To Understand the Current User Profile of Leeds City Credit Union and Examine the Reasons for Usage

by

Sharon Kathleen Sewards

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The candidate confirms that the work submitted is her own and that appropriate credit has been given where reference has been made to the work of others.

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Abstract

The aim of this thesis is to understand, using detailed modelling, the users and their reasons for use of Leeds City Credit Union (LCCU) with implied application for other UK credit unions. With the initial aims resulting from a Knowledge Transfer Programme (KTP) between LCCU and the University of Leeds, this study has been performed using a case-study (LCCU) with the intention that the findings can be adapted to suit the needs and understanding of other UK credit unions, thus answer the broader research questions around credit union usage. The original contribution to knowledge is therefore the modelling relating to the users and usage of LCCU so that a detailed understanding of the user profile can be tailored and applied to other UK credit unions as niche financial service providers.

The main source of data for this thesis was the analysis of a user and non-user questionnaire and this was supported by the use of focus groups. This data was then analysed using a range of techniques: qualitative analysis through the focus groups; descriptive analysis; factor analysis; and regression.

From this analysis it was discovered that users are motivated to join LCCU for three key reasons. There are those who: use providers offering the best rates of return; support the ethical stance that the credit union movement offers; and who are financially excluded and unable to access credit elsewhere. Each of these three segments displayed unique profiling characteristics. In addition responses between users and non-users were also compared to identify the significant characteristics of users. These findings were contrary to the expectation that credit unions are just for the poorest sectors of society. This provides not only a unique academic insight in this niche financial services provider but also practically, in the development of a marketing strategy as defined by the KTP programme.

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Abbreviations

ABCUL	Association of British Credit Unions Limited
ACORN	A Classification of Residential Neighbourhoods
ANOVA	Analysis of Variance
CTF	Child Trust Fund
CUNA	Credit Union National Association
ESRC	Economic and Social Research Council
ISA	Individual Savings Account
KTP	Knowledge Transfer Partnership
LCCU	Leeds City Credit Union
LUBS	Leeds University Business School
NPS	Net Promoter Score
UK	United Kingdom
US	United States
WOCCU	World Council of Credit Unions

1 Introduction

1.1 Background

This research study was initially undertaken through a Knowledge Transfer Partnership (KTP) between the University of Leeds and Leeds City Credit Union (LCCU). To understand the background to this research study it is necessary to comprehend the purpose and requirements of the KTP project. This will set the PhD research in the context of the overall KTP objectives. This section provides a brief overview of the role of KTPs and the project established between the University and LCCU which resulted in this study being conducted.

The purpose of a KTP project involves linking a small business or organisation with a university to take advantage of the potential synergies between academic research and the needs of practitioners. In this case the purpose was to develop and research new possible products and a marketing strategy for a local niche financial service, a Credit Union. This type of collaborative project gives the business or organisation the opportunity to draw upon specialist advice from university expertise and provides the university with unique access to data for research purposes as well as insights into the operations of a real-time business. Strategic change within the business is researched and implemented by a KTP Associate who works day to day with the partner (in this situation, LCCU) but is also closely linked to a university research centre (Credit Management Research Centre, Leeds University Business School (LUBS)) and a doctoral programme.

This particular programme, between LCCU and LUBS, ran for two years from 2003 to 2005 and during that time the key objective was for the Associate (the researcher) to help to research and develop a new product range and a marketing strategy with a view to bring about strategic change within the organisation by implementing this marketing strategy for LCCU. The project and marketing plan had a dual over-riding objective: a strong emphasis on social responsibility and the facilitating of the growth of affordable financial services for niche markets in Leeds, i.e. with a focus (although not exclusively) on the financially excluded. Developing such a strategy had the goal of making LCCU (one of the largest credit unions in the UK) a market leader in its field, as well as expanding its product portfolio, enabling it to provide a broader range of financial services to a wider audience within the city. More details about the KTP are included in section 1.3.

Due to the involvement of the University of Leeds there was the opportunity of developing an academic research project and PhD study offered as part of the overall KTP project. In planning the research prior to development of the marketing strategy at LCCU, it became clear that a potential research gap existed in that there was scant academic research aimed at understanding and profiling the characteristics of the users of UK credit unions (in this case of LCCU), and of the potential and actual role of UK credit unions as a financial service. Moreover LCCU itself had never undertaken any detailed profiling work that would enable them to understand the characteristics and needs of their members (customers), which seemed fundamental in the process of designing and positioning new financial products. This gap would, in part, be bridged by this research and therefore with the support of academic supervisors from the University it was realised the KTP research could form the foundations of useful PhD research. LCCU is therefore being used as a case-study as an example of major player in the UK credit union market.

There are clearly many advantages of being able to combine the research of the KTP with that of a PhD study, in particular: the access provided to LCCU's user database and mailing list; the financial funding provided by LCCU to conduct a large-scale survey of users and non-users of credit unions; the real-time understanding of the practical importance of this work; the practicalities of the implementation of a new marketing strategy and the change management required within the organisation etc, however there were also limitations. These limitations included the time constraints of the project and the speed at which the survey design and the data gathering had to take place. Ideally such a project requires more time for preparation and pilot testing, but due to the constraints of the KTP programme there were only two years available to complete the whole project and therefore the research and data gathering was required to be undertaken in the early stages of the project. Moreover, because LCCU had funded the customer profiling work, the survey questions had to include items that were specific to LCCU requirements, for instance relating to customer 'product awareness' of current LCCU products, and information on the likelihood that the customer-base might purchase specific product-types in the future. The requirements of LCCU and the need to develop a short but effective questionnaire (to elicit a good response) to some extent compromised the academic piece of work and necessarily limited the range of possible questions that could be included and are eventually used in this study. In particular, for an academic piece of work it is desirable to seek the views of a control sample of non-users of a credit union to compare the characteristics of users and non-users. However, due to time, budgetary constraints and the project focus, it was not possible to devote much time to the creation of a large sample of non-users.

Whilst there have been disadvantages recognised as a result of undertaking this PhD study alongside the KTP work it is believed that the advantages far outweigh the disadvantages as a significant gap is recognised and can be filled with this research. This is due to the level of access and quantity of data within the LCCU and the opportunity to gain insights from working day to day within this financial services organisation with the support and backing of the University of Leeds.

1.2 Motivation for Study

As section 1.1 has already covered, one of the key motivators of the research was the access to information on the LCCU customer-base (users), through the KTP project, which provided a unique opportunity for analysis and understanding of the characteristics and attitudes of credit union members and the likely reasons for joining a credit union as opposed to or in addition to other types of financial service. When the work initially began it was clear that the goals of the project and that of PhD research were not incompatible. The process within the LCCU involved researching and developing a marketing plan (customer profiling and surveying) and implementing a marketing strategy. Moreover on reading the academic literature it was clear that there was a gap, in that academic research had not developed much in the understanding of why customers choose to use the services of credit unions rather than mainstream financial services. In fact the literature and popular press portrayed a 'stereo-typical' view of credit unions as attracting predominantly 'financially excluded' individuals and it is therefore interesting to identify whether this is the case.

From a personal perspective, following the completion of the two year KTP project I was employed for an additional two years by LCCU as Product Development Manager, with a focus on developing new and improving existing products, before moving on to my current employment in Product Development for one of the UK's largest banks and therefore I still work within the financial services industry. The KTP went on to win the ESRC national award for the 'Best Application of Social Sciences' in a KTP in 2007.

1.3 KTP Project and Structure

The KTP project was put together in 2003 by faculty at LUBS and the LCCU executive team. The role of the Associate was defined within the overall project, although the Associate had to develop the PhD proposal within this project. It is worth reviewing the objectives of the project to put the PhD study in context.

As section 1.1 has alluded to, this specific two-year KTP was centred on the development and implementation of a marketing strategy for LCCU. As one of the largest credit unions in the UK this would cement its market leading position by facilitating growth, both by increasing its membership base and its asset book. As a not-for-profit organisation (outlined in more detail in Chapter 5), LCCU has a strong interest in social responsibility and therefore the marketing strategy was expected to have a strategic focus on the development of affordable financial services for niche groups within the target market. This would achieve an implicit offering for the financially excluded, which had been identified by LCCU as being a key segment of both the existing and potential membership base.

A working aim of the KTP was to provide benefit to the collaboration of LUBS and LCCU, through the provision of research data and a unique insight into credit unions for the University and the access to specialist marketing advice for LCCU. In addition the Associate would be trained and developed as a key member of staff at LCCU, with the potential to retain a position of employment there following the conclusion of the KTP (as was the outcome).

These aims were expected to be achieved by the pursuit of several different avenues including: the identification of new sources of savings from previously under-utilised areas; the development of new products and services aimed at satisfying niche markets within Leeds (the permitted area of potential new users as detailed in section 2.3.1) and the identification and use of the most appropriate channels to reach these savers. Due to the social responsibility exhibited through the work of LCCU it was expected that a large proportion of these new users would be the financially excluded who would be unable to access mainstream financial services (including loans), however for this to be sustainable this would need to be counterbalanced by an influx of wealthier users. This strategic changing risk profile would therefore require management to ensure that an appropriate balance of funds could be maintained. It would also require strategic development of LCCU's brand and brand image to ensure that its appeal was correctly targeted.

The purpose of the collaborative project for the University of Leeds would achieve its aims through the creation of closer links between research centres and the credit industry by the generation of academically rigorous research that was also practically relevant. In addition there would also be the provision of an industrial application to teaching through Academic involvement, case studies and papers.

The support from the University of Leeds through the KTP would not only assist with the development of a marketing strategy but would also help LCCU to reduce financial exclusion across the city by being effective through its suitable and appropriately-developed product portfolio. Due to low awareness of credit unions (nationally, not just locally) awareness would need to be raised whilst potentially the image would need to be improved. This approach was aimed at making LCCU an exemplar credit union.

In addition LCCU staff would be educated in the findings of the research survey and trained in the provision of the new and improved product offerings, for example: to ensure that all staff were aware of the terms and conditions of each product; were aware of any associated regulatory requirements of specific products; were versed in the advantages and disadvantages of each; and were familiar with the associated promotional literature available. It was hoped that through the KTP, LCCU's workforce would be increased to encourage the promotion of LCCU across the city through the establishment of new branches. It should be emphasised here that previously the LCCU had not undertaken any analysis or profiling of its membership.

Throughout this process key milestones were achieved towards the overall KTP goal of designing and implementing a marketing strategy. These included the development of five new savings accounts including the introduction of two regulatory products (ISAs and Child Trust Funds) and three savings accounts designed to target specific segments of users following their feedback via the questionnaire that was key in this research. The social responsibility focus of the strategy also considered the financially excluded and an account was developed in a similar style to a current account for those in receipt of benefits who were unable to access mainstream accounts. As a result of the success of these accounts and the increase in the membership base, by the end of the KTP project the workforce had increased by seven. Sewards et al., (2005) cites these milestones as being responsible for a £5million increase in deposits during the programme and an increase in pre-tax profit of £87,000.

Within two years of the KTP ending, there were a total of 10 branches open, compared to two at the beginning of the programme and therefore LCCU's physical presence across the city was increasing and strengthening.

There were two core methods of research used in this study. Firstly there was a large-scale postal survey, which was administered to both users and non-users of LCCU, thus providing a comparative facility of views and secondly, focus groups were administered to key segments of the LCCU user database. During the KTP, a Product Development team was established, led by the Associate, to ensure that LCCU could be identified as a proactive, as opposed to reactive, organisation. Using the results and feedback received when conducting the user and non-user survey, there were many tangible achievements realised, including the development of the savings accounts outlined above, with LCCU becoming the first UK credit union to be approved as a CTF provider.

In addition LCCU was rebranded with the introduction of a new house style and image, using cartoon style characters to reflect the ensemble of user segments and to demonstrate the friendly yet professional culture of LCCU. All of LCCU's literature and leaflets were updated to reflect this new style and image and they were also re-written in a way that was more transparent and easier for customers to understand. The regular LCCU newsletter that was distributed to all users several times a year was also prepared in this style and the language and tone was developed to make it more user friendly. Whilst this branding work was underway, the Board of Directors were updated as appropriate on several occasions.

Whilst these were the overall aims and achievements of the KTP, at the same time it was recognised that the data gathering and analysis would provide the foundations for the research required for PhD study. Therefore when the surveys were being prepared and the focus groups were undertaken there was planning from the academic perspective, as well as purely from the perspective of LCCU.

1.4 Combining PhD Research with Credit Union Relevance

Viewing the research from the perspective of a PhD research study with a practical application to LCCU provides an understanding of the many practical uses that LCCU gained from this research study. Arguably the largest insight that LCCU has gained has been the access to meaningful research, both through the primarily quantitative survey to users and non-users, delving into a range of topics including: respondent characteristics; LCCU product awareness; financial attitudes; and future financial product requirements. This has been supported by the findings from the qualitative focus groups of user segments. Both of these tools have provided an understanding of key user groups as well as an insight into the characteristics of users of credit unions and purposes of use. This has also provided ideas and support for new products and developments of existing products.

This work has also aided the promotion of awareness of LCCU and credit unions generally, to recipients included within both the academic world and the local media.

1.5 Broad Research Questions

In section 1.1 a gap was highlighted relating to the lack of evidence in the extant academic literature that enables a full understanding of the UK credit union user i.e. their likely characteristics (socio-demographic) and preferences for financial services products. This gap became apparent when initially beginning to research for the KTP project when it became clear that the LCCU lacked any understanding and knowledge about their own users. When further research was conducted it appeared that this gap was present across the UK credit union industry as a whole and therefore LCCU was used as a case-study to use to conduct thorough research on these issues, with the intention that the findings could be applied to the movement across the UK, with tailoring to specific circumstances and requirements, thus helping to bridge the gap in existing research.

The title of this PhD thesis is "To understand the current user profile of Leeds City Credit Union and examine the reasons for usage". Ultimately, this study is seeking to understand more about the UK credit union user whilst using LCCU as a case-study. It is hoped that by thoroughly understanding the current user profile and reasons for usage of LCCU members, these findings can be tailored and used by other credit unions. This knowledge requirement can therefore be shaped into two key areas – firstly the users of credit unions (specifically LCCU users), the member attitudes (to financial services) and their characteristics and secondly why credit unions (specifically LCCU) are used. This involved developing both customer profiling and analysing the consumer preferences and behaviour and therefore the broad research questions under investigation are "Who uses credit unions?" and "Why are credit unions used?" using LCCU as a case-study example. To enable a thorough understanding of the user profile of LCCU it is necessary to conduct comparative analysis with non-users of LCCU (those who would be eligible to join through the common bond but as yet are not members). This will allow comparisons between the current profile of both users and non-users. Without this comparison an accurate analysis of users is not practical.

Prior expectations were that credit union users would be identified by a number of key characteristics and behaviours when compared to users of mainstream financial services. A starting point in understanding this is to examine characteristics of those who use credit unions with a view to building a demographic and behavioural profile of the credit union user. These issues form hypotheses for the analysis and are detailed in Chapter 6.

Research questions and expected findings are developed from the extant literature and prior expectations are detailed in Chapter 6. The actual data captured through this research, primarily from survey results and from the credit union user database, are then used to answer these specific research questions.

