2021

Students' perceptions of different types of banks' marketing

Jeffrey Reicks
University of Northern Iowa

Let us know how access to this document benefits you

Follow this and additional works at: https://scholarworks.uni.edu/hpt

Recommended Citation

STUDENTS' PERCEPTIONS OF DIFFERENT TYPES OF BANKS' MARKETING

A thesis Submitted

in Partial Fulfillment

of the Requirements for the Designation

University Honors

Jeffrey Reicks

University of Northern Iowa

December 2021

This Study by: Jeffrey Reicks

Entitled: Students' Perceptions Of Different Types Of Banks' Marketing

has been approved as meeting the thesis or project requirement for the Designation of

University Honors.

_____   _____
Date   Matthew Bunker, Honors Thesis Advisor, Matthew Bunker

_____   _____
Date   Jessica Moon, Director, University Honors Program

Abstract

This study investigates what messages are most effective in convincing students to switch the bank they use. The study consists of a survey with eight ad messages and respondents rate how much they are interested in switching to the hypothetical bank considering the ad message. Sixty-six students, aged 18-24, submitted responses. T-test analysis showed there were 5 ad messages that had a significant impact: no minimum balance requirement, offering free e-banking, having your specific needs cared for, the bank giving back to the community, and the bank having experienced employees. Of these, the most significant was the message that the bank gives back to its community. Factor analysis found there were two distinct groups- one who generally preferred the tangible messages and the other who preferred intangible messages. It was also found that the four messages with the highest significance in the T-test analysis were four of the messages that had the lowest eigenvalues of the messages which belonged to a variable in the factor analysis. Finally, simple regression analyses was used with the classification questions included. The most notable finding in these analyses was the amount of hours spent online daily had a positive correlation with the amount the message that the bank gives back to its community would sway the respondent.

Introduction

The history of banking in our country affects the issues marketing departments are having in banks today. The deregulation of the 1980's has created a very competitive environment in the banking industry, especially due to the growth in the number of credit union members (Belonax 1991). This growth means that marketing is especially important for financial institutions to compete well in this environment. They must influence potential consumers that their bank is better than all their competition. This need to communicate with potential customers is especially true because corporate image, including the level of trustworthiness, influence consumers' decisions especially when they perceive high risk in the purchase (Gürhan 2004). This importance of corporate image applies to banks because the decision of where to save money and receive loans is a risky one.

Therefore, banks should act to improve their corporate image, especially trustworthiness, to attract consumers to their bank. I believe this has become known to banks, as there are many trust-related advertisements of banks. This study will explore the perceptions of these advertisements and the efficacy of alternative themes in banks' advertising.

Problem

With the low degree of differentiation that is possible among banks, persuading customers to start with their bank, and especially switch from another bank, is a difficult task for the marketing departments of banks. On top of this difficulty is the problem that marketing departments are unsure of what messages to project to customers who are starting their professional life. Banking is inherently quite technical, but if all the advertising messages were

to be technical, surely some young professionals would not understand the messages or at least just not be emotionally moved enough to go through transferring banks. However, if the messaging is only emotional, surely there are some young professionals who are skeptical of vague, intangible messages, and just want to be told what the bank has to offer. Not knowing which types of messages are most effective and to whom is the problem this study focuses on.

Purpose

I believe, with the general lack of easy-to-understand differentiation and great importance of choosing a good financial institution, studying perception of the marketing of banks will be a good way to answer how much these identity-related messages, relative to tangible advertisements of offerings, persuade consumers.

Literature Review

The emphasis in the marketing of banks can be difficult to choose. Making the decision to patronize a business without any previous experience of it is guided by the "trust- image" one has for each business (Kaul 2010). Further, according to Bravo (2009) of services offered including accessibility, corporate social responsibility, global impression, location, and personnel, global impressions is the only image dimension that has a significant impact on "intention of use" on individuals with no previous experience with the bank (p. 322). This would seem to suggest that a bank's offerings aren't substantially convincing for new customers, and that corporate image should, instead, be the biggest focus in attracting customers. Corporate image is the combination of associations one has with a company. In his conceptual framework, Keller (1993) says brand equity is made up of brand awareness and brand image, implying that marketing efforts can affect a company's brand image. Therefore, companies should focus their marketing activities on improving their corporate image.

