro-enterprise owners. It was, however, clear that the measures of *treating*

Treating customers as individuals

Staff listen and take account of my needs when I contact them

Staff are able to access all relevant information to my needs when I contact them

I have to keep repeating the same information each time I have to contact my bank with a query

Staff read from pre-prepared scripts when I contact them

All the staff I have contact with are knowledgeable

The staff at my bank seem knowledgeable about all products

customers as individuals were most relevant where contact with the bank was either face-to-face or by telephone. Moreover, reading from prepared scripts was most relevant to telephone contact and the equivalent for face-to-face contact was being process-driven. None of the existing statements could be applied when the contact was only on-line. Here a more relevant measure would relate to flexibility of systems to individual needs and this could be applied across all three channels of contact.

4.1.4 Being sensitive in difficult situations

How sensitive bank staff and processes are in difficult situations was closely allied to whether or not they treated customers as individuals. Here customers (both personal and micro-enterprise) wanted staff to be sensitive and understanding and to have the flexibility to respond to both sensitive and unusual situations appropriately. They felt that referring only to 'financial difficulties' was too narrow and that statements needed to cover dealing with personal customers facing difficult or sensitive situations (such as separation or bereavement), responding to people where their accounts had been affected by fraud, dealing with customers facing difficult personal circumstances or responding to micro-enterprises experiencing cash flow problems or income volatility.

So the statements used need to be general enough to cover all such situations, as an individual customer would be unlikely to have experienced any particular one. They were also thought to be most appropriate to

Being sensitive in difficult situations

My bank is helpful and understanding when I have had any financial difficulties

The staff at my bank are sensitive and understanding when they need to be

telephone and face-to-face contact. It is hard to imagine difficult situations being dealt with online, although online users would need signposting to appropriate sources of assistance and, as noted above, wanted systems and websites to be flexible to circumstances that are not run of the mill.

4.1.5 *Being proactive in meeting customers' needs*

Even though this was frequently cited as a key value reflecting a positive culture, the discussions in the focus groups provided mainly very specific examples of how this manifests itself to customers.

Consequently it was difficult to design generic statements to capture it.

It was generally thought that statements should avoid referring to both being told about changes to terms and conditions and being notified about better products, because regulations require the former but not the latter.

Being proactive in meeting customer needs

My bank will contact me to let me know of any changes, products or information that would benefit me

I have to find out about any changes, products or relevant information myself

The statements were appropriate to all groups of customers and regardless of the channel the used.

4.1.6 *Putting customers' needs before profits*

Despite this also being a core value demonstrating a positive culture, it proved very difficult for customers to assess how their bank measured up against the various aspects of this value that they had identified as important. Although they suspected that their bank put profits before customers and that staff were incentivised by sales targets they had no way of knowing if this was, indeed, the case. Nor did they feel able to judge whether bank staff recommended or try to sell them products that were appropriate to their needs.

The only statements that they felt in a position to assess were the two relating to valuing existing customers and treating them as well as new ones. And these overlapped to some extent to the measures of the *being proactive* value. These statements were not thought to be channel-specific and nor was there any obvious difference by product or by customer group.

Putting customer needs before profit

The staff at my bank appear to be incentivised by sales targets

I am confident that the bank is only recommending products that are suitable for me

I feel that the bank tries to sell me products that may not suit my needs

My bank appears to put the interests of its customer before profits

My bank appears to put profits before the interest of its customers

I feel that my bank uses any opportunity to try to sell me products

I feel that the bank values my loyalty as a customer

I feel that my bank is more interested in attracting new customers than retaining old ones

4.1.7 Going beyond what the regulations require

Although this was believed to really mark out organisations with a very pro-customer culture, like the *being proactive* value the discussions in the focus groups provided mainly very specific examples of how this manifests itself to customers. Indeed it was clearly closely allied both to *being proactive* and to *putting customers' needs before profits*.

Go beyond what they have to do

I feel that my bank only treats me fairly when the regulator requires they do it

I feel valued as an individual by my bank

I feel that my bank puts a lot of effort into ensuring that my needs are met

Consequently it was difficult to design generic statements to capture it.

The two concepts they thought it really important to capture were being valued as an existing customer and a statement conveying that their bank regularly goes beyond what it needs to do in terms of customer service – as opposed to doing the minimum it can get away with.

Again this was thought to be applicable by all groups of customer and regardless of the channel they used.

Taking responsibility when things go wrong

The banks resolve issues with continuity of staff and information

I find resolving issues difficult with my bank as I have to repeat the information at each contact

My bank always resolves issues in a fair and satisfactory manner

4.1.8 Taking responsibility when things go wrong

On the whole the statements tested to capture this value were thought to work quite well, although it was considered very important to capture the aspect of resolving issues in a timely manner as well. And, picking up on a concept that was included under the *doing what they say they will* value (see below), they would have liked reference to not having to chase their bank to resolve any problems.