Whilst this research will primarily consider the segmentation element of the profiling of the users of credit unions and their reasons for usage and using a comparison with non-users to confirm much of this work, it should be noted that segmentation is only the first step in a three-stage process of understanding customer behaviour (Perner, 1999). When the different groups of customers present within LCCU have been identified then LCCU needs to decide which segments to specifically target. It then needs to work towards the positioning of the Credit Union to ensure that it attracts the target market desired. This three-step process is detailed in Figure 1. Whilst this research will predominantly detail the segmentation present, the KTP then worked on the targeting and positioning and more details about how this worked within LCCU are presented in Chapter 12.

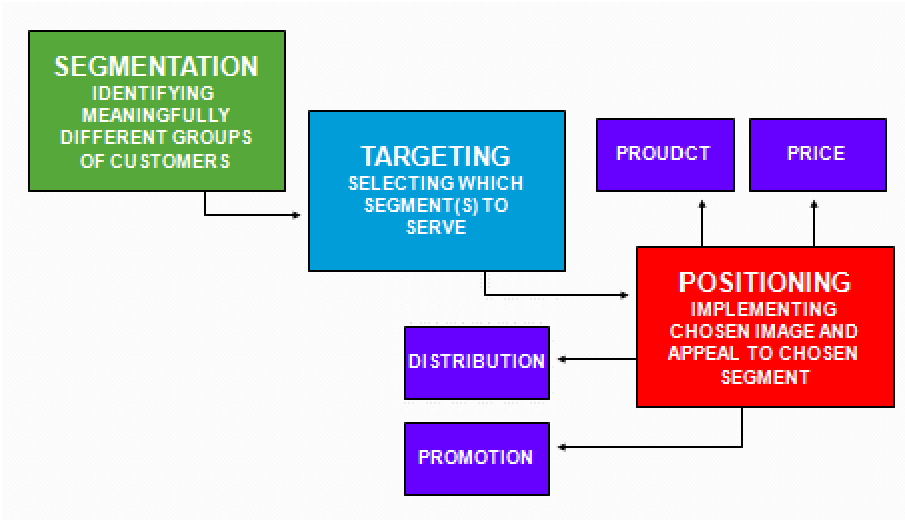

Figure 1: Perner, L (1999), Segmentation, Targeting and Positioning

As well as bridging a research gap academically, answering these research questions should have a positive effect on LCCU as they will gain a greater understanding into exactly who their users are; why they use the credit union and how they use it; and how to develop and position new products. This will assist in the development of future business strategies and direction and strategic corporate focus can be steered by this. In addition, this research will provide a case-study example for other credit unions as they seek to understand their own users more fully and tailor new products and services.

2 Literature Review

2.1 Introduction

The broad research questions outlined in section 1.5 focuses on customer profiling and consumer behaviour using LCCU as a case-study so as to understand the current user profile of LCCU and examine the reasons for usage. Building on the broad questions of "Who uses credit unions and why?" with a focus on LCCU, a number of hypotheses will be developed and explored in Chapter 6. This provides the framework for the direction of the research within which the research questions can be refined with the overall aim of enhancing understanding of the credit union user.

Prior to the research study it is critical to understand the niche market that credit unions operate as a unique style of financial services provider and therefore the literature review will be split into three sections. To set the whole research piece in context, a general review of credit unions within the financial services industry is presented in section 2.2. This section will review the role and context of credit unions in terms of: what they are; what services they provide; who they provide services for; and their competitive advantages. This section will also review the governance and regulatory frameworks supporting such organisations. A knowledge of what credit unions are and how and why they function will set LCCU in context as the case-study credit union and will provide a solid foundation in the understanding of who uses credit unions and why.

Secondly, the Literature Review will explore the history and development of the credit union movement, with a particular focus on the UK. Detailed in Chapter 3, this will also encompass the expected future of credit unions. This places the UK movement in the context of the international models of credit union development. Chapter 3 reviews the literature which seeks to understand why the credit union model appears to work better in some countries than it does in others (the UK included) and several case studies of countries that have successfully adopted and developed the model are included. Understanding why credit unions have not been particularly successful in the UK may provide further insight into the current membership and the potential target market, and why, for example, perceptions have resulted in stigma being attached to membership. Do UK credit unions have too much appeal to the financially excluded thus reducing the interest of the mainstream financial customers? Alternatively, do UK credit unions exhibit too much appeal to mainstream borrowers and this promotes the perception that it is not a suitable place for the financially excluded?

Finally, in Chapter 4, there will be a review of credit unions within the financial services arena in the UK, including a view of the market situation and the niche position of credit unions. This will set LCCU in context as a financial services provider within the UK financial services arena. This section will form the largest part of the literature review. As a sub-section and to gain more of an understanding as to who users of the credit union are, there will be a review of the 'financial services consumer' and in particular the methods of customer segmentation commonly used by financial services. This will enhance understanding as to why different segments use the credit union. This section will also review previous research studies to identify the methodologies and techniques used to carry out segmentation and profiling research. Understanding this will ensure that this research makes use of the most effective techniques available.

This final section of Chapter 4 will present a core theory to this work – that of buying behaviour and the decision-making process and providing an understanding of the various stages that a customer goes through when making such purchase decisions.

Structuring a review of the literature in this way will set the context of the research through the sections specifically relating to the structure of credit unions and their history and development and will demonstrate why individuals may use credit unions and indicate the type of individuals who would use these services. The final section reviews credit unions within the context of the financial services arena to give a greater focus on the general characteristics of the financial services consumer, as well as the general theories behind buying behaviour and financial services decision-making, both of which will be useful in the development of the research questions specifically relating to who uses credit unions and why they are used.

Ultimately the literature will be focused towards providing expectations of results when considering who uses credit unions and why, using LCCU as a case-study and therefore the sign-posts to usage and user profiles will be used to develop the research questions in Chapter 6 prior to the research being collected and analysed.

2.2 Role of Credit Unions

This section will address the first segment described in section 2.1 and aims to provide an insight into the role and development of credit unions. Initially the nature of credit unions will be described and explored, with consideration given to their role and purpose in the financial services arena, including a review of common product offerings. The consumer base of credit unions will then be considered, firstly by reviewing the statutory ‘common bond’, which can be used to define the potential users or members of a credit union and this will be followed by a review of potential users of credit unions and the ideal target market. Finally this Chapter will review the nature and types of governance in place, beginning with the multiple levels of advocacy which provide support to both members and credit unions nationally and internationally. The Chapter will then be concluded by a closer review of the governance of individual credit unions and more notably of the purpose and responsibility of the Board of Directors within each institution.

Understanding what credit unions are will provide a focus as to the type of users traditionally associated with credit unions and this in turn has clear relevance for LCCU.

2.2.1 What are Credit Unions?

Credit unions are unique financial institutions (Black and Dugger, 1981). This view is supported by Smith et al., (1981: 519) who class credit unions as being "*essentially a financial intermediation cooperative*". The importance of this style of financial service is also confirmed by Bauer (2008) who stated that "*credit cooperatives are an important segment of the financial institutions industry*" (2008: 573), however Bauer also highlights the lack of research currently available about credit unions and their limited perceived performance is highlighted by Donnelly and Kahn (1999) and O'Connell (2005) who recognise that despite much government support, UK credit unions have only achieved approximately a 1% share of the British consumer credit market.

As not-for-profit financial co-operatives (Black and Dugger, 1981, Donnelly and Kahn, 1999, Goddard et al., 2002, Smith et al., 1981, Bauer 2008), credit unions are owned and run by their members and exist to serve them (WOCCU, 2004_2, WOCCU, 1984, Smith et al, 1981). Hyndman et al, (2002: 1) describe credit unions as "*voluntary, self-help democratic institutions that provide financial services to members*". This view is reinforced by Goddard et al, (2002) who describe credit unions as, "*self-help democratic institutions*" (2002: 1). A Northern Ireland Assembly paper (2008) whilst not disagreeing with this previous view offers a slightly different approach by presenting the work of Jones (2006) who describes a shift in the nature of UK credit unions in more recent years. Jones commented that:

> *"The transformation of the movement has seen a shift from small, local volunteer run community organisations, with a primary focus on alleviating poverty, to a New Model of credit unions, characterised by a professional and business approach and a greater focus on financial inclusion", (Northern Ireland Assembly, 2008: 1).*

This more sophisticated approach has a greater focus on the financial aspects of the movement and this model has been core to ABCUL's developmental strategy since 2002 (Jones, 2008).

Hyndman et al., (2002: 1) cite the key elements of a credit union as being: member owned, as a democratic institution with one vote per member; not for profit organisations with all surpluses being returned to members (shareholders) in the form of dividends; and value driven by desiring to reach disadvantaged communities and individuals through the provision of financial services, rather than profit driven.

2.2.2 Purpose

The primary purpose of a credit union is to provide basic financial services, for example small loans and savings accounts to its members (Smith, 1984, Emmons and Schmid, 1999) with no profit maximising motive (Keating and Keating, 1975). There are however several additional peripheral aims and reasons for the presence of a credit union.

The Ministry of Commerce in New Zealand (2005: 17) highlights the purposes of a credit union as being: for the promotion of thrift; to use member savings for mutual benefit; and to educate consumers in financial affairs. This assists in the understanding of why credit unions are used.

Supported by the work of Donnelly and Kahn (1999: 3) who describe the movement as being "*established for the purpose of promoting thrift and establishing a collective pool of assets upon which members may draw for personal purposes*", The World Council of Credit Unions (WOCCU) (1984) further develops this description of purpose as being to provide services to improve the economic and social welfare of its members by encouraging thrift through the product offering, ensuring that a fair rate of interest is paid, distributing any surplus funds to its members in the form of dividends, building and developing financial stability, educating, encouraging social responsibility and enhancing and improving links between all types of co-operatives. The extent to which a credit union would promote thrift and educate consumers financially would arguably depend on the type of credit union and the needs and demands of its members which would be shaped by a full understanding of who the users are and their reasons for use.

2.2.3 Products

Due to the co-operative nature of these financial institutions the core product offering has typically consisted of savings and loans (Black and Dugger, 1981, Emmons and Schmid, 1998, Smith et al., 1981). In this co-operative situation there is a limited return on share capital and all surpluses that are not reallocated for daily business expenditure are paid back to members in the form of dividends on their savings (Keating and Keating, 1975, Hyndman et al., 2002). Key decisions made are therefore the products offered by each credit union and the interest rates that will be offered/charged on each product (Smith, 1984) and this will define the users of the credit union and their reasons for use.

Donnelly and Kahn (1999) cite that whilst most credit unions have a cap or limit on the share to loan ratio for members wishing to borrow funds, some credit unions however (and this is becoming an increasingly popular, albeit riskier trend) lend according to 'need' and this therefore poses a greater risk of default, with damaging potential, particularly to smaller credit unions. Arguably, however, it is these types of decisions that will increase the presence and strength of UK credit unions in the financial services market as by offering loans in this manner credit unions can become a real competitor to the more traditional forms of financial services and this strategy will also help to reduce the threat of the doorstep lenders by giving quicker and larger loans. A move to this type of lending, however, could, for example, shift the profile of users more towards the financially excluded and change the typical reasons for usage from a savings institution to one of borrowers who need money on a quick and small basis.

In recent years UK credit unions have expanded their product offering to include regulatory accounts such as ISAs and CTFs. In 2006 ABCUL, in conjunction with nine credit unions (including LCCU), launched the Credit Union Current Account (Jones, 2008_2). Jones (op cit) identified that credit union customers want several core features in a Credit Union Current Account: a safe, secure and straightforward account; a way to access cash; easy to open; transparency over charges; low default charges; flexibility and understanding; a way to access direct debits and standing orders; a way to access loans and savings accounts; and access to a chequebook (Jones, 2008_2). This supports the previous findings of the new model of development by Jones (2006) in providing a more professional and business like approach with a focus on financial inclusion.

2.3 Sources of Competitive Advantage

2.3.1 Common Bonds

Probably the main source of competitive advantage that UK credit unions have over other financial service providers is that of the common bond. As a legal requirement (Emmons and Schmid, 1998, Donnelly and Kahn, 1999), the common bond exists to ensure that "*membership is restricted to individuals already connected through some form of common bond*" (Donnelly and Kahn, 1999: 3). Legally defined by the Financial Services Authority (ABCUL, 2006), there are potentially four types of common bond: association, occupation, residential or live or work (Fuller, 1998, Ministry of Commerce, 2005).

Black and Dugger (1981) confirm that the common bond results in credit union business being conducted within a closed member group only and not with the general public. It therefore acts as a tool to promote credit union loyalty and ensuring cost reductions, for example through the reduction of bad debt and in the gathering of credit information as Black and Dugger confirm:

> *"In the past, credit unions have been able to be assured of greater member loyalty as a result of their unique ability to serve member needs where they work and to receive payroll deductions from the sponsor"* (Black and Dugger, 1981: 537).

This gives the credit union movement unique access to credit information and payment security. This work is supported by Fuller (1998) who added that the "*common bond is seen as an essential safeguard for a sense of mutual loyalty, concern and trust*" (1998: 150). The strength of the common bond safeguard is becoming weaker, however, due to the introduction of new technology including electronic transfer between bank accounts, thus weakening the importance of face-to-face contact with staff (Black and Dugger, 1981).

Common bonds still provide a key tool for credit unions through the competitive edge gained (Fischer, 1998). The main competitive advantage is realised through the reduction of problems associated with information asymmetry and a reduction in the costs associated with monitoring borrowing and monitoring credit risk (Davis, 1997, Ward and McKillop, 2005). Arguably however larger credit unions (as is seen through the increase in mergers) also dilute the loyalty traditionally exhibited through the common bond, as members are not all known personally to staff and other members, (as was often the case in the past) and therefore users perhaps do not have the same sense of duty in making loan repayments.

Donnelly and Kahn (1999) report that before the Credit Union Act of 1979 there was no requirement relating to the size and area of the common bond – large towns were good because they had a good balance of needy and affluent members. This is illustrated by the success of credit unions in Scotland. The Credit Union Act of 1979 ensured that the Registrar of Friendly Societies considered the areas to be covered by the common bond and decreed those small enough for moral suasion – with the theory that this would help to reduce bad debts. Frame et al., (2004) identified that a residential common bond has higher costs than mutual thrifts (due to expense preference behaviour expenditure) and occupational and association common bonds are more cost efficient. Deciding on the scope of a common bond can therefore be a difficult decision as essentially this defines the membership base – adopting a smaller common bond may help the smaller, poorer communities, however a larger common bond could help in a larger more instrumental approach (Fuller, 1998). Fuller highlights that recent legislation has removed the requirement for a common bond to be proved in the registration application – therefore potentially weakening this philosophy. This could also result in there being several credit unions with overlapping common bonds across a city and with individuals eligible for membership at several different institutions as is the situation in Leeds.

In the US, following the deregulation since the 1970s there has been less common bond restrictions which provided opportunities for growth and mergers leading to closer competition with other financial organisations including banks. This resulted in complaints from banks that the tax exemptions on credit unions have led to an unfair advantage. In 1998 there was further legislation to keep the common bond restrictions whilst still promoting mergers (Goddard et al., 2002). There was controversy in the US regarding multiple common bonds within one credit union. Evidence shows that if there is a single common bond group there is a decline in participation rates as the group of potential members becomes larger. There is also evidence that credit unions with multiple common bonds perform better than those with a single common bond (Emmons and Schmid, 1998). This is confirmed by the research of Tripp et al., (2005) who identified that multiple common bond credit unions have better technical efficiency but less scale efficiency and may derive better wealth gains than members of single bond credit unions, potentially due to the wider scope of the membership base.