Finally, there are two broad ways to judge a bank. A study found that:

There are basically two types of contents of factors identified in image structures of individual banks: contents predominantly emotional and evaluative in character (e.g. trustworthiness, congeniality), and contents of cognitive or combined cognitive and evaluative character, which are related to the bank's behavior in the market and to the functional aspects of the bank (bank's dynamism, its strength, quality of services, offer, financial advantageousness). (Lukásová 2014)

These factors seem to represent the emotional and rational dichotomy I'd like to study in consumers' marketing perceptions.

Hypothesis

It is my belief that there will be little interest in switching banks. However, this doesn't mean there will not be significant differences in the effectiveness of different types of

advertising, regardless of this small overall interest in changing banks. The differences between the type of advertising will obviously be caused by the predispositions of the individuals. Namely, I believe the most significant difference will be between the people who are more knowledgeable of personal finance/ financial products and those who are less knowledgeable. This brings me to my first hypothesis.

> H1: Students with a higher knowledge of personal finance/ financial products will be more swayed by the tangible/ rational advertisements than those with less such knowledge.

This speculation is because I believe those with less such knowledge will simply not be able to comprehend the tangible messages and thus will not be swayed. I believe it is also possible that those with knowledge of personal finance/financial products will see intangible/emotional appeals as insubstantial because of how easy those claims are to make and how vague they seem.

> I will also be asking students the amount of hours they spend online each day. It is my belief that there could be a correlation between the amount of hours spent online per day and which messages are most effective to individuals.

> H2: Students who spend more time online daily will be more swayed by intangible messages.

Methodology

The methodology of my study included a survey in which respondents were asked their age, and if between the ages of 18 and 24, were presented with eight advertisements,each with a different message. Respondents were asked "How much does the above ad increase your willingness to use the bank instead of your current bank?" on a seven-point Likert Scale from "Not at All" to "Very Much." The messages were:

- We offer Home Equity Line of Credits with No Closing Costs!
- Earn .05% interest on your checking account with no minimum balance!
- Bank from your phone with our Free E-Banking!
- At J&E Bank & Trust, we make sure your specific needs are cared for.
- At J&E Bank & Trust, we give back to our community schools and charities.
- Our Senior Loan Officer, Kevin Smith, has helped customers like you for 30+ years.
- Certificates of Deposits are a great way to earn extra interest with your unused money!
- The U.S. Federal Reserve has artificially lowered interest rates in the last 6 months.

After these questions, the respondents were told to "Indicate the extent of your knowledge of Checking/Savings Accounts, Loans, and Personal Finance," and were given a seven point Likert Scale from "Very Knowledgeable" to "Very Knowledgeable." Respondents were then told to "Indicate the amount nearest to the hours they spend per day online." Options were given in one hour increments from 0 hours to 13 hours, and a "13+ hours" option.

Respondents were then asked to indicate their gender. This information was gathered to use in regression analysis for further analysis of what can be used as a predictor of influence of different messages.

I used convenience sampling, releasing the survey on November 8th by posting it to my social media and asking Jessica Moon, the UNI Honors Director, and Matthew Bunker, my research advisor and Marketing professor, to send the survey link to UNI students. I did not filter out respondents by what college they are attending, or even by if they are attending school; only by their age. The first question did not allow respondents to continue if they were younger than 18 or older than 24.

In analyzing my results, I employed means testing for each question to see if the responses were significantly above the second of the seven degrees of rating how swayed respondents were. I also used simple regression analysis between the eight questions accompanying each advertisement, and the questions about respondents' knowledge of personal finance/financial products and amount of time spent online daily. I then used factor analysis to determine if there are distinct segments among respondents.

Results

To find whether an advertisement had a significant effect, I employed means testing. The Likert scale was encoded with "Not at All" being one and "Very Much" being seven. I set the null hypothesis at two because I wanted to see who had more than slight interest, which I assumed began after the second option. I ran a 2-tailed T-test and was able to reject the null hypothesis in five of the eight advertisements. These included:
- Earn .05% interest on your checking account with no minimum balance!
- Bank from your phone with our Free E-Banking!
- At J&E Bank & Trust, we make sure your specific needs are cared for.
- At J&E Bank & Trust, we give back to our community schools and charities.
- Our Senior Loan Officer, Kevin Smith, has helped customers like you for 30+ years.