With these provisos it was thought that the statements worked for all channels and all groups of customer.

4.1.9 Doing what they say they will

This value, unlike many of the others, was a fairly straightforward one without too many nuances. Consequently the two statements tested both worked well for all groups of customer.

Equally they could, with some change of wording, apply regardless of the banking channel used by a customer.

Doing what they say they will

Staff in my bank always do what they say they will

I need to chase up my bank to ensure that I receive what I need

4.1.10 Investing in staff

Although not a value in its own right, the discussions had clearly indicated that a positive culture would be evident in all contact customers had with bank staff, whether that was face-to-face or in a telephone call and regardless of product-holding. So a set of four statements was compiled for the various staff attributes that customers expected to experience consistently whenever they made contact.

The statement that caused most difficulty for customers to assess was the one relating to staff being knowledgeable. Some (but not all) groups felt that they were not in a position to judge how knowledgeable staff were, preferring instead to refer to them 'knowing what they are talking about'. Other statements worked well.

Invest in staff

The staff at my bank are welcoming and friendly

The staff at my bank are always polite and courteous

All staff I speak to are knowledgeable about the bank and its products and services

The level of service I receive is very dependent on which member of staff I speak to at my bank

4.2 Format of questions

There are a number of important considerations in relation to the format of the questions that should be used to capture a positive banking culture from the customer's perspective. First of all, it is important that the wording is personal and makes it clear that is the customer's own experience that should inform their replies, not received wisdom from the media or other people's experience.

Secondly, if it is intended that a composite score should be calculated across all statements, it is important that the format of the scoring is identical for all of them.

Finally, there is the response format for the questions. Here there are a number of possibilities. The simplest is to ask whether or not a statement applies to their bank. So, for example:

<p>I get a consistently high level of service from all the members of staff at my bank that I speak to</p> <p>Yes</p> <p>No</p> <p>[Not able to assess this for my bank]</p>

The ideal is to include a mix of statements that are indicative of a positive culture and others that are indicative of a negative one. A more nuanced approach to this is to ask respondents to indicate how strongly they agree or disagree with each statement. This can be done by giving the response codes as in the example below. Or by asking people to assign a score where, say, agree strongly is 5 and disagree strongly 1. This is the format in which the statements were tested in the focus groups.

<p>I get a consistently high level of service from all the members of staff at my bank that I speak to</p> <p>Agree strongly</p> <p>Tend to agree</p> <p>Neither agree not disagree</p> <p>Tend to disagree</p> <p>Disagree strongly</p> <p>[Not able to assess this for my bank]</p>
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For many of the statements we tested this format worked well, but there were some instances where participants wanted to know how they should make a judgement.

One way around this - and one mentioned in some of the groups - is to have two statements: one indicating a very positive culture and the other a very negative one and to ask respondents to indicate where their bank sits between these extremes either on a five or a ten point scale.

I get a consistently high level of service from all the members of staff at my bank that I speak to										The level of service I get from my bank is very dependent on which member of staff I speak to
1	2	3	4	5	6	7	8	9	10	
[Not able to assess this for my bank]										

Whichever format is selected it is important to have a code for people to use if they are unable to assess a particular statement for their bank.

Finally, there is the question of the survey medium best suited to these questions – self-completion (including online and pen and paper), or a survey administered by a professional interviewer either on the telephone or face-to-face'. In part this depends on the format chosen for the questions. The first two formats would work however they were administered, although in a face-to-face interview they may need to be given to the respondent on a show card as well as being read out. The third format, with two statements, would be more difficult to use in a telephone interview and would definitely need a show card in face-to-face interviews. It would be straightforward to use this format in an online survey.

Another consideration is the need to overcome the tendency of some respondents not to read the statements carefully and to assign the same score to all (or most) of them. Similarly there may be a tendency among some people to consistently opt for the 'not able to assess this for my bank' code. Self-completion questionnaire are most susceptible to these tendencies.

4.3 Suggested indicators and next steps

Drawing on the evidence discussed above, a set of 23 pairs of attitude statements have been compiled to capture the values that were identified as comprising a positive bank culture. Each pair comprises a negative and positive version of the same concept that can either be used as standalone statements or as anchors at opposite ends of a ten point scale. These are given in the table below.