2.3.2 Reputation

Across any business a key area of competitive advantage is that of a strong reputation. Reputation is a valuable resource in the reduction of uncertainty for the customer (Rindova et al., 2005, Schuurmans, 2009) and will be a key definer of the membership base. In the case of a credit union, trust (potentially gained through the common bond) is a key competitive advantage and therefore a small, locally focused organisation could have a stronger advantage over a larger one (Bregman, 2009). Economically, uncertainty is a function of information asymmetry, which is minimised when true attributes are revealed. Thus a strong reputation decreases stakeholder concerns (in this instance, a key stakeholder being the member). Nayyar (1990) however explores the types of difficulties, similar to those outlined by Black and Dugger (1981) whereby the introduction of new technology has increased the accessibility of information about other financial services, thus weakening the purpose of the common bond.

Brooks (2007) discovered the strength of customer loyalty to credit unions in research conducted across 17 credit unions using over 40,000 members. She used the Net Promoter Score (NPS) to assess loyalty rates and customer retention and found that credit union survey respondents had a score of 13%, compared to the usual 3-5% for most consumer research studies. The credit union overall NPS score for loyalty was higher than that of any other retail banking outlet, with the characteristics of promoters being that they would be likely to use a credit union as their main financial institution, they had good experiences of them which exceeded expectations and they had been customers for significant lengths of time. She also identified that key drivers for usage were: product and service quality, value and the customer support/support experience. A high NPS correlated with high credit union asset growth, high membership growth and high loan growth.

Similar research was undertaken by Compeau (2008), who identified the strong, positive brand that customers have with credit unions and the importance placed on the personal approach by credit unions, however, it was noted that credit unions were not viewed as being as sophisticated as banks and therefore this could impact on the type of individuals likely to use each service.

2.3.3 Customer Service

As well as positive links to loyalty conveyed through the common bond, credit unions also achieve a competitive advantage and the opportunity to differentiate themselves from other financial institutions by the values and culture offered (Grube, 1996). This is supported by Datamonitor research (2008), which highlights the importance of achieving competitive advantage using excellent customer service through call centres. With the banking industry currently facing increasing numbers of challenges it is essential to maintain high levels of customer service – a factor which has been a key differentiator up till this stage (Datamonitor, 2008). Schuurmans (2009) identifies the member-centric nature and focus of credit unions as being a key distinguishing feature of their success. The tradition of a small, tightly knit community with a credit union run by volunteers, whilst having the advantage of being able to offer a much more personalised style of customer service, however, may have the disadvantage of not being able to afford to purchase appropriate systems or train staff to a level that would be expected and therefore as credit unions are working towards this new style of development as detailed by Jones (2006) it is key that all aspects of the credit union need to move at the same speed to ensure consistency and the recognising and meeting of expectations.

The competitive advantage potentially offered to credit unions through the statutory use of the common bond theoretically enhances trust, loyalty and reputation. This research will seek to provide evidence for this as it analyses the key research questions of who uses credit unions and why they are used. This literature review will explore the value placed on intangible assets including the quality of customer service and product knowledge. It is believed that there are clusters within the membership base formed because of the perceived purpose of the credit union by the member and the desired reasons for use. This data will provide a more detailed insight into the members of credit unions and the purpose for use, which in turn could potentially be used as a marketing tool to both attract new members and retain existing ones.

2.4 Target Membership

The target market of a credit union is clarified by Goddard et al., (2002) who confirmed that

> *"membership is open to all within the accepted common bond of association who can make use of its services and are willing to accept the corresponding responsibilities*"(Goddard et al., 2002: 2328).

This view is confirmed by ABCUL (2002) who outline that a credit union exists to serve the "*broader community, regardless of status*", (2002: 1). As has already been outlined, members have an equal right to vote (one vote each) and therefore are involved in the decision-making process.

In the UK, perhaps due to their origins and therefore the potential membership base and strong links to work amongst the financially excluded, credit unions have earned themselves the nickname of the 'poor man's bank', an image clearly portraying negative connotations for both its members and the potential membership (Jones, 2008). This theory is supported by the work of Hyndman et al., (2002) who suggests that the target market of credit unions is to serve the *"financial service needs of disadvantaged communities and individuals, many of whom have been abandoned by mainstream banking"* (2002: 1). This is acknowledged by Fuller, (1998) who confirms that credit unions are provided to serve financially excluded consumers. Jones (2008) however believes that an existence of UK credit unions under the shield of the "poor man's bank" may only exist to alienate the poorest in society. It is argued that a credit union needs a mix of members to ensure that the lending and saving cycle can be maintained and to lend to such a degree that a surplus of interest repayments can be made to ensure that a dividend can be paid to savers and thus attract a different style of customer

Using LCCU as a case-study, this research study will seek to prove that whilst undoubtedly many credit unions will have a proportion of the financially excluded as its members, who are unable to access mainstream financial services and sources of credit, it is argued that this will only be one segment of its members and that there will be other segments present to ensure the continuation of the UK credit union movement.

2.5 Governance

Governance of a credit union is the accountability to all involved stakeholders – from members to management, from peripheral participators providing resource to regulators (Hyndman et al., 2002). This supports the work of Johnston, (2004) who highlights that governance is more than merely correct compliance and concludes that the key to a successful credit union is good governance with the cornerstone being transparency, accountability, oversight, diversity and training.

Evans et al., (2006: 8) illustrate the support network provided to members on a local, national and international level and this is illustrated in Figure 2. WOCCU maintains that this multiple advocacy is about the movement maintaining one voice – local level credit unions have most support at national level if they speak with one voice – as with a national voice to represent at international levels.

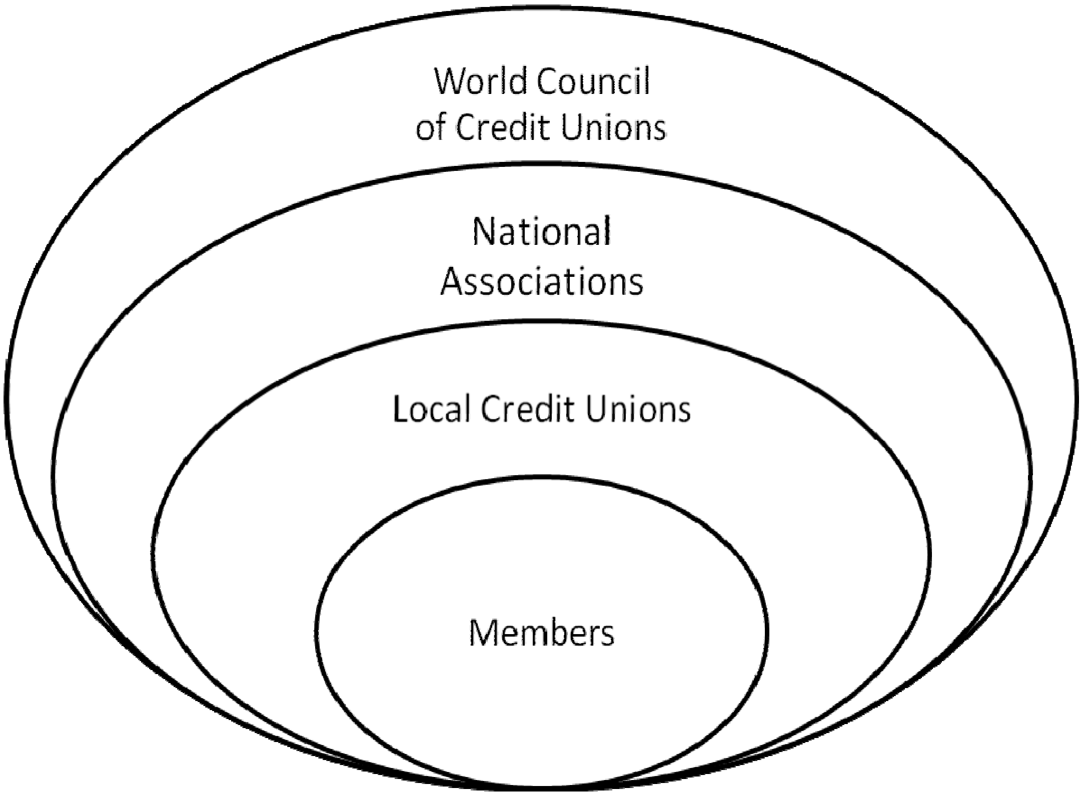

Figure 2: Credit Union Governance Structure

In addition to advocacy of governance at national and international levels, Evans et al., (2006) highlights three areas of governance within the local credit union and this is supported and developed by the work of Johnston (2004):

1) Corporate (external) – responsibility to the public and members including full financial disclosure and transparency. There is a need for external audits and legal and regulatory requirements.

2) Collective (internal) – internal democratic processes. Responsibility and accountability of the board, management and staff. Fiscal responsibility, continuity issues.

3) Individual – individual board and committee members ie. on integrity, code of conduct and conflict of interest.

Whilst members are central to the credit union process, ABCUL (2010_1) establishes that the Board has a legal responsibility for the governance of these financial institutions and the responsibility and decisions made should filter down and involve all stakeholders. This is supported by the Ministry of Commerce (2005) who confirm that trustees are responsible for all property and for the prudent management of the credit union.

2.5.1 Regulatory Structure in the UK

Initially, in the UK, credit unions were registered by the Registry of Friendly Societies, with supervision being provided by the FSA on a non-statutory basis. In 1999 UK credit unions were brought under FSA rule through the regulatory scope of the Financial Services and Markets Act (Davies, 1999), putting the members of credit unions in a similar position to the customers of other financial institutions. Currently credit unions are at a governance cross roads with suggestions that the FSA should place more of an emphasis on detailed credit union reporting so that it is in line with the reporting of other financial institutions. This is needed to maintain confidence in the movement, which is required for stability and growth, but there is also concern that if credit unions are becoming more professional and a more direct competitor to core financial service providers then they should be subject to the same style of governance that the banks and building societies are.

Hyndman, et al., (2002) identified that weak reporting was found in UK credit unions with a mixed quality of annual reports and therefore the potential for inefficiencies, fraud and a lack of focus on member interests. The FSA (2007: 1) also highlight that many credit unions suffer problems due to failures within the corporate governance of these institutions. Their findings are summarised as:

1) The Board is responsible for good corporate governance and each member has a role to play
2) The Board should be clear about the roles and responsibilities of all key role holders
3) Agree clear, written roles and responsibilities for Supervisory/Internal Audit Committees. Frequently review the work of this committee and that of the General Manager
4) Ensure that only people voting at Board meetings are those who have been elected on the Board
5) Avoid any dominance by one or more individuals
6) Give all officers, especially new appointees relevant training plans and implement them

This is supported by the work of Garner and Arnold cited by Johnston (2004: 13) who conclude that good board governance includes the Board: determining strategic direction; speaking with one voice to stakeholders; delegating operations authority to the CEO; with management having clearly defined and communicated roles; with all being accountable; timely monitoring and reporting of performance and compliance; open and full disclosure; integrity is key; professionalism at all times; and CEO and management performance is linked to strategy.

2.6 Conclusion

This section has sought to provide an overview of the UK credit union movement. It has reviewed the nature and purpose of credit unions, including the not-for-profit model that has been used as the foundations for the organisations seen today. The purpose of the movement has also been reviewed. Developing this further to understanding the product offering provides an insight into who the potential users of credit union are and their reasons for usage.

These foundations were used to gain more understanding around the common bond as this defines the potential membership and dictates the target market. Clearly an employer-based common bond will have a clearly defined target audience – employees of a particular company – who will have different financial requirements to a community-based common bond or a wide live and work style of common bond. Understanding the potential target market of a credit union as defined by the regulatory common bond will guide the strategic direction of individual credit unions, particularly in terms of the product offering. More information about the target market of LCCU is explored in section 5.2.5.

Reputation was also considered. Perceptions can be difficult to change so it is crucial that credit unions develop a suitable reputation for their target audience within the common bond, for example the perception of a credit union being only for the financially excluded may backfire in an employer based credit union as it may serve to dissuade the target market from joining. A correct understanding of 'who' the credit union customer is and why will assist in the development of an appropriate reputation, however, this is built up over time.

The nature and responsibility of governance has also been reviewed. Understanding how a credit union operates, for example with its volunteer board of directors and member involvement on several levels including as staff and customers, as well as having legislative responsibility to the Financial Services Authority is essential to this thesis as it provides the reader with the knowledge required to understand the topic generally, prior to the case study application. It may also assist the reader in understanding why some approaches and strategies may have been discounted at an early stage in the research due to the philosophy and nature of the movement, for example, the statutory nature of the common bond.

As credit unions are such a niche type of financial services provider it was important to present the fundamental concepts of the concept prior to the bulk of the previous literature being considered because this Chapter illustrates just how and why credit unions differ from UK mainstream financial service providers, for example, the banks and building societies. This background demonstrates the uniqueness of the credit union concept and potentially indicates why there is a research gap present. Typical profiling from mainstream providers will not adequately explain who the users of credit unions are and why.

Now that credit unions have been set in context, Chapter 3 will examine the history and development of the movement to provide more understanding as to how and why these services were established and their initial goals. Chapter 3 will also examine the future for UK credit unions.

3 History of the Credit Union

3.1 Introduction

Due to its niche style of financial services provision, Chapter 2 has put credit unions into context as to what its purpose, structure and product offering is. Understanding this provides an insight into the needs and requirements of the current membership and appreciating the background to the movement provides greater insight into the profile and characteristics of users of the credit union and their reasons for use.

This Chapter will develop the background provided in Chapter 2 in more detail however it will take a different approach and will study the history of the movement by tracing the origins of the credit union from its initial beginnings to the present day.

Key phases and individuals in credit union history will be examined as this will shed light on why credit unions were established, including the role they were expected to play and the purpose they were designed for in order to serve their customers. This will provide the background setting for the movement to this research as well as an insight into why customers historically have chosen/were driven to join a credit union and the prevalent attitudes and beliefs surrounding their initial purpose. This will then feed into the expected findings as outlined in Chapter 6.

The present situation will then be reviewed and this will demonstrate where the movement is at now in terms of goals and objectives, including the position of credit unions in helping to tackle financial exclusion. This provides insights into why individuals join credit unions now and will be an indicator of their attitudes and the products and services that are expected through the customer base that is served. This will then lead into an expectation of credit unions of the future, including the expected positioning of the movement and potential merger strategies.

Factors affecting the growth of credit unions will also be examined. In identifying reasons encouraging or discouraging growth, trends of significantly affecting factors will be highlighted which may shed light on customer behaviour and attitudes and therefore assist in understanding why credit unions are used.

Finally there will be a brief review of international credit unions including the key factors of success which have helped credit unions develop and grow. This will highlight areas of improvement required within the UK to attract new customers.

3.2 History and Development of the Credit Union Movement

3.2.1 Movement Origins

There are several key influencing factors surrounding the initial awakening of the credit union movement, most notably the breakdown of feudalism which resulted in the development of co-operative type ideals and the end of the Industrial Revolution which left a need to restore a sense of community (ABCUL, 2002). These stirrings first appeared in England in the 1840s, when co-operatives were formed by working class groups to enable them to help each other through economically difficult situations. One of the most successful of these co-operatives was the Rochdale Society of Equitable Pioneers (White Crown Federal Credit Union, 2004). This group established key principles including open membership; democratic control; limited interest on share capital; and the returning of profits to members. These groups were to form the foundations of credit unions not only in Europe, but across the world and the initial principles are still prevalent among credit unions today (ABCUL, 2002).