This can be seen in Table 1, showing the results of this means test.

Ad Messages	Mean	Std. Deviation	t	Sig. (2-tailed)
1 no closing costs	1.79	1.271	-1.356	0.180
2 no minimum balance	**2.98**	**1.714**	**4.668**	**0.000**
3 free e-banking	**2.8**	**1.833**	**3.465**	**0.001**
4 needs cared for	**2.41**	**1.414**	**2.35**	**0.022**
5 gives back	**3.38**	**1.653**	**6.778**	**0.000**

|				
6 experienced employees	**2.52**	**1.532**	**2.732**	**0.008**
7 certificates of deposit	2.33	1.439	1.881	0.064
8 lowered int. rates	2.09	1.433	0.515	0.608

Table 1. *Means testing of each ad message. Null hypothesis set at 2 and p-value at .05.*

After conducting this test to find if the responses were significantly beyond the null hypothesis, I conducted simple regression tests to find if classifying information could be used to predict the degree to which certain ad messages would sway respondents. The first classifying variable to be tested as a predictor was the respondents' knowledge of personal finance/financial products. I found this knowledge was a significant predictor with four of the eight ad messages. These can be seen bolded below in Table 2.

Ad Messages	R²	F	Sig.
1 no closing costs	0.034	2.282	0.136
2 no minimum balance	0.065	4.434	**0.039**
3 free e-banking	0.002	0.132	0.717
4 needs cared for	0.014	0.917	0.342
5 gives back	0.076	5.298	**0.025**
6 employee experience	0.089	6.254	**0.015**
7 certificates of deposit	0.038	2.519	0.117
8 lowered int. rates	0.077	5.351	**0.024**

Table 2. *Simple Regression of Knowledge as a Predictor of the Amount of Influence of Certain Advertisement Messages*

## Beta of Knowledge as a Predictor of the Amount of Influence Given by Certain Advertisement Messages
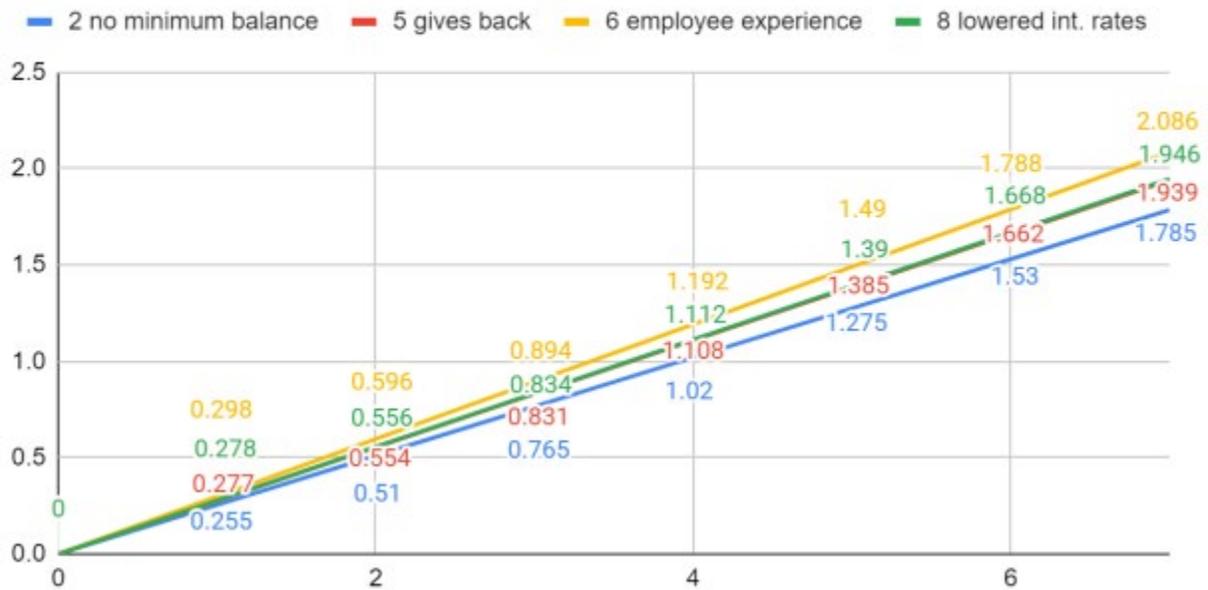
The next simple regression test I ran was to find if the amount of time respondents spent online daily had a predictive value on the degree to which certain ad messages would sway respondents. I found one of the ad messages to be significantly correlated. This can be seen below in Table 4.