Suggested measure	Value(s)	Channel(s)
1a. I am able to choose how I contact or do business with my bank 1b. My bank restricts how I contact or do business with them to ways I prefer not to use	Accessibility	All channels
2a. When I visit a branch I can be served by a member of staff if I choose to 2b. When I visit a branch staff are not available to help me	Accessibility	Face-to-face contact
3a. When I visit a branch I can quickly get to speak to a member of staff who can help me 3b. When I visit a branch I have to book an appointment in order to see someone who can help me	Accessibility	Face-to-face contact
4a. When I telephone my bank I can get to speak to someone who can help me without going through lots of menus first 4b. When I telephone my bank I have to go through lots of menus in order to speak to someone who can help me	Accessibility	Telephone contact
5a. When I telephone my bank I can get straight through without waiting 5b. When I telephone my bank I am kept holding on the line	Accessibility	Telephone contact
6a. It is always very easy to find the information or service that I am looking for on my bank's website 6b. It is always very difficult to find the information or service that I am looking for on my bank's website	Accessibility	On-line

Suggested measure	Value(s)	Channel(s)
<p>7a. The information I receive from my bank about a new product's terms and conditions is always clear and easy to understand</p> <p>7b. The information I receive from my bank about a new product's terms and conditions is always difficult to understand</p>	Open and transparent	All channels
<p>8a. The information I receive from my bank regarding changes to an existing product is always clear and easy to understand</p> <p>8b. The information I receive from my bank regarding changes to an existing product is difficult to understand</p>	Open and transparent	All channels
<p>9a. The staff at my bank are always able to access all relevant information relating to my circumstances when I contact them</p> <p>9b. The staff at my bank are never able to access all relevant information relating to my circumstances when I contact them</p>	Treat customers as individuals	Telephone and face-to-face contact
<p>10a. The staff at my bank always listen and respond to my needs when I contact them</p> <p>10b. The staff at my bank are always process driven and don't listen and respond to my needs when I contact them</p>	Treat customers as individuals	Face-to- face contact
<p>11a. The staff at my bank always listen and respond to my needs when I contact them</p> <p>11b. The staff at my bank always read from pre-prepared scripts when I contact them</p>	Treat customers as individuals	Telephone contact

Suggested measure	Value(s)	Channel(s)
12a. My bank's systems are flexible enough to deal with difficult or unusual situations 12b. My bank's systems are inflexible and cannot deal with difficult or unusual situations	Sensitive in difficult situations	All channels
13a The staff at my bank are always sensitive and understanding in difficult or unusual situations 13b. The staff at my bank are never sensitive and understanding in difficult or unusual situations	Sensitive in difficult situations	Telephone and face-to-face contact
14a. My bank always lets me know about better products or rates 14b. My bank always leaves me to find out about better products or rates by myself	Proactive Customer needs before profits Go beyond what have to do	All channels
15a. I feel that my bank values my custom 15b. I feel that my bank is more interested in attracting new customers than valuing my custom	Customer needs before profits	All channels
16a. My bank regularly goes beyond what it needs to do in terms of customer service 16b. My bank does the minimum it can get away with in terms of customer service	Go beyond what have to do	All channels
17a. When things go wrong, my bank takes responsibility for sorting the problem out 17b. When things go wrong, I have to keep chasing my bank to sort the problem out	Take responsibility Proactive	All channels

Suggested measure	Value(s)	Channel(s)
18a. My bank keeps a good record of the information relating to my problem so I don't have to repeat myself 18b. I have to repeat the same information each time I speak to someone about my problem	Take responsibility Treat customers as individuals	All channels
19a. My bank always resolves problems in the timeframe they promise 19b. My bank never resolves problems in the timeframe they promise	Take responsibility Do what they say they will	All channels
20a. My bank always delivers what it promises 20b. My bank never delivers what it promises	Do what they say they will	All channels
21a. I believe that if the bank has made a mistake, it will automatically correct it and give me a refund without needing to complain 21b. I believe that the bank will only refund me once I have made a complaint	Take responsibility Proactive	All channels
22a. I get a consistently high level of service from whichever member of staff at my bank I speak to 22b. The level of service I receive from my bank is very dependent on which member of staff I speak to	Invest in staff	Telephone and face-to-face contact
23a. Whenever I contact them, the staff at my bank are always friendly and helpful 23b. Whenever I contact them, the staff at my bank are never friendly or helpful	Invest in staff	Telephone and face-to-face contact
24a. Whenever I contact them, the staff at my bank know what they are talking about 24b. Whenever I contact them, the staff at my bank appear to have very limited knowledge	Invest in staff	Telephone and face-to-face contact

As can be seen, some of the attitude statements potentially capture more than one value. And while some values can be captured in statements that are equally applicable across all channels – being open and transparent for example – others, such as being accessible and treating customers as individuals, require channel-specific questions.