About this time, ideas were also being developed in Germany (HM Treasury, 1999). Following a crop failure and famine, Herman Schulze-Delitzsch introduced the concept of a co-operatively owned mill and bakery and then later developed this to include the notion of credit (National Credit Union Administration, 2004). This led to the development of the first co-operative credit society in 1850 with the introduction of a ‘people’s bank’, where membership was open to “*worthy seekers after credit not limited by any one occupation or class*”, (ABCUL 2002: 5) and where democratic control and member participation was key. Schulze-Delitzsch’s ideas were further developed in Germany by Friedrich Raiffeisen who introduced a society to assist farmers in purchasing goods and equipment on credit (National Credit Union Administration, 2004). ABCUL (2002) and Ward and McKillop (2002) record the establishment of the first credit union of Raiffesen in 1849, followed by another in 1854 and highlight that they were based on principles of Christianity and brotherly love established amongst farmers in small parishes in contrast to the work of Schulze-Delitzsch which focused on urban workers and shopkeepers in large and economically viable areas. Ward and McKillop (2002) also indicate that the credit unions established by Raiffeisen grew at a faster rate than those of Schulze-Delitzsch.

By 1900, the credit union concept had spread to India and also to Canada (HM Treasury, 1999), where in Quebec, Alphonse Desjardins developed ‘La Caisse Populaire de Levis’, an organisation designed to provide relief for the working class population against loansharks who were charging extortionate rates of interest on loans. His co-operative style banks were viewed as regular financial organisations (ABCUL, 2002). By 1909, Desjardins had launched the first credit union in the United States – St Mary’s Cooperative Credit Association for Franco-American Catholics (National Credit Union Administration, 2004). Meanwhile work continued in the US and the Massachusetts Credit Union Act was passed in April 1909, thanks to prominent individuals including Edward Filene, a merchant and philanthropist, and Pierre Jay, the Massachusetts Banking Commissioner, forming the basis for state credit union laws and the Federal Credit Union Act (National Credit Union Administration, 2004). Growth at this time was still slow in the UK (Ward and McKillop, 2002).

By 1934 the purpose and advantages of credit unions were being noticed by higher powers, to such an extent that President Roosevelt made the Federal Credit Union Act law in order to "*make more available to people of small means, credit for provident purposes through a national system of cooperative credit*" (National Credit Union Administration, 2004). Despite debate over who would have regulatory control over this it went to the Farm Credit Association, however this authority has shifted over time. Through the Great Depression, the treasurer of one US credit union commented that: "*Credit unions are not for profit, not for charity, but for service*" (Credit Union National Association, 2004), a fact that still remains true today.

Slow growth of credit unions in the United States led Filene to employ the Massachusetts attorney Roy Berengren within the Credit Union National Extension Bureau so as to ensure that there were effective credit union laws in place. In 1934 there were 2,500 credit unions under different state laws and credit union leagues in 13 states (Ward and McKillop, 2002). These statewide leagues were developed to provide legal and financial advice, however it was believed that one organisation should replace these and this led to the establishment of the Credit Union National Association (CUNA), (Credit Union National Association, 2004).

Development in America is contrasted to the development of credit unions in the UK which by 1964 had two credit unions – in Derry and London, with others beginning but failing to become established before this period. There is also evidence of initial UK credit unions in Wimbledon, Highgate and Hove (ABCUL, 2002).

Continued growth of credit unions through the middle of the 20th century resulted in US membership of over six million people in over 10,000 federal credit unions. The result of having all these additional members meant that much of the 1970s were spent improving the product offering and expanding the range of services offered, including share certificates and mortgages. Following these changes, there was a massive growth explosion. In the US alone during the 1970s, credit union assets more than tripled, to over $65bn and the number of members doubled (National Credit Union Administration, 2004). By 1978, HM Treasury (1999) concluded that there were 44,373 active credit unions across the world.

In the UK, the introduction of the Credit Union Act of 1979 resulted in credit unions having to register with the Registry of Friendly Societies with a suitable common bond and rules (ABCUL, 2002). HM Treasury (1999) confirms this by citing that credit unions must be registered and regulated by the Register of Friendly Societies under the Industrial and Provident Societies Acts of 1965 – 68 and the Credit Union Act of 1979 (1999: 1). Following this Act, 59 credit unions were affiliated to what would later become ABCUL, (HM Treasury, 1999).

Deregulation in the US in the 1970s affected the products and services that a credit union could offer however levels of flexibility were found in reduced restrictions in the common bond regulations which thus resulted in more mergers producing larger credit unions (Goddard et al., 2002). By 1982 the US government had also allowed multiple common bonds which resulted in significant growth (Leggett and Strand, 2002). Goddard et al., (2002) presents two schools of thought regarding the numbers and size of the mergers – firstly, that growth is facilitated by industry size, regulation etc. and secondly, that it is due to natural sizing. Grace (2006) highlights that there are now decreasing numbers of credit unions in the US and this trend is mirrored across the world due to mergers. Whilst most mergers are voluntary they occur due to: a lack of succession planning for CEOs retiring; the need to keep up with technology; and the need to offer a new product range and improve efficiency (2006: 3)

3.3 Present Situation in the UK

By 2009, WOCCU highlighted that there were 453 credit unions in the UK, including 325 affiliated to ABCUL. This is a decrease from 473 credit unions in 2008, again potentially reflecting the mergers occurring. Evidence of larger credit unions forming is shown in the increase in members of both ABCUL affiliated and non-ABCUL credit unions from 652,163 in 2008 to 788,257 in 2009 (WOCCU, 2010).

Jones (2008_2) highlights that credit union membership has increased by 170%, savings by 318% and loans by 298%. In support of the larger credit unions, Jones shows in 1997 that the average credit union membership was 377, whereas by 2007 it was 1212. In 2007 13% of credit unions had less than 200 members. In 1997 3.6% British credit unions had 2000+ members.

Credit unions however experience varying levels of success across the UK, with membership being strongest in central and west Scotland where 35% of UK credit union members live (Goth et al., 2006) against an overall UK average of around 2% penetration (WOCCU, 2010).

A new trend within UK credit unions is identified by Goth et al., (2006) and Jones (2006). Their research highlights a new “fast growth” style credit union, arising due to sponsorship and support by a local authority which is quickly developing and achieving a lot in a short space of time. Due to the links with the local authority there is a receptive target audience, assisting in the high levels of numerical growth. This leads to a greater potential to introduce efficiency and expansion on a much larger scale, leading to a broader product offering and service availability. In turn this makes the credit union appeal to a larger target audience and thus the membership base continues to increase. This is the situation realised at LCCU. Hayton (2001) offers the alternative to these fast-growing credit unions as being the traditional trade association style credit unions, which are smaller and developed as an anti-poverty initiative. They appeal to only a small target market due to the common bond and therefore cannot offer the same level of products and services that the larger credit unions can. Understanding the style of credit union presented will assist in the insight into its membership base and the profile characteristics of its users and their reasons for usage.

Table 1 compares the credit unions in Great Britain to those in the US, Europe and worldwide (WOCCU, 2007, 2010) and the decrease in the number of credit unions and increase in penetration levels supports the work of Goth et al., (2006) and Jones (2006). This trend is also seen in the US and Europe although penetration levels have remained broadly the same.

	2007	**2009**	**2007**	**2009**	**2007**	**2009**
Country	**No. Credit Unions**	**No. Credit Unions**	**Members**	**Members**	**Penetration**	**Penetration**
Great Britain	504	453	606,320	788,257	1.48%	2%
US	8,269	7,708	88,503,758	91,156,643	43.39%	44.3%
Europe	2,671	2,418	8,244,253	8,501,975	3.61%	3.6%
Worldwide	49,136	49,330	177,383,728	183,916,050	7.51%	7.6%

Table 1: Credit Union Statistics (WOCCU, 2007_7 and 2009)

The average age of a UK Credit Union is 15 years, with the average age in England and Wales being 11 years, Scotland 12 years and Northern Ireland, 23 years (Ward and McKillop, 2005).

3.3.1 ABCUL

The majority of credit unions in the UK are supported by the umbrella brand of the Association of British Credit Unions Ltd (ABCUL), which in turn is supported by the World Council of Credit Unions (WOCCU).

The FSA unaudited figures as of March 2010 (cited by ABCUL, 2010_2) demonstrate that membership, assets, savings and loans have all more than doubled recently. There are now 465 credit unions in England, Scotland and Wales, with around 870,000 members. £600 million is currently saved by credit union members with £475 million on loan. ABCUL represents around 70% of the total number of British credit unions, providing services to 85% of the British credit union membership (ABCUL, 2010_3). This indicates that non-ABCUL affiliated credit unions are smaller in membership numerical terms.

ABCUL (2004_1) highlights that between 1995 and 2005 credit union membership in the UK had tripled. There was also a dramatic increase in the shares held, for example, in ABCUL affiliated credit unions, in 1995 there was an increase from £57 million to £380 million – an increase of 600%. In this same time span the money out on loan rose from £54 million to £353 million. In 1995 the average ABCUL affiliated credit union member held shares of £439, whereas by 2005 the average was £939.

Although the credit union movement is strongest in northern England, Scotland and Northern Ireland, the growth of UK credit unions appears to be set for continued expansion. This is supported by HM Treasury (1999) that identified approximately 50 credit unions were established each year. Despite there being fewer credit unions in Scotland than in England and Wales they are generating the same level of funds (Donnelly and Kahn, 1999). Table 2 shows the number and spread of credit union in the UK.

Country	Number CUs 30.09.07	Number CUs 30.09.08	Membership 2006	Membership 2007	Total Assets 2006	Total Assets 2007
England	378	363	369,163	422,582	270,506	299,543
Wales	32	28	41,881	42,775	16,097	18,404
Scotland	122	117	222,038	229,399	218,430	230,506

Table 2: UK Credit Union Statistics, FSA (2008)

Table 2 confirms the earlier research that there has been a decrease in the actual number of credit unions and an increase in the number of members across all three countries. There has also been an increase in the total assets between 2006 and 2007. This all indicates that credit unions are growing and becoming stronger, albeit resulting in a reduction in numbers of the credit unions. McArthur et al., (1993) reports however that there has been an increase in British community based credit unions since the 1980s, making useful but marginal contributions to some of the financial issues facing low income families.

Table 2 demonstrates the strength and size of credit unions in Scotland. There is a much higher ratio of members to credit unions in Scotland than in England, although Wales has a strong number of members to credit unions, however there were only 28 organisations in Wales. The number of assets shared between credit unions in Scotland is clearly higher per credit union than those in England and Wales.

Gart (1989) asserts that there is still a threat to credit unions due to the overall size of the movement (particularly in the UK) because of the strength of other competitors, however, this is expected to lead to major membership drives, redrafting charters to broaden the customer base and offering new services to ensure appeal to new markets. Gart also suggests that the deregulation that resulted in mass change in the 1980s, whilst potentially presenting a high risk of insolvency in the wrong hands, should minimise the risk of failure generally.

British credit unions have followed a small scale model with a link between loans and savings and this has potentially lead to them being less well-established than in other countries (O'Connell, 2005). Ideally, more flexibility is needed in the lending criteria with higher interest rates and entrepreneurship to allow broad and sustained growth. In contrast to the poorly supported British credit unions, Ward and McKillop, (2002) demonstrate the success of those in America by indicating that some are now on a par with the commercial banks. UK credit unions have enjoyed more success in Northern Ireland and Scotland than in the other UK countries.

Credit unions currently pursue a range of social, educational and developmental objectives. The modern day credit union, whilst keeping close to its roots, is seeking to move away from the complexities encountered with the traditional background. Recent research (Jones, 2003) has proved that people on low incomes are enticed by factors such as accessibility, convenience and flexibility – often driving them into the arms of loan sharks who offer easily accessible, convenient finance albeit at an extortionate rate of interest. Speed and ease of access to finance is often more preferable to individuals than low interest rates. This research has also demonstrated that the customary method of saving before loans can be issued is not too attractive to some potential members. Jones (2003) cites ongoing work aimed at breaking down the barriers to borrowing at a credit union – making the process easier - for example, by reducing time lags and dealing with clients instantly or very quickly – as well as reducing the stigma that is potentially associated with borrowing. Some form of credit scoring system, although traditionally avoided, is recommended so as to make the administration of loans quicker and easier.

3.4 The Future of Credit Unions

Jones (1999, 2006) suggests a development model to ensure the survival of UK credit unions and that a more professional and business-like approach needs to be adopted. Many of the employee-based credit unions in the UK were established and existed for social goals, rather than for market-orientated expansion. They did not therefore adopt commercial standards and practices and so only captured a small portion of the savings market and focused on small value loans (Jones, 2006). Whilst this has enabled the movement to become established in the UK however, to continue to grow and become a larger presence within the financial services market the traditional model of growth through small, community-based groups will need to be completely revised.

These findings follow research that highlights the traditional model of credit unions present in Britain. These credit unions are not competitive for growth or market edge savings rates, or large loans and this model does not allow the establishment of viable financial institutions – only ones that are weak, whose survival is focused around grants (Boucher et al., 1993, Jones 2002). Restructuring with major corrections is required to ensure that UK credit unions better serve their members (Jones, 2008). International case studies have illustrated that these traditional models can be changed, however the adoption of basic business practices and radical restructuring (financial, organisational and operational) are central to a successful transition (Arbuckle 1994, Richardson 2000_1, 2000_2). Britain needs to be introduced to the new credit union developmental model (Richardson et al., 1993), a model that promotes a more rigorous approach to the commercialisation of credit unions and one which emphasises the radical restructuring of the financial and organisational management. They warn, however, that supporters of this action may face opposition from individuals believing that this is moving the credit union away from its origins and this could create a backlash of negative publicity and weaken its position as a serious contender within the financial services market.

This is supported by the work of McCarthy et al., (2000) who cite the need for central provision, and service automation as well as ensuring the representation of all members, increasing competition and regulatory and legislative changes.

Richardson (2000_1) clarifies that the new model of development is based on seven key elements to success: serving the financial needs of the population; maximising savings; portfolio diversification; operating efficiency; financial discipline; self governance and assimilation.

Traditionally, credit unions have been product led, however the initiative is being taken to develop tailor-made products with a stronger focus on the customer and their individual needs. This will lead to more appropriate segmentation and therefore more specific targeting. In contrast to many competitors within the financial services arena, a growth strategy that has consistently worked for credit unions throughout their history is that of obtaining information locally, which can then be used to assist other credit unions – thus giving the movement competitive advantage over other financial organisations. Although locals may lack banking and accounting knowledge, they can be trained in this, as their specialised local knowledge is considered more important to the movement. More credit unions are improving recruitment procedures and doing more background checks to ensure that staff are honest and trustworthy (Santovec, 2003).

Mergers are seen by many as important to success, potentially resulting in increases in member numbers (Fried et al., (1999)) however Grace (2006) highlights that whilst mergers may lead to efficiencies this will not necessarily result in new members as the quality of the management is a key determinant of success. Ralston et al., (2001) however, warns that there may also be a decline in efficiency post-merger due to the lack of ability to sustain membership and it is therefore wise to consider different ways to help customers, for example moving branch customers to the internet to reduce costs (Katuri and Lamb, 2007).