Ad Messages	R^2	F	Sig.
1 no closing costs	0.018	1.162	0.285
2 no minimum balance	0.002	0.155	0.695
3 free e-banking	0.005	0.293	0.590
4 needs cared for	0.008	0.492	0.485
5 gives back	0.086	6.027	**0.017**
6 employee experience	0.012	0.751	0.389
7 certificates of deposit	0.001	0.049	0.825
8 lowered int. rates	0.000	0.023	0.880

Table 4. *Simple Regression of Hours Spent Online Daily as a Predictor of the Amount of Influence Given by Certain Advertisement Messages, $p \geq .05$*

Beta of Hours Spent Online Daily as a Predictor of the Amount of Influence Given by Certain Advertisement Messages

— 5 gives back
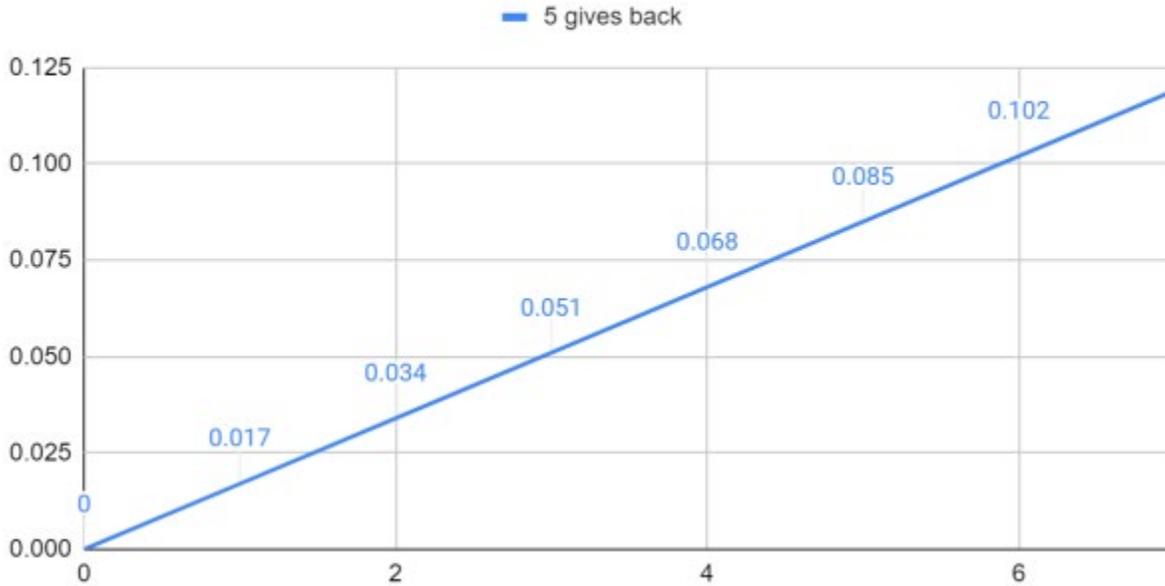
Finally, in order to find if respondents could be split into distinct groups based on the similarities in how they answered the survey, I ran a factor analysis using maximum likelihood with a varimax and Kaiser normalization. I found there to be little evidence of more than two groups, so I created two variables and removed the eigenvalues with values below .4 for aesthetic simplicity. These can be seen below in Table 6.