Most statements are likely to work equally well for personal customers and for small and micro-businesses. Indeed if the intention is to compare perceptions of bank culture between these two groups of customers it is important that the statements used are kept identical wherever possible or, where tailoring is necessary, as close in wording as possible. This could be overcome if respondents are recruited either to a survey of personal customers or a survey of micro-enterprise customers so that it can be made clear which aspect of their banking they are being asked to comment on.

In addition to the generic statements there are potentially some that would apply only to micro-enterprise customers. Some additional draft statements are given below:

Open and transparent (all channels)

My bank always tells me what fees I am being charged for business banking and why

My bank leaves me to work out what fees I am being charged business banking and why

Treat customers as individuals (face-to-face and telephone)

I have a named contact in the bank who knows my business and understands my needs

I have to deal with any member of staff that is free and they have no knowledge of my business and no understanding of my needs.

Take responsibility (face-to-face and telephone)

When I call my bank and the person I need to speak to is not free they always call me back promptly

When I call my bank and the person I need to speak to is not free it is days before anyone calls me back

However, there is a need to use the ones relating to treating customers as individuals with caution because, as has already been discussed, whether or not a micro-enterprise owner had a personal banking relationship depended on the size and nature of their business. So any variation in the customer base between banks could be misinterpreted as difference in culture in a survey of their customers.

4.4 Other considerations

The focus groups identified a number of issues that it will be important to consider and resolve when designing a survey to measure the culture of banks from a customer perspective. Most important of these is to decide which banking relationship a respondent is being asked to assess. While some focus group participants held a wide range of products with a single bank, many had relationships with more than one bank. The temptation is to focus on the bank with whom they hold their primary current account, but often current account banking was done online with very little or no contact with the bank. Any interactions they had involved other products. For this reason, it is perhaps better to ask them to assess the bank with which they have most contact. But this raises a further issue, namely the need to control for the number and range of products held with that bank. This would need to be recorded and used in the analysis of the survey.

Similarly, while a minority of customers used only one channel (face-to-face, telephone or online) in their dealings with their bank, this was unusual and most used more than one. Again this raises the need to record the channels used in the past 12 months and which one they use most frequently. Alternatively they could be asked to indicate the frequency of use of each channel in the past 12 months.

It may also be appropriate to collect contextual information, such as an indication of the range of reasons that customers had interacted with their bank beyond routine transactions. This would include, to enquire about a new product, to buy a new product, to extend a credit line, with a query regarding an existing product, sorting out problem or error, in connection with fraud or suspected fraud, dealing with financial problems (or cash flow difficulties for businesses) or in connection with a sensitive issue such as bereavement, a divorce or power of attorney.

For micro-enterprises it was also clear that the extent and nature of the contact with their bank was related to the size of the company, how long it had been running, the nature of the business (and in particular whether it receives cash and cheque payments) and whether over the past three years it has expanded, contracted or remained much the same size. All should ideally be covered in the questionnaire.

4.5 Next steps

The next stage in the work to create a set of indicators should, ideally, involve one-to-one cognitive interviews to ensure that the statements are working as intended by providing an understanding how people interpret the statements and what informs their responses. This could be relatively small-scale – say 20 personal customers and 20 micro-enterprises.

Once this has been undertaken, it will be possible to carry out the surveys of the two groups of customers to collect the data that can be analysed to create the indicators. It is important to note that individual questions form very poor indicators on their own since they are very susceptible to the precise question wording. Best practice involves aggregating questions that correlate with one another statistically and can, therefore, be said to be measuring the same underlying factor. This is normally done using principal component analysis – a statistical technique suited to attitude statements of this kind. The number of factors (in our case indicators) is therefore determined empirically and cannot be predicted in advance. It would be fortuitous if all the statements correlated with one another in a single factor that we would call ‘banking culture’. In reality, and with such a large and diverse set of statements, this is unlikely to be the case, unless some of the statements are dropped. At that point in the analysis difficult decisions have to be made balancing the number of indicators with the desire to retain as many statements as possible.

Having identified the indicators the next step is to assign scores to them. There are two ways of doing this. The simplest is to do it arithmetically and give an average score for the statements that have been identified as correlating to form a particular indicator. The other option is to use the principal component analysis to create a more nuanced score for each indicator allowing for the fact that different statements will measure it to greater and lesser extents. Although this is more robust, there is a possibility that the indicators and the statements that they comprise could vary over time, so that the scores would not be comparable. A middle way is to run an initial principal component analysis on the first set of data collected and then assign weights to each of the statements making up an individual indicator. These weights would then be used for the analysis of subsequent surveys.

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