3.5 Factors Affecting/Impeding Growth of Credit Unions

There are two key ways to judge the growth of a credit union – defined by the growth in membership or total assets (Goddard et al., 2002). They cite several key determinants of growth, which may be affected by a variety of factors including the mixed objectives and needs of members (ie. loans or savings), the range of product portfolios, especially with regard to new product areas, the experience and the quality of management offered. Research recently conducted among US credit unions has suggested that in general, large credit unions have grown faster than their smaller counterparts (Goddard et al., 2002). It is argued that this growth is not random and may be strongly influenced by factors such as age of the credit union, profile, scope for membership growth, charter type and the financial structure and performance. However, an alternative school of thought is also cited in which increases in industry concentration may emerge naturally and therefore growth can be random and unsystematic.

It is widely acknowledged that the growth of UK credit unions has been slower than progress made in other counties globally (Goth et al., 2006; ABCUL, 2007_2). There are several theories as to the reasons behind this slow progress. McKillop and Wilson (2003) believe that the often volunteer-run nature of UK credit unions result in them running at a much slower pace to an organisation with paid employees and hence the development model proposed by Jones (2006) is critical to long-term survival.

The perception of credit unions being only for the poor may also have hindered progress (Jones, 1999). It is ironic that to function, credit unions need individuals from across the financial spectrum – poor, wealthy and those in between, as only with customers needing to borrow and customers needing to save will the lending cycle continue and thus promote the success of the organisation.

The credit union movement has grown at different rates and for different reasons over the decades since its conception. This next section will review significant factors impacting on (either positively or negatively) the movement, thus providing an insight into potential reasons for credit union usage and reasons for joining the organisation.

3.5.1 Product Offering

One crucial element affecting the growth of credit unions is the product offering as this affects the membership profile and the reasons for use. An expanded line of credit offering resulted in a recent expansion in South American credit unions (Brink, 2007) and the range of services offered is cited as a factor affecting growth by the Northern Ireland Assembly (2008). However, as well as being a factor contributing towards growth, the product offering may also hinder it as Dayson (2004) indicates through the additional costs and management required in servicing higher risk groups, particularly on the loan accounts and also the perceptions provided by the offering of a particular product or service.

Jones (2008_3) explores the offering by credit unions of regulated accounts in the UK, with 7% offer CTFs, 8% offer ISAs and 64% offer/plan to offer current accounts. This is bringing credit unions in line with mainstream competitors in the financial services market and whilst it is generally viewed as a positive step it means that because the products are regulated by the Financial Services Authority the credit unions are subject to additional returns and more stringent regulations with fines enforced for non-compliance which may hinder the smaller providers, run by a team of volunteers, from being involved.

By 2010 there has been steady credit union development and there are over 10,000 junior savers in the UK, with 24 credit unions in the UK offering current accounts and some offering mortgages, ISAs and insurance products.

3.5.2 Strategic Vision

Without a doubt the strategic vision and focus of both credit unions individually and as represented through trade bodies will impact on growth rates. One of the success factors attributed to the growth of Scottish credit unions is the strong Irish links, with the strong vision and strategy that these links bring (Donnelly and Kahn, 1999).

Inappropriate development models being followed are also cited as a strategic reason for poor growth (Donnelly and Kahn, 1999, Ryder, 2007, Dow, 2007), for example, the pursuit of small, volunteer-led organisations in contrast to the large-scale professional models often promoted (Jones, 2006). This is supported by Dayson (2004) who concluded that credit unions that think small stay small and have a focus on the financially excluded, in contrast to the larger groups which focus on driving the movement forward with a professional focus. This may be shown by a united front in the form of trade body affiliation, without which growth may be hindered (Ryder, 2009, Sibbald et al., 2002, Ryder, 2007).

Strategic mergers and take-overs also have strong impacts of growth (Fried et al., 1999, Ward and McKillop, 2005) and may create economies of scale (Baker, 2008), with Baker highlighting that in the US larger credit unions grew faster than smaller ones, with younger ones tending to outgrow the older ones.

3.5.3 Legislation

Changes in legislation will affect the growth rate of credit unions and may potentially widen the movement's reach (Ward and McKillop, 2005, Tulus, 2006, Sibbald et al., 2002) or hinder it, for example through the restrictiveness of the Credit Union Act of 1979 (Ryder, 2007, Goddard et al., 2002). Restrictions placed on the common bond also either hinder growth (Ryder, 2009) or assist it (Leggett and Strand, 2002) with the introduction of multiple membership groups in the US from 1982 which hindered growth due to higher operating costs.

WOCCU highlights that current UK credit union-related legislation is among the most restrictive in the world. Progress is being made however, and in 2006, Ed Balls (then the Economic Secretary to the Treasury) announced a review of the related legislative framework. As a result of this there were two pieces of legislation introduced, firstly the Industrial and Provident Societies and Credit Union Act 2010, which will relax the common bond, allow the payment of interest (rather than dividends); and allow credit unions to serve groups and corporate bodies. Secondly, the Co-operative and Community Benefit Societies and Credit Union Act 2010. This applies the Company Directors Disqualification Act to credit unions and allows for relevant Building Society legislation to be applied (ABCUL, 2010_4). These two reforms are expected to take place in late 2010 or early 2011.

Credit unions are high on the government's agenda and the new coalition government wants credit unions and the Post Office to work together better. They recognise the importance that credit unions have in increasing revenues and making the Post Office more sustainable (ABCUL, 2010_4)

3.5.4 Reputation

Dayson (2004) cites one factor impeding growth as being reputation. Using the city of Leeds as well as LCCU as a case study, he explores the negative impacts that the portrayal of credit unions as a "poor man's bank"creates. This results in a lasting image that is difficult to shed and affects the type of clientele that the Credit Union attracts. This perspective is supported by Waugh, (2008).

Whilst it appears that there are many contributing factors to the growth (or lack of) within credit unions, there is no one most important factor, rather it depends on the different mix of contributing factors and the situation at that time as to how these factors will affect the growth of the credit union.

3.6 International Comparisons

Understanding why credit unions have been particularly successful internationally can be useful to gain an insight into the reasons for usage, motivations for joining a local credit union and consumer attitudes. These findings can then be narrowed down to a national level in order to discover how and why credit unions are used in the UK.

Credit co-operatives are an important part of the financial services sector across the world (Bauer, 2008). Goddard et al., (2002) acknowledge that whilst credit unions have a common philosophy and history, there are many differing variables that will impact upon their success rates. They suggest, for example, that growth of credit unions in the US was affected by deregulation, which impacted upon the products and services on offer and reduced restrictions on the common bond, mergers, competition and regulatory change. This has resulted in credit unions in the US being more advanced and sophisticated than in other countries, for example the UK or the Republic of Ireland (Ward and McKillop, 2002).

Ward and McKillop (2002) conclude that growth of credit unions within the UK has been patchy and that whilst those in Ireland are of a similar age, Irish credit unions have been subject to a better regulatory framework and legislation and more advanced support than those in the UK. They have become an intrinsic part of life (McCarthy et al., 2000). Ward and McKillop (2002: 36) cite poor UK growth as being due to: no key personality to lead the UK movement, for example no Filene or Desjardins; not as much initial government support (although this has increased in recent years); and the presence of several different trade associations, with the main one being ABCUL.

This is not to conclude that just because the credit union movement has been stronger and faster growing in other countries this is the ultimate solution. Irish credit unions are currently dealing with an ageing membership - a membership that is demanding a broader product range. They must ensure that they retain their unique positioning so that they can remain strong for the future (McCarthy et al., 2000).

Strong governmental support may be a key theme to the movement's success internationally as is evidenced by Kaupelyte and McCarthy (2006) in their comparative research between Irish and Lithuanian credit unions. The recent rapid growth in Lithuanian credit unions can be attributed in part to the strength of governmental support. In contrast, however, O'Connell (2005) concludes that despite wide governmental support, UK credit unions are still not yet widely established. O'Connell cites several reasons for this, in particular the inappropriate development model frequently used in the UK and the weak/forced community links of the common bond.

3.7 Conclusion

Building on the general background and context piece presented in Chapter 2, this Chapter has provided an insight into the history of the credit union movement. This has led to an understanding as to the initial profile of the credit union user – due to the co-operative style and the timings and reasons that the credit unions were established illustrates that typically the credit union was very much a community-based operation with a strong emphasis on helping others as a key service offered. It is implied that primarily they were established for those on low incomes as the type of help provided would not be required by the middle classes. This also demonstrates why users first joined the movement.

This membership profile has then been traced to the present day and across much of the UK credit unions appear to be lagging behind international credit unions in terms of growth. Jones (1996, 2006, 2008) argues that to be able to experience the type of growth that international credit unions have had there needs to be a revision of the current strategic model from one with the "poor man's bank" image to a more professional outfit with an improved and more suitable product offering. Changing the UK movement to this strategic vision would result not only in a wider product and services offering, but it would offer the opportunity to enhance the reputation of the credit union. This in turn would move its appeal and reputation as being for the financially excluded to a more mainstream financial services provider. Having a fuller understanding as to exactly who uses a credit union and why they use it will enable an overall membership profile to be developed and this can then be used as the basis for a strategic development for growth of the credit union.

Several key reasons are cited for the poor UK growth (particularly within England and Wales) including: location, as some areas (for example Scotland) have been proven to be more successful; misconceptions about the movement and its target market; and a product line that is not developed enough to appeal to those currently with mainstream financial services providers (Brink, 2007, National Credit Union Administration, 2004). The over-arching solution appears to be that of developing the more professional outfit with its strong and advance reputation; its expanded product offering and its move of target market as (often) being for the financially excluded towards the larger savers, the ethically minded and those looking for an alternative and different but naturally a viable and professional financial services provider.

Understanding the profiling characteristics of the users of credit unions and their reasons for use are intrinsically linked to the development and future of the credit union movement as it is this that has defined the current membership base and potential target market. Thus it is important to identify where the credit union movement has come from; where it is now and what its future direction is likely to be, because this will impact on the users of it and will also steer the future product and service offering. Understanding the existing customer base and the appeal to the target market should direct these future offerings and drive a long-term strategic vision to ensure that credit unions have a place in the future of the financial services market and that their appeal and reputation gives them a solid foundation for future years.

4 Background to Financial Services

4.1 Introduction

This Chapter forms the final part of the literature review supporting this research. The first part of the Literature Review, presented in Chapter 2 has provided the reader with a greater understanding of the credit union movement to provide the context and setting on a basic, practical level and the second section, within Chapter 3, has provided a more historical and theoretical overview of the movement, designed to provide further insight into credit unions in context by reviewing their past, present and future. Both of these Chapters have presented the credit union related literature in relative isolation to other types of financial services providers and therefore this final Chapter within the Literature Review will examine the place of credit unions within the financial services arena. This will provide the final segment of research required to provide an insight into the expected outcomes of the overall research questions discussed in section 1.5 and will illustrate the niche position that credit unions occupy. Having a fuller understanding of the UK credit union movement and its situation within the financial services market will assist in understanding the previous literature surrounding firstly the profile characteristics of credit union users and secondly their purpose of use.

As well as setting the UK credit union movement in the context of this sector and to understand the available literature considering the users of financial services (specifically credit union users) and their financial behaviours, this Chapter will firstly consider relationship marketing. This will lead to a review of the profiling characteristics of the financial services consumer generally and then with a focus on the previous literature specifically around credit union users. The different variables available to segment consumers are considered and key findings discussed, and this will form the largest section of this Chapter. Incorporated within this there will be an examination of consumer behaviour, incorporating buying behaviour and the decision making process. The Engel-Kollat-Blackwell model (Engel et al., (1995)) will be reviewed as a core theory of consumer behaviour within the decision making process. It will review the various stages that a customer goes through when making decisions and will relate to financial services where applicable. Understanding customer behaviour by users of financial services (and specifically of credit unions) will shape the second general research question investigating why credit unions are used.

Understanding the previous literature in terms of who uses financial services (and specifically credit unions) will be used to shape the research questions and assist the researcher in anticipating the expected outcomes for the first general research question outlined in section 1.5 as to who uses credit unions. Chapter 7 develops the potential techniques that will be used in this research further. As this research uses a case-study example of LCCU, Chapter 5 will provide more detail on LCCU to assist in the development of expectations as to who uses LCCU specifically.

In addition, related studies undertaken within the previous research will be outlined and considered to assist with the shaping of the specific direction of this work. This will provide assistance in the selection of techniques for use in this study and also act as reassurance that analysis of segmentation and consumer behaviour has been studied in such a way with similar techniques and methodologies.

Understanding who the users of credit unions are and why credit unions are used will assist closing a gap in the available literature and will lead to an increased knowledge into these unique financial services.

4.2 UK Financial Services

4.2.1 The Development of Financial Services in the UK

Over the last 30 years, there have been huge developments within the financial services arena with more changes in the last two decades of the 20th century than in the last two centuries of banking history (Turner, 1996, Howcroft, 2000, FSA, 2000). These changes were previously noted by Ennew, et al. (1995:1), who suggested that before the early 1970s:

> *"…the market was characterised by functional demarcation and regulatory restrictions, the results being limited competition both domestically and internationally" (1995:1).*

The UK Financial Services Act of 1986 also played a major role in defining the avenues available to financial institutions, for example, in 1968 the National Westminster bank was the UK's largest clearing bank with a heavy focus on traditional retail banking.

Developments over the last 40 years have led to an increase in product and price competition and therefore a movement towards product innovation to retain a stake in the market. The concept of marketing financial services has also been introduced, along with the move to a more user-friendly and customer-centric market. Financial service providers have also seen an expansion in the number of consumers, with impacts including the increased numbers of women in the workforce; demographic trends; changing attitudes towards consumer credit; and government privatisation policies (Burton, 1994).

4.2.2 Key Factors in the Development of Financial Services in the UK

Turner (1996: 30) illustrates the recent history of banking within three stages – firstly the age of cartels and assured profits moving secondly towards the dawn of competition and finally the age of efficiency producing profits by cost cutting and moving towards low risk profits.

Many factors have contributed to these changes within the UK financial service sector resulting in financial services now being a mass market industry, with 93% of British households being financial consumers to some extent (FSA, 2000). These include most notably: deregulation both within the UK and the US markets, which removed the boundaries traditionally in place between different sectors of society and created lower barriers to entry within the financial services industry, thus increasing the amount of competition present in the marketplace (Howcroft, 2000, FSA, 2000, Harrison, 2000). Technological advancements have increased the pace of the industry and more customer information is available which can then be used for more specific targeting and segmentation (FSA, 2000, Howcroft, 2000, Turner, 1996). Technology has also changed product delivery, for example, through the increased and widespread use of the internet (Jayawardhena, 2000, Howcroft, 2000, FSA, 2000) and has supported trends moving towards wider globalisation (HM Treasury, 2005, HM Treasury, 2004, Howcroft, 2000).

UK financial markets have been shaken to the core in more recent years with the debt crisis caused by the recession of the early 1990s (FSA, 2000) and the banking crisis at the end of the first decade of the 21st century (Hall, 2008, Elliott, 2008). With the most recent episode it is too early to assess its full impact; needless to say major changes are underfoot.

Howcroft (2000) suggests that these various changes in the financial services area have led to the development and presentation of two extremes – firstly the development of large, financial conglomerates due to economies of scale and secondly the development of small, financial institutions, each with a focus on one particular target.

Since the recession at the end of the first decade of the 21st century, ethical investments have increased by a third. There has also been a 21% increase in credit union deposits and a four-fold increase since 1999. Total ethical investment has grown by 34% to £19.2bn from £14.3bn in the previous 12 months (ABCUL, 2004_1).