Ad Messages	Factor 1 (Labeled 'Intangible')	Factor 2 (labeled 'Tangible')
1 no closing costs		
2 no minimum balance		0.454

3 free e-banking	0.503	
4 needs cared for	0.961	
5 gives back	0.638	
6 employee experience		0.536
7 certificates of deposit		0.837
8 lowered int. rates		0.529

Table 6. *Eigenvalues of Factor Analysis Among Appeal of Different Banking Ad Messages*

To verify there are these two groups, I ran a paired sample T-test and found a significant difference. The t-value came out to 2.631, with the degrees of freedom being 65, and the two tailed significance level .011. Thus, I concluded there are two significant groups.

I deduced that the difference between these groups was the amount that intangible appeals made relative to tangible appeals. The intangible appeals revolved around emotional affect, such as having your needs cared for and having a bank that 'gives back,' while the tangible appeals revolved around quantitative benefits of the bank, such as not needing a minimum balance and having better interest rates.

Limitations

Among the respondents to my survey, 14 were male, 49 were female, 1 chose "Other" and 2 preferred not to say. This overrepresentation of females is a limitation of this study. To further explore the degree of this limitation, I ran a test and found that there wasn't a significant difference between the two sexes in the willingness to switch for any of the ad messages, nor was there a significant difference in aggregate willingness to switch.

Another limitation of this study is the overall sample size. I received 66 submissions. This limited how many significant differences I was able to find.

The final limitation of this study was the lack of asking about respondents' overall willingness to switch banks. This could have been asked before their seeing the ads and the data from this could ha've been used to isolate those respondents for the purpose of finding the most effective messages for consumers who are most likely to switch banks.

Analysis

My first hypothesis, that *'Students with a higher knowledge of personal finance/ financial products will be more swa*yed *by the tangible/ rational advertisements than those with less such knowledge'* can not be confirmed with these results. Of the four ad messages found to be significantly positively correlated with level of knowledge of personal finance/ financial

products, three aligned with the 'Tangible' factor variable. However, the other one- the message of 'giving back'- is aligned with the 'Intangible' factor variable. Further, the ad message communicating certificate of deposit rates was not significantly correlated with respondents' level of knowledge of personal finance/ financial products. This latter lack of correlation could be because those who knew more about these products knew how unexciting certificates of deposits are and how mediocre the rates I showed were. I do not believe this is a limitation of the study because this phenomenon,people who are knowledgeable of certificates of deposits not being swayed by ad messages regarding certificates of deposit, would likely also take place in application.

My second hypothesis, that *'Students who spend more time online daily will be more swayed by intangible messages'*, did not have enough evidence to be confirmed. Running a regression analysis between the variable of time spent online daily against the 'Intangible' variable I created in my factor analysis resulted in an R squared value of .002, a Beta value of .04, and a significance level of .752.

Conclusion

In this study, I found two groups that tended to answer similarly with the others in their group. The exact details of this can be found in my factor analysis results. One of the groups seemed to be particularly swayed by intangible appeals, while the other seemed to be particularly swayed by tangible appeals. The message that was most related to the intangible group was that of "We make sure your specific needs are cared for." This contrasts with "Certificates of Deposits are a great way to earn extra interest with your unused money!"- the message most strongly related to the tangible grouping of messages. Ultimately, though, this doesn't provide much insight into what ad messages should be employed unless a bank is able to show ads that correspond with the potential customers' degree of being swayed by intangible or tangible benefits. This may be possible, but this study is meant to find the best ad messages assuming marketing cannot distribute ads on a discriminatory basis.

Thus, we must look to our means testing to find the best overall ad messages. And interestingly enough, these are messages that didn't have a strong relation with either dichotomic group found in the factor analysis. The four ad messages with the highest degree of significance are seen below in Table 7. While these messages do have a significant relationship with the two groups, these four messages have four of the five lowest eigenvalues amongst the eigenvalues that showed significance. This means that the most effective ad messages are the ones that aren't too strongly related to either side of the tangible/intangible dichotomy.

	Level of Significance in Means Testing	Eigenvalue of relation with Intangible factor	Eigenvalue of relation with Tangible factor
Earn .05% interest on your checking account with no minimum balance!	**.000**		**.454**
Bank from your phone with our Free E-Banking!	**.001**	**.503**	
At J&E Bank & Trust, we give back to our community schools and charities.	**.000**	**.638**	
Our Senior Loan Officer, Kevin Smith, has helped customers like you for 30+ years.	**.008**		**.536**

Table 7. *The Four Ad Messages with The Highest Level of Significance Found in a T-Test Alongside Those Messages Relationship with The Two Groups Found In Factor Analysis.*

Finally, it should be noted how great of an effect the "At J&E Bank & Trust, we give back to our community schools and charities" message had on the respondents. The mean response was a 3.38. Again, this comes from a Likert scale that ranged from zero to seven gauging the respondents' willingness to switch banks based on the message. Also, it should be considered that the next nearest means were 2.98 and 2.52. This message of giving back displayed a great ability to convince students to switch banks. This is not surprising considering research has found 68% of adults said local community charitable donation/partnerships are an important consideration when considering what restaurant to use (Mintel, 2021) It is my conjecture that this increased sensitivity to "giving back" is the concern for the collective, with this trend being brought on by social media and other modern technologies that increase people's knowledge of peoples and issues outside of their own life.

Marketing for banks is a difficult task given the few large differences between banks and the high threshold of getting a person to switch what bank they patronize. This study has found that while there generally two groups of customers- those who are more swayed by tangible appeals and those more swayed by intangible appeals- but utilizing messages too close to either of those extremes is ineffective. Instead, messages that were not strongly related to either extreme had the greatest effect in our sample.

Where further research could be done is in finding what messages are most effective in those with the highest starting willingness to switch. This can be done by asking for respondents willingness to switch banks/ loyalty to their bank before seeing any specific messages. The resulting findings could better show how effective the messages were and those with the highest starting willingness to switch may have a tendency towards a certain type of message. This finding could be used to increase marketing efficiency- targeting those who are already most willing to stitch banks.

This study gives insight to the marketing departments of banks who are wondering what types of messages appeal the most to those who are currently aged 18-24. These people may have a differing reaction to certain messages as they grow older, but it could also be that the effectiveness of the messages studied in this study will continue on throughout their lives. In this case, this study shows what marketing will look like in the future if done properly.

Works Cited

Belonax,Joseph J.,,Jr, & Aaby, N. E. (1991). Credit union image variables -
    discriminating factors in the consumer's financial institution choice process. *Journal of
    Professional Services Marketing, 6*(2), 203. Retrieved
    from https://login.proxy.lib.uni.edu/login?url=https://www-proquest-
    com.proxy.lib.uni.edu/scholarly-journals/credit-union-image-variables-
    discriminating/docview/200208673/se-2?accountid=14691

Bravo, R., Montaner, T., & Pina, J. M. (2009). The role of bank image for customers versus
    non-customers. *The International Journal of Bank Marketing, 27*(4), 315-334.
    doi:http://dx.doi.org.proxy.lib.uni.edu/10.1108/02652320910968377

Gürhan-Canli, Z., & Batra, R. (2004). When corporate image affects product
    evaluations: The moderating role of perceived risk: [1]. *JMR, Journal of Marketing
    Research, 41*(2), 197-205.
    doi:http://dx.doi.org.proxy.lib.uni.edu/10.1509/jmkr.41.2.197.28667

Kaul, S., Sahay, A., & Koshy, A. (2010). Impact of initial-trust-image on shopper
    trust and patronage intentions: A study of young, male apparel shoppers in
    india. *International Journal of Retail & Distribution Management, 38*(4), 275-296.
    doi:http://dx.doi.org.proxy.lib.uni.edu/10.1108/09590551011032090

Keller, K. L. (1993). Conceptualizing, measuring, and managing customer-based brand
    equity. *Journal of Marketing, 57*(1), 1. Retrieved from
    https://login.proxy.lib.uni.edu/login?url=https://www-proquest-
    com.proxy.lib.uni.edu/scholarly-journals/conceptualizing-measuring-managing-customer-
    based/docview/227794112/se-2?accountid=14691

Lukásová, R., & Urbánek, T. (2014). Bank image structure: The relationship to consumer
    behaviour. *Journal of Competitiveness, 6*(1)
    doi:http://dx.doi.org.proxy.lib.uni.edu/10.7441/joc.2014.01.02

Mintel. Mintel, 2021, p. 29, *Foodservice Brand Ethics*. Accessed 3 Dec. 2021.