4.3 Current Market Situation

Towards the end of the first decade of the 21st century the UK financial services markets were rocked and thrown into turmoil (Martin and Milas, 2009). They highlight that the origins of this crisis were attributable to several factors including a loose monetary policy, particularly in the

US, for example, through interest rates being too low (Taylor, 2008). This led to a rapid rise in property prices, fewer defaults and an overpricing of mortgage-backed securities. Secondly, global imbalances drove the interest rates of the US and other developed economies (Bean, 2008, Morris, 2008). A third factor was the loose financial regulation (Borio, 2008) and fourthly the levels of liquidity led to rapid innovation and excessive risk taking, (Martin and Milas, 2009).

The combination of these factors led to meltdown. In 2007 the US subprime crisis began spilling into UK financial markets (Hall, 2008). Until 2008, the UK financial sector had experienced prosperous times, with falling unemployment, rising house prices and a relaxed lending criteria on finance, when in 2008 there was a shortage of credit. This abruptly halted the housing market and devastated key banks, resulting in borrowing becoming more difficult and more expensive (Elliot, 2008).

As a result of this crisis the government had to provide massive bail-outs to stabilise banks (Hall, 2008), resulting in the nationalisation of key institutions including Northern Rock, the Royal Bank of Scotland and Lloyds Banking Group. Banks were hit harder than initially thought and at the time of writing the "credit crunch" is expected to last for at least several years (O'Grady et al., 2008). The effects of the "credit crunch" has shaken the whole UK economy and gone much further than just affecting financial services. Now in 2011, unemployment numbers are still on the increase and ripple effects of the recession - potentially a double-dip recession - can be evidenced throughout the economy.

4.3.1 Credit Unions Within the UK Financial Service Market

Whilst credit unions are a very small part of the financial services sector they are classified as monetary financial institutions (Bank of England, 2008) and therefore fit within this market.

Despite much government support, credit unions have only achieved approximately a 1-2% share of the consumer credit market in Britain (Donnelly and Kahn, 1999, WOCCU, 2009) in contrast to 45% of the Irish market and more than 20% of the Canadian market. This is supported by the work of O'Connell (2005) who highlights that despite only approximately 1-2% of the British population being credit union customers, 50% of the Irish population are, 25% of Americans and 70% in some areas of the Caribbean. The Northern Ireland Assembly (2008) estimates a slight rise in British market penetration from less than 1% to 1.48% in 2007 and credits this transformation to the new model of development and the seven doctrines of success (detailed in section 4.3.2.1). Credit unions in the UK however are becoming more established and prominent and are starting to gain a more prominent position alongside the banks (Jones, 2001, Feinberg, 2001). Whilst in nine years there has been a slight increase in penetration levels, it is still a long way below levels exhibited by other countries and it is argued that UK credit unions have continued in the traditional way of small, community-based credit unions for too long and therefore it will take a number of years to change the image and reputation to the general public. It would be expected then, that should a sizeable number of credit unions adopt the more professional stance, in another decade the penetration levels would be considerably higher.

Ward and McKillop (2005) estimates that credit unions control 16% of the German banking market, 29% of the Italian markets, 32% of Austrian, 40% of French and 7% of USA (however it is estimated that credit unions are used by 35% of American households).

In putting the UK credit union movement into context, Table 3 compares key details of UK banks and building societies with credit unions. Whilst it is clear that banks dominate the industry, credit unions do have a size of market share.

Type of Institution	Regulatory Framework	Core Products	Number of Institutions in UK	Money Involved
Banks	Most supported by British Bankers' Association. Key legislation: the Banking Act 2009	Profit making with a full range of banking and financial service products	Over 200	Contribute £50bn annually to UK economy. November 2011 responsible for £8bn of new mortgages, £7bn new credit cards and £1bn of personal loans.
Building Societies	Most supported by Building Societies Association. Key legislation: the Building Societies Act 1997 and the Financial Services and Markets Act 2000.	A mutual organisation offering a range of services including mortgages, loans and deposit taking	47	Total assets of £330bn
Credit Unions	Many affiliated to ABCUL.	A mutual organisation offering a range of services but primarily savings and loans	480 accounted for by WOCCU	Over $1bn USD in savings and nearly $800m USD in loans

Table 3: Financial Service Provider Comparison (British Bankers Association, 2011, WOCCU, 2010, Building Societies Association 2011).

4.3.2 Financial Exclusion

Despite their mass market appeal, it is estimated that 7% of British households have no financial products at all and therefore are completely financially excluded and a further 20% on the margins of financial exclusion, potentially resulting in additional exclusion in other fields (FSA, 2000).

4.3.2.1 Credit Unions and Financial Exclusion

The UK government wants credit unions to broaden their membership to do more in the work against financial exclusion (Jones, 2008). Credit unions are believed to be a vital and significant tool in the war against financial exclusion and can offer an appropriate range of products to suit the needs of financially excluded customers, for example, the promotion within credit unions of a not-for-profit loan scheme at a higher rate of interest to improve customer credit ratings and allow them to build good behavioural patterns thus helping the financially excluded take steps into mainstream financial services and access credit without being subject to extortionate rates of interest (Dayson, 2004, O'Connell, 2005, Samaad, 2008) and the recently implemented banking services project, enabling the financially excluded to access mainstream banking using a current account (Jones, 2008). The importance placed on helping the financially excluded through credit unions is also confirmed by Jones (2008) who highlights that the reason for the establishment of many credit unions is as an anti-poverty initiative, which has attracted political support in the fight against financial exclusion. This image however has had a negative impact on the credit unions and Jones concludes that in order to survive, the present day credit union needs to offer a different style of service to that offered previously:

> *"From 1999 onwards the Association of British Credit Unions (ABCUL) abandoned its traditional approaches to development based on small common bonds, volunteerism and informal collective action. It recognised that this only led to the creation of weak, ineffective organisations that lacked the professionalism and capacity to serve low income communities effectively"* (Jones 2008: 2142).

As outlined in the earlier chapter Jones (2006) concludes that the ABCUL focus is now on robust business planning, suitable premises, introducing IT and employing staff. Seven elements or doctrines of success have been developed to ensure that credit unions appeal to middle classes and these are: savings maximisation; product diversification/range; operating efficiency; financial discipline; self governance; assimilation with a focus on financial inclusion including basic banking; and education and money advice.

Jones (2008) argues that credit unions promote the ideals and ethos to help to provide key tools to help promote financial inclusion. This is supported by ABCUL who explain that credit unions help to combat financial exclusion by providing: a solution based on self help and not state handouts; community owned, community based solutions; a social framework, aside to the financial framework; a way to keep the money of users within the local community; and a solution based on tried and tested methods (ABCUL, 2007_2).

ABCUL also highlights the key ways in which credit unions help the financially excluded (ABCUL, 2007_2): teaching the importance of saving regularly; using the savings pool to offer an alternative line of credit to the extortions of the loansharks; offer bill payment facilities to help budgeting and ensure that bills are paid in the most cost efficient way; provide life insurance on savings and loans at no extra cost to the user (although this service has recently been withdrawn from some credit unions); and educate users in budgeting and money management.

4.4 Relationship Marketing within Financial Services Markets

Several key factors, including the increase of new entrants, have led to the migration of financial services towards a much more customer-centric focus (Harrison, 2000, FSA, 2000, Turner, 1996). A power shift can be identified within financial services from the producer to the consumer, in which the consumer is becoming more active in their behaviour and actions, resulting for example, in increasing numbers of consumers switching financial accounts to alternative providers (Harrison, 2002).

This has resulted in an increase in specific targeting and segmentation of customers and the provision of a more tailored service to suit the needs and requirements of individuals or small segments, heralding the rise of relationship marketing. Christopher et al., (1991) confirm that:

> *"Relationship marketing has as its concern the dual focus of getting and keeping customers. Traditionally marketing has been directed towards the 'getting' of customers rather than the 'keeping' of them. Relationship marketing aims to close the loop"* (Christopher et al., 1991:4).

This view is reinforced by Stone and Mason (2000) with their definition of customer relationship marketing as:

> *"A process of finding, creating, keeping, developing and supporting profitable relationships with customers, today and into the future"* (Stone and Mason 2000:61).

Christopher et al (1991:4) visualise this process with the following diagram:

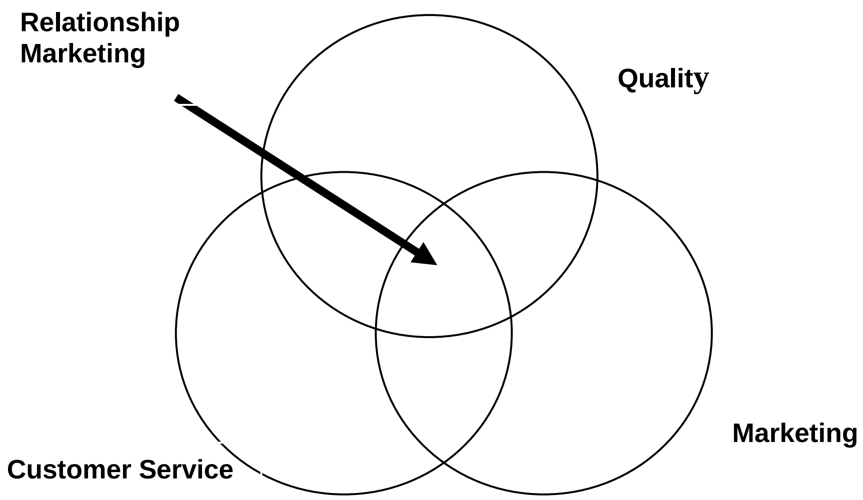

Figure 3: Centric Nature of Relationship Marketing (Christopher et al., 1991:4)

Figure 3 illustrates the interlocking of customer service, quality and marketing, with relationship marketing being the central focus. This demonstrates movement of the shifting focus from transactional to relationship and the differences between these are illustrated in Table 4.

Transactional Marketing	Relationship Marketing
Focus on single sale Orientation on product features Short time scale Little emphasis on customer service Limited customer commitment Moderate customer contact Quality is primary concern of production	Focus on customer retention Orientation on product benefits Long time scale High customer service emphasis High customer contact Quality is the concern of all

Table 4: Christopher et al., (1991:9) Transactional v Relationship Marketing

For relationship marketing to be successful it is vital to gather as much information as possible about the customer and to "know" them as thoroughly as possible. Understanding the customer provides an insight into their characteristic behaviours and this in turn results in a better understand of their buying behaviour. A greater understanding of buying behaviour leads to competitive advantage and increases in profit. Much of this is practical through segmentation and understanding the profile of the customer base.

A vital tool in relationship marketing is the exploitation of the customer database and the uses of this database are outlined by Stone et al., (1998) with: database management; customer understanding; gaining market intelligence; customer communications; sales management; customer service; management information; campaign management; and product planning.

The traditional credit union model has always placed a strong emphasis on relationship marketing as a means to promote and service credit unions within this UK. This has been achieved by providing its customers with a local service with local knowledge, local staff, need awareness and a familiarity of the surrounding area that larger and national mainstream financial organisations would not be able to offer. This arguably has been a central reason for the survival (albeit on a small scale) of the UK credit union movement. Whilst in many cases this level of marketing has probably not been purposely planned and sought after, it is the nature of the credit union movement that ensures these levels.

Whilst UK credit union penetration levels are low, it is clear that this style of marketing has been core to the model to date and has contributed to its success rates internationally and therefore relationship marketing and its purposes for targeting and segmentation will be reviewed. This will then lead onto a review of the ways in which financial services customers can be segmented and will assist in the shaping of the variables to be used in the analysis.

This research seeks to profile and understand the customer behaviour of credit union users using LCCU as a case-study example to draw lessons that can be used by other credit unions to be tailored and applied to their own unique situations. This will lead to the development of individual marketing strategies and the encouragement of growth.

The findings from this specific piece of research through the KTP programme outlined in section 1.3 will be used to develop a marketing strategy to help LCCU maintain its market position as one of the largest credit unions in the UK.

4.4.1 Relationship Marketing Using Segmentation

Clarke and Dulle (2004) cite the segmentation of members as being a vital part of customer relationship management in financial services. In particular they focus on the segmentation of credit union users and identify several key benefits of segmenting such members, these being: increased levels of member satisfaction and therefore retention; more efficient resource allocations; targeted and efficient marketing effort; increasing opportunities for closing sales and improved cross-selling opportunities. These benefits are visible and applicable across the financial services arena.

One of the broad research questions outlined in section 1.5 relates to who uses credit unions and the tool of segmentation is critical to answering this question because of the importance of recognising and understanding the key characteristics that are associated with different customer values. These values will vary between customers and variation will also be present over time (Foss and Stone, 2000). Soper (2002) separates the role of segmentation into three key areas – understanding the customer, their interaction with the organisation and the uses of cross-selling and relationship building when using this information. It is therefore critical to examine key segments individually so as to identify potential characteristics and significant values present such that tailored programmes can address specific needs. For any market segment to be viable, it is argued that there are five essential criteria to be met – segments must be: homogeneous; discrete; substantial; accessible; and stable (Clarke and Dulle, 2004).

Whilst Soper highlights the importance of good quality in-house information (Soper, 2002), it is shown that there are two key advantages to segmentation over the review of individual data – firstly, the data required for sophisticated targeting is rarely available at an individual level and secondly, the cost of getting accurate primary customer data for individuals would be extremely prohibitive even if it was readily available (Soper, 2002).

Whilst the seemingly obvious need for segmentation is apparent and outlined above, there are still arguments against segmentation within credit unions, identifying the reasons behind the lack of data specifically within this field.

The Center for Credit Union Research (2005) highlights the unsettling trend that there are very few credit unions with marketing strategies based on segmentation, even amongst the larger organisations. This is reinforced by Jones (2004). Jones presents the perceived stigma of credit unions being operated in a "commercial" manner as this is a move away from its traditional roots and the notion of segmentation could be perceived as destroying the principle of equality amongst users regardless of their financial status, this being the core of the credit union movement. From personal experience at LCCU, segmentation strategies based on profiling were not used in marketing until 2006. Until this stage the key variable for segmentation was perceived to be the common bond which provides unique segmentation for individual credit unions. Until 2006 there was no large-scale utilisation of the database for the targeting of specific products or services. During 2006 there was a targeted mailing to non-users of LCCU to promote a new loan that was designed for those on the verge of financial exclusion and postcode segmentation was utilised.

4.4.2 Segmentation of Financial Services Customers

Segmentation is clearly a cost effective and efficient way of communicating with potential customers and therefore it is frequently used when dealing with financial service customers. A review of the literature reveals practical methods of segmentation within the financial services market including key behavioural variables that can be used. Lee and Kelly (2004) discovered that several variables are strongly linked to financial institutional choice and therefore they can be used to segment customers – namely: age; education; occupation; race; ethnicity; gender; and marital status. These are identified and evaluated in the subsequent sections. In reviewing key segments of the financial services market, hypotheses can be proposed and approved when addressing the broad research questions outlined in section 1.5 as to who uses credit unions and what they are used for.

The vast majority of the UK population are consumers of some form of financial services and this is reinforced by Financial Services Authority research (FSA, 2000) citing that 93% of British households have some form of mainstream financial product. In order to understand elements of consumer behaviour it is important firstly to gain an understanding of consumers and this will lead into the bulk of the research which will seek to identify attitudes towards saving, spending, risk and financial understanding because, as Rickard and Jackson (2000) indicate, although every individual is unique there are certain capacities for habitual behaviour.

There are many different variables that can be used to segment the customers of financial services and there will now be a review of the most common ways used. There will also be a review of the literature into research that has been conducted around these specific variables so that lessons can be drawn from this regarding analytical techniques used and findings can be applied to this research. Finally the study into the financial services consumer will be concluded by a review of the previous research into more general aspects of the financial services consumer so that the techniques used can be considered for this research study.

4.4.2.1 Gender

Kimmis (2003) identifies the importance of gender segmentation within financial decision-making, discovering that gender differences influence actions from an early age, allowing the acceptance of certain behaviours, values and strengths as being more appropriate to either men or women. This may reflect on the type of financial service provider used by each gender, for example through the level of risk that a customer is prepared to take and also financial decision-making. If it is highlighted that gender does impact on credit union usage this in turn will impact the ways in which marketing issues are addressed with its customer base.

Financial decision-making is usually based on knowledge about investment and historical pricing patterns however the decision often lacks specific probabilities (Gysler et al., 2002). There are mixed schools of thought as to whether there is evidence of gender differences in investment behaviour. Providing evidence of differences in financial decision-making between the two genders are researchers including Barsky et al., (1997) and Powell and Ansic, (1997). There is also evidence of men being on average more confident than women when making financial decisions (Barber and Odean, 2001) and this would indicate that men are more likely to trust their own judgement and potentially be prepared to accept a higher level of risk than women. Research also indicates that there is a lower degree of confidence among women to make financial decisions and confidence in the outcome of these (Masters, 1989). Previous research by Estes and Hosseini, (1988) reinforces this and highlights that gender is the most important explanatory factor affecting confidence in investment decisions. This is reinforced by research providing statistically significant results in an overconfidence test, with men being significantly more confident than women (Gysler et al., 2002).

Additional evidence supports these findings by illustrating that women are perceived as being more conservative investors (Wang, 1994). Eckel and Grossmann, (2002) also found evidence highlighting females as being more risk adverse than males, with women choosing the less risky prospects. When combined with additional factors affecting the finances of each gender, for example the narrowing, albeit still present, gender earnings gap; the fact that women are more likely to take career breaks to care for children; and the increased likelihood that women will spend more time alone in later life (Montalto, 2004) leads to the recognition by women of the importance of sound and more risk adverse financial decision making and planning. All of this research illustrates that there are clearly different approaches by each gender to financial decision-making.

There are challenges to these findings however. Schubert et al., (1999) discovered that gender differences disappeared with investment decisions. In addition Stafford (1996) acknowledged that traditionally, financial services appear dominated by male decision-makers and he undertook a study to assess this. Using chi-square to analyse the findings from a women-only questionnaire, it was discovered that financial services decision-making was male-dominated in certain areas, for example, in the initiation of the purchase idea and the information search phase therefore indicating that other areas were not male-dominated.

There does appear to be a lack of research relating specifically to the impact of gender with regard to financial usage within credit unions. Gender differences however have been identified in Scotland, with the female population of Scotland being 52% and yet the membership databases of Scottish credit unions reveal a female credit union population of 64%, compared to 36% males (Hayton, 2005), thus highlighting the over-representation of female membership within Scottish credit unions. This is supported by findings from the Alternatives Credit Union in Ithaca, New York (Alternatives Federal Credit Union, 2005) which had a 64% female membership in 2004. Also reflecting this is the research from Lee and Kelly (2004) who found that in the US, females who are the head of the household are more likely to use only one service provider - credit unions or banks only, whereas males are more likely to use a combination of financial institutions.

Boucher et al,. (1993) discovered that in Guatemala, although there was no gender bias generally within credit union participation, the deposit and share balances are on average lower for women that they are for men. It was also discovered that reasons for credit union usage and product usage is affected by gender, as women are less likely to be credit union borrowers, and when they are, they borrow less on average than men.

These findings are supported by the later work of McKillop et al., (2003) who studied the role of women and the subsequent gender balance within credit unions. They performed a questionnaire-based survey to 500 credit unions and sent with it an accompanying letter and followed it up with telephone calls. Chi-square analysis was used to test for gender bias in Irish credit unions and in particular they tested the differences between early and late respondents of credit union surveys, with no significant differences being highlighted. They did establish however that the size of the credit union affected the gender balance and found that this resulted in a marginal gender difference with the imbalance being evident on committees. This demonstrates that other variables must also be considered alongside gender when studying UK credit union membership.

Examining the effects of gender on the LCCU would reveal any over-representations of one gender and would also indicate whether the spending habits and usage of financial services were affected.

4.4.2.2 Age and the Family Lifecycle

One major impacting force on the financial lifecycle of individuals is the shift in the socio-economic situations of the UK population as demonstrated by Harrison (2000: 47, adapted from Gerdes, 1996) in Table 5.

Life-Cycle Stage	Traditional Life-Cycle Cash Flows	Emerging Life-Cycle Cash Flows
The Early Years (20s – mid 30s)	Financial Independence – begin stable job, rising income until family	Income and expenditure rising steadily. Houses increasingly bought by single individuals not families.
The Family Years (Mid 30s – mid 40s)	Financial Freedom – Income and expenditure balanced. High expenditure due to dependants.	Financial fluctuation – Job changes. Increased expenditure due to early divorces and young children due to later marriages.
The Mid-Life Years (Mid40s – mid 50s)	Financial freedom – children leave home. Dip in expenditure, steady income.	Financial injection – Children leave home/go to university - fall in expenditure. Unpredictable income – eg from redundancy and early retirement. Possible lump sums of money from inheritance.
The Golden Years (Mid 50s – mid 60s)	Financial prosperity – High disposable income prior to retirement.	Financial uncertainty – fluctuating income, then drop. Relatively low expenditure but rising due to care of elderly relatives.
The Twilight Years (Mid 60s and beyond)	Financial survival – fall in income due to retirement therefore fall in living standards.	Financial deficiency – Falling expenditure due to elderly relatives dying but rising as individuals need care.

Table 5: Changes to the Financial Cycle (Harrison 2000: 47)

This change in financial circumstances clearly needs to be reflected in the services provided by financial institutions to ensure that they can continue to be regarded as suitable due to the competitive nature of the industry.

The importance of age segmentation within the family lifecycle must not pass unnoticed however, since as the US census of 2000 indicated, almost 35 million were people aged 65 years old and above, with this figure expected to double by 2030 (Meyer, 2001). Ostroff (1989) also highlights the significance of the over 55s. In America the over 55s control three quarters of all financial assets and account for half of all discretionary spending power. Mintel (2005) also confirmed that consumers aged 55 are at the most wealthy stage in their lives and have a more diverse product portfolio. In addition the higher earners typically have a more diverse asset portfolio as they attempt to spread the levels of risk and tax benefits. This is in contrast to the pre/no family and early family stages which are the most in need of consumer credit (Mintel, 2002_2). Mintel (2005) discovered changes in financial behaviour impacted by lifecycle stage, with account switching most acute amongst the AB consumer segments.

Various socio-economic trend variables, which have affected the general population base, have also impacted on the nature of the financial services consumers and their behaviour (Harrison, 2000). These changing trends are shown in Figure 4 and illustrate that the market, and therefore the buying requirements of customers, is constantly evolving.

1980s		2000
Younger	→	Older
Male-dominated	→	Increased importance of women
Earned wealth	→	Inherited wealth
Loyalty/inertia	→	Cynicism/mobility
Self-interest	→	Social conscience

Figure 4: Developmental Changes to the Financial Services Consumer: Harrison (2000: 42)

There is evidence of the impact of age and stage in the family lifecycle on financial service usage and examples of this are outlined.

Moschis et al., (2003) identified the need to respond to the changing landscape of an aging population when they reviewed the financial service preferences and patronage motives of older consumers. Cluster analysis was used to identify four segments to best describe the financial services preferences and motives of this mature market – healthy hermits, ailing outgoers, frail reclusives and healthy indulgers. Factor analysis was also used to condense variables into factors which could then be clustered. It was highlighted that ease of purchase and ease of use were key, however it should be noted that some terms, including convenience, had different meanings to different life stages. Moschis et al., (2003) recognised that there are two key reasons affecting how older people choose their financial institutions: firstly, staff willingness to explain the various services on offer and secondly, the ease of gaining access to the various services. They are more concerned with the management of their day-to-day needs, as opposed to the perception of the institution by others and therefore this will affect their reasons for usage of a specific financial services provider.

Although the existence of research about the impact of the family lifecycle and age specifically relating to credit unions appears to be somewhat lacking, there is some research available in certain areas. Fuller (2000) highlights that the profile of credit union users since the 1980s is predominantly female, ageing population and poorer areas of society. USA research undertaken by Lee and Kelly (2001) identified four key segments in the family lifecycle of US credit union users, based on an extensive search of the available consumer behaviour literature. This led to the selection of a lifecycle model using four segments of households based on marital status and the absence/presence of children. The segments are (i) where the head of the household is aged between 18 and 34; (ii) childless singles; (iii) single parents; (iv) childless couples; (v) and couples with children. Lee and Kelly (2001) also discovered that each of these groups has distinctive characteristics – both in terms of demographics and in the use of specific financial products and services. This was supported by previous research undertaken among credit union users in Guatemala (Boucher et al., 1993) when it was identified that older members have higher levels of savings compared to younger members with more active borrowing patterns. These differences are attributed to life-cycle variables.

The research of Boucher et al., (1993) also identified that longer standing members were more likely to have both higher levels of savings and faster levels of savings growth until the end of their prime working years. Thus it appears that there are different segments emerging from credit union users as to their purpose for use.

Further research by Collard and Smith (2006) into the users of UK credit unions revealed that most respondents to their survey investigating the characteristics of credit unions users across the country showed that most survey respondents are: women; middle aged; have a 50% likelihood to be living as a couple with no dependent children or 2 parent family; be in paid employment; and used it for savings and loans thus building up the profile of a specific segment within the family lifecycle.

Table 6 summarises findings from the Federal Reserve Board (2001) when examining core financial usership in the USA. The data compares customers firstly primarily or only using credit unions and secondly primarily or only using banks.

Age Group	Primarily CU Users	Primarily Bank Users
18-33	24%	19%
34-49	46%	33%
50-65	22%	24%
66+	9%	24%

Table 6: Age Comparison Between Primary US Users of Credit Unions and Banks (Federal Reserve Board, 2001)

This illustrates that the usage of credit unions as a percentage by age profile is stronger in the US among the younger generations, whereas the older generations prefer to use banks and in particular this contrast is possible with the 66+ age group. This research was also used by Lee and Kelly (2004) in their report when they indicated that the completely unbanked tend to be younger as well. Lee and Kelly (2004) also discovered that the older households tend to use banks more than younger households in contrast to the under 35s who are the group most likely to use a credit union only, as opposed to a bank or a combination of the two.

Simplifying the family lifecycle further into mere age categories has produced interesting comparative data about the membership profile of Scottish credit union users (Hayton et al., 2005). Generally there is under-representation of the younger age groups and an over-representation of the older ones. This provides a close match between the users of Scottish credit unions and the Scottish population between the ages of 30-39, 40-49 and 60-64, with an over-representation of 50-59 and 65 and over age groups and an under-representation of the 16-19, 20-24 and 25-29 year old groups.

Gan et al., (2006) highlighted through their research between different age groups and the use of electronic banking in New Zealand that different age groups have different needs and therefore it cannot be assumed, as potentially has been in the past with UK credit unions that "one size fits all" with regards a marketing strategy. Customer needs do vary.

Studying the effects of age on credit union membership will allow a stronger customer profile to be built. It will greatly assist the targeting and segmentation that can be offered and therefore products can be specifically targeted. Age and stage in the family lifecycle cannot be viewed in isolation however – a membership base of predominantly older members may indicate that members are using the credit union as another source of investment to spread the risk by using several financial services institutions, or it may be the case that they cannot get credit elsewhere and are relying on its services for an alternative way to borrow funds and therefore it is important to review these different variables as one of a group.

4.4.2.3 Culture and Ethnicity

The National Statistics census data of 2001 (UK National Statistics, 2004) reinforces the continued increase in the numbers of ethnic minorities, with the recent census recording 7.9% of the UK population (4.6 million individuals) as being from ethnic minorities. This research cites that the number of people from ethnic minorities has grown by 53% between 1991 and 2001, from 3 million to 4.6 million and therefore this market of consumers within financial services is clearly growing. Shanmuganathan (2003) identifies two approaches visible in the UK exhibited towards ethnic groups by financial institutions, firstly, the specific characteristics of ethnic groups recognised and targeted and secondly, a recognition of the diversity in approaches so that absorption can be made.

Even with these approaches being made there is still a wide gulf between some ethnic groups and other elements of UK society. This is reinforced by the Financial Services Authority research (FSA, 2000) which discovered that a disproportionate number of minority groups, in particular those of African-Caribbean, Pakistani or Bangladeshi origins, were more likely to be one of several segments within the poorest income groups in the UK and were therefore more likely to be on the margins of personal financial services, as well as having fewer financial products per household on average than, for example, those of white origin. The report also indicated that whilst users of African-Caribbean groups were more likely to be part of an organisation such as a credit union, users of Pakistani and Bangladeshi communities tend to keep their finances informal. Possibly due to cultural norms, Ha (2003) identified that the need to be located within the midst of the group was vital, and perhaps linked to this is the HSBC strategy of emphasising the importance of local knowledge.

The impact and effects of variance between countries of origins of consumers has been evidenced in research including that of: Bilkey and Nes (1982) who found significant evidence of the impact that the country of origin of the end consumer had on consumer evaluation and product choice; Peterson and Jolibert (1995) when realising that country of origin consistently had a substantial impact on the perception of quality across a wide range of studies; and also the research of Al-Sulaiti and Baker (1998) who confirmed that the country of origin has a real effect. This could highlight that the geographical location of credit unions may impact upon the types of products and services offered, perceptions of the services quality and general standards of customer care. De Mooij (2004) also discussed the importance of culture as a key factor in the ways people deal with money. His studies into banking trends illustrate the varying importance placed on holding a current account – in 1999, 22.4% of Italians did not have a current account, compared to 0.7% of those from Denmark and this was linked to the issue of culture. Burton (1996) when researching about the take-up of pensions discovered much variety among different ethnic groups and from this she suggested that providers have not yet really accommodated these different groups adequately. Evidence of such variety amongst users of LCCU should result in specific targeted marketing strategies being developed to make the product offering more suitable for the current population.

Whilst there does not appear to be much relevant research about credit unions in terms of ethnicity and culture, several works have been conducted. The Federal Reserve Board (2001) summarises the different ethnic groupings between those who primarily or only use a credit union and those who primarily or only use banks and these are shown in Table 7.

Ethnic Group	Primary CU Users	Primary Bank Users
Other	3%	3%
Hispanic	4%	7%
Black	16%	11%
White	76%	79%

Table 7: Ethnicity Comparison Between Primary US Users of Credit Unions and Banks (Federal Reserve Board, 2001)

Table 7 illustrates that the ethnic groups of primarily credit union users are fairly well matched, albeit with the credit union users slightly more likely to have members of black ethnic groups rather than white, however the results illustrate that ethnicity does not play such a major part in determining usage between credit unions and banks in the US. It is however noted that in a recent Regulatory Alert (2005) from the National Credit Union Administration regarding an amendment to the Mortgage Disclosure Act, the importance of including ethnicity as a new field to be recorded for residential mortgages is emphasised. This highlights the increasing importance of the need to know the ethnicity of applicants and this data can then be used for market research and segmentation purposes.

More specific UK research relating to ethnicity and credit unions has been conducted in the West Midlands (Olatundum, 2004) and several key findings came out of this report. Olatundum identified that a lack of understanding about credit unions was seen generally across the whole population regardless of ethnicity. Evidence was found in this research that the black and ethnic minority communities were more likely to be denied access to finance than their white counterparts and would therefore have to rely on lending from family and friends, however these strong family bonds are disintegrating, potentially leading to a lack of borrowing facilities and when combined with an increased possibility of the lack of financial literacy among the black and ethnic communities, this could lead to an increase in the usage of ‘loan sharks’ as a source of credit. Olatundum (2004) suggested that a major rethink is needed into the ways that credit unions are promoted so as to accurately target the appropriate benefits.

Lee and Kelly (2004) found that in the US, Hispanics were the least likely out of all households to use only a credit union. It was thought that this was influenced by income levels and culture. They found that African-Americans were 50% more likely than households in general to use only a credit union and also least likely to use a bank. In contrast the white households were half as likely to be unbanked as households in general. The groups most likely to use only one financial institution were from cultural backgrounds which placed a strong emphasis on personal relationships and loyalty.

The work of Bartel et al., (1996) used factor analysis to demonstrate how ethnicity influenced service expectation and the importance placed on such expectations. They identified significant variables and as a result found that there is a difference in customer expectations between different ethnic groups. Firms can use this to capitalise on these differences and enhance their product offerings according to their target market.

This knowledge could be of particular interest to the LCCU case-study example being used in this research, as Leeds has now become so multi-cultural that a suitable and appropriate service mix to several different ethnic audiences is of vital importance to ensure growth and development. Again this variable cannot be viewed in isolation. For example, an over-representation of the black community may indicate that this group is part of the larger financially excluded group and therefore use the credit union for their everyday banking transactions, or it may be that due to the strength of the movement internationally - the credit union is a service that they are accustomed to and therefore feel more comfortable using this service over a bank or building society. The study will conduct research to enable the reader to place each of these variables in context to build up a true profile of the credit union user.

4.4.2.4 Residential Area

Due to the nature of the potential restrictions of a common bond on credit unions, another segmentation strategy could be based on area of residence supported by postcode address. One of the more well-known methods of residential segmentation is ACORN, which uses geo-demographics from the census data to classify each consumer according to their residential area. ACORN uses 'financial sophistication', 'attitude to risk' and 'stability' as ways to understanding customer behaviour (Soper, 2002) and understanding these factors assists in the understanding of buyer motivation and purchase decisions.

Little prior research has examined the role of geography with regards to the behaviour of consumers within the credit union context, however the literature discussed in the other sections of this research will allow the piecing together of the differences of credit union members, with one of the key variables of membership being location. There are two key tools for segmentation by residential area - ACORN and MOSAIC.

Whilst there does not appear to be much significant research about the effects of segmentation by geographical area within credit unions, there is research already discussed above indicating that the geographical location on a broader scale does affect the consumer decisions that members make about their finances, for example the work of Bilkey and Nes (1982) and Al-Sulaiti and Baker (1998) provide evidence that the country of origin does affect consumer evaluation and product choice. It is also demonstrated within the credit union movement by researchers including Boucher et al., (1993) and Hayton (2005) when examining the product choices and purchasing decisions made by members of credit unions in Guatemala and Scotland respectively – indicating that the geographical location of individuals can affect their buying behaviour. Other than the work of researchers including Olatundum (2004), Boucher et al., (1993) and Hayton (2005), offering basic comparative data between individual credit unions, there does not appear to be any information available in the literature relating to the use of geographic profiling to a specific credit union's membership.

LCCU has a common bond covering the whole of the Leeds Metropolitan District and therefore it is expected that there will be representatives from a range of residential areas across the city who seek to use the credit union for different reasons. The identification of these different segments will fill a gap in the existing literature and will also assist the credit union (both LCCU and other UK credit unions) in the development of a marketing strategy.

4.4.2.5 Product Ownership

Mintel (2005), estimate that approximately half of all UK adults have a savings/deposit account and also that product ownership tends to increase with age. The usage of other products is indicated in Table 8.

Product	% UK Adults
Current Account	87
Home Contents Insurance	58
Car Insurance	54
Credit Card	52
Savings/Deposit Account	48
Life Insurance	42
Mortgage	34
Company Pension	29
Cash ISA	26
Annual Travel Insurance	14
Personal/Stakeholder Account	10
Car Loan/Finance Plan	5

Table 8: Product Usage (Mintel, 2005)

Lee and Kelly (2001) discovered that segmentation of financial services users is critical when examining product ownership. Their research provided evidence of variations between the groups - that individual segments had differing levels and types of product ownership, for example that money market deposit accounts and certificates of deposit were used much less among young households then stocks, mutual funds, retirement accounts and cash value life insurance. They also discovered that the highest age group with personal loans is the mid-age delayed full nest group with the highest median balance for vehicle loans, first mortgages, signature loans and home equity loans. This is in contrast to the young full nesters who had the highest median balance on credit cards and therefore different products appeal to different segments.

The work of Lee and Kelly (2001) is supported by previous research undertaken among credit union users in Guatemala (Boucher et al., 1993) when it was identified that older members have higher levels of savings compared to younger members with more active borrowing patterns. The research of Boucher et al., (1993) also identified that longer standing members were more likely to have both higher levels of savings and faster levels of savings growth until the end of their prime working years.

Table 9 provides an insight into a range of the previous literature that has been conducted. It illustrates that segmentation is key to understanding product ownership. Whilst this does not include specific credit union related research it does illustrate differences between product ownership within the financial services arena. Accurate segmentation of customers results in the correct targeting and positioning of both the institution and the products involved, making the provider more efficient and effective.

Study	Objectives	Methods	Key Findings	Critique
Segmentation through product and price bundling (Koderisch et al., (2007))	To understand the importance of segmentation through product and price bundling.	Cluster analysis	Product and price bundling achieves: higher cross-selling, the avoidance of price comparisons and the reduction in production and complexity costs. The bundle must be a well made bundle and the price must be correct.	Provides an insight into segmentation with specific product sets using cluster analysis. May be useful for credit union future strategies
Understanding the behaviour of credit card users (Warwick and Mansfield, 2000)	To identify: - How students were accessing credit cards - How knowledgeable students were about the credit they were accessing - Attitudes of students towards credit cards	T-tests to ensure an appropriate sample had been accessed and chi-square to assess and highlight significant differences in collated data.	- Most students received credit card information through unsolicited mail - 2/3 owned more than 1 card - Most did not have a thorough knowledge of the credit they were accessing	Understanding the characteristics of users of specific products or services at LCCU will allow a profile of the credit union as a whole to be developed and will also assist in segmentation for marketing purposes
Credit card ownership and behaviour usage (Abdul-Muhmin and Umar (2007))	To provide an insight into customer characteristics of credit card users	Chi-square and logistic regression to further establish the importance of each variable on predicting credit card ownership	Highlighted key demographic variables including age, gender, nationality, income, number of cards owned and attitude towards debt.	Provides an insight into the demographic characteristics of one segment of product users.
Credit card customer attitudes and intentions (Kaynak and Harcar (2001))	To examine consumer attitudes and intentions towards credit card usage in an advanced developing country	Chi-square to compare links between credit card ownership and characteristics of respondents. Also ANOVA and T-tests	Statistical significances highlighted between education and income – higher provided a more positive outcome. An important source of information was	Insight into attitudes and purchase intentions with credit card customers.

			the origins of the card	
Analysis of credit card holders (Gan et al., (2008))	To understand the variations between demographic groups, card profiles and perceptions of ownership and product use of credit card holders	Conducted a survey which formed the basis for a decision tree. Used chi-square automatic interaction detection algorithm and SPSS software to examine associations between number of cards held	Found that the number of cards held was significantly influenced by income, gender and perceptions as well as missed payments and the frequency and purpose of use	Insight into demographic characteristics of credit card customers.
Analysis into numbers of credit cards held by students (Hayhoe et al., 1999)	To predict students with 4+ credit cards	Logistic regression	Observed significances with attitude towards credit, age, personal finance education, borrowing patterns, attitude towards retention of money, the use of money as a reward and the use of shopping lists.	Predicted users of credit cards. LCCU will use techniques including logistic regression to predict users of LCCU.

Table 9: Previous Literature on Product Ownership

This research clarifies that whilst there are core products included within the financial portfolio of many individuals, there tend to be key users of these products which are accessible via segmentation. Leeds City Credit Union itself is expected to demonstrate indications of being a service for specific target markets and the demand for different products by users is expected to vary depending on the lifestyle variables of the members and therefore whilst this literature is not directly applicable to the credit union movement, key lessons can be taken from this work.

Reviewing the previous work is also useful to understand particular techniques that have been useful in the analysis of product ownership and therefore to understand the techniques that may be of use in this research. Of particular interest are techniques including: t-tests; chi-square; and logistic regression which are expected to be of use in this research. More detail about the techniques used will be considered in Chapter 7.

4.4.2.6 Sub-Prime Consumers and the Financially Excluded

The 10% richest segment of the UK population is over 100 times more wealthy than the poorest 10% of society (Gentleman and Mulholland, 2010). Palmer et al., (2004) highlights that between 2002 and 2003, 22% of the population were living in low-income households, however they state that this number is falling. Whilst working may assist in the alleviation of poverty it does not provide exemption from it and this poverty line may lead to entry into "sub-prime markets".

Mintel (2002_2) describes a sub-prime consumer as being from outside the core business and having perceived higher levels of risk than a mainstream consumer. The report then explores this further by explaining that individuals rated as "sub-prime" are usually rated as such due to debt problems or the presence of a poor credit rating. Using the example of the mortgage market, "sub-prime" is used to describe non-standard individuals who have adverse credit histories. Within the mortgage market for example, this may be an individual who cannot get a mortgage from a high street lender. Sub-prime consumers may also be referred to as financially excluded and this same group of people are often excluded in other ways too (FSA, 2000).

There are different definitions of financial exclusion, however Sinclair defines it as:

> *"..(its) key characteristic is the inability of some customer segments to access necessary financial services in an appropriate form".* (Sinclair 2001:1)

The FSA research (2000) also indicates that the groups of people most likely to be financially excluded include lone parents; the unemployed; those unable to work due to long-term sickness or another disability; households headed by women; and certain ethnic groups. Interestingly it was also found that those in receipt of Income Support were the most likely to be financially excluded with 35% of recipients owning no financial products at all. Argent and Rolley (2000), from their research in Australia, also indicate that the count could include people living in remote or rural locations, as financial exclusion may often be attributed to the structural changes within the financial services arena, relating to establishment locations. The FSA (2001) has identified that more than a sixth of UK adults still do not have a bank account.

In 2002, research indicates that around 3 million UK adults are sub-prime borrowers, slightly down from the previous year of 3.2 million (Mintel, 2002_2). It cites that around 7% of the adult population has either been refused credit on more than one occasion or is unable to obtain it at all. A further 6% are near-prime borrowers, having been refused credit once but now having no subsequent difficulties in obtaining it. The sub-prime segment generally makes more credit applications than mainstream borrowers (Mintel, 2002_2) with an average of 2.7 per person per year in contrast to 2.4 from the mainstream and this is reflected by 1/10 personal loans being granted to sub-prime borrowers, 19% of whom already have these loans. These figures are potentially set to rise as the increase in the competitive stance of the financial services providers will ultimately result in a decreased interest to the neglected segments (Panigyrakis et al., 2002).

Mintel (2002_2) identified that approximately a tenth of all UK mortgage applications are by sub-prime borrowers.

Lee and Kelly (2004) identified that in the US, individuals using more than one financial institution have a higher median income than those using one or none and reflecting this their research highlighted that as wealth and income increases then so do the number of financial institutions used by households. They also discovered that those using primarily credit unions in the US had a lower median income than those using primarily banks. In agreement with this, those using only banks had a higher median income than those using only credit unions. Those in households with an income of between $100,000 and $200,000 are 23 times more likely to use only a bank than only use a credit unions and those households with an income of more than $200,000 are 68 times more likely to use only a bank over a credit union. Those households in the top income brackets exhibit a very high use of banks only and there are only minimal households in the top income brackets who would use a credit union as their only choice of financial organisation.

The Alternatives Credit Union in Ithaca, New York measured the household income of its members in 2004 and discovered that by Housing and Urban Development (HUD) guidelines, 46% were on a very low income (less than 50% of the median income for that area), 20% on a low income (less than 80% of the median income for that area), 11% were on a median income and 23% had an income 120% above the median income (Alternatives Federal Credit Union, 2005).

From the individuals using both a bank and a credit union, 40% of them have a college degree, compared to those using a credit union only when the percentage drops to 25% (Lee and Kelly (2004). They concluded that the highest level of qualification of those using credit unions only was a high school education as this represented 43% of users therefore illustrating that credit union users are more likely to have lower levels of qualifications than users of other providers as well.

Also linked to income and therefore levels of financial exclusion is occupation. Again Lee and Kelly (2004) find that the two types of households with the highest percentage of credit union only users are the unemployed and the employed. They found that the self-employed are the least likely group to use only credit unions with an uptake of 2%.

Whilst it might be assumed that credit unions are synonymous with “sub-prime” markets (FSA, 2000, Cornford, 2004), little research has considered the relevance of this variable within the domain of a credit union customer base. This research will consider the profile of the credit union and explore specific groups within the overall membership base to identify and investigate the different types of customers using it.

4.4.3 Previous Research Into The Financial Services Consumer

Examining in detail the work of previous researchers in a more general context relating to the financial services consumer will assist in the understanding of how their work was conducted and the techniques and methodologies used will provide valuable direction to this research. Table 10 presents this previous literature and shows areas of application to this research study.

Study	Objectives	Methods	Key Findings	Critique
Profiling characteristics of US households using financial planners (Elmerick et al., (2002)	To understand the different profiles of specific segments of US households both using and not using financial planners.	Chi-square	Association between use of planners and educational background, income, net worth and financial assets of the household. Age also had an impact	Evidence of different profiling characteristics between segments of financial service consumers. A wide range of variables should be considered in this study.
Improve financial wellbeing of consumers through Money 2000 project (O'Neill et al., (1999))	To increase the financial wellbeing of customers by reducing their debt and increasing their savings.	Chi-square	Significance of project participants in relation to reducing debt. Attitude to finance may be affected by socio-economic factors but also influences of others around them	Understanding of key influences including soci-economic and also external factors.
Adoption of internet banking (Gerrard et al., (2006))	To understand the factors influencing the adoption of internet banking.	Chi-square	Characters identified to understand those more likely to consider internet banking in the future	At the time of the research, internet banking was unconventional. The credit union movement in the UK is also somewhat unconventional, therefore this may impact on profiling.
Customer profiling at the Pentagon Federal Credit Union (Stevens and Deitch (1998)).	To use behavioural, attitudinal and demographic data from a mail survey and matched questionnaire with the overall aim of a specific targeting strategy	Cluster analysis Logistic regression	Financial behaviour was discovered to be a differentiator. Understanding of different segments was key.	Profiling and understanding key segments was central to the study. This will also be the situation in this research.

Credit card customer profiling (Crook et al., (1992_1))	To determine the profiling characteristics of credit card users	Proportional choice criteria	Identification of theprofile characteristics of those who would be most likely and least likely to use a credit card.	This research will use a combined dataset to identify those most likely to use LCCU.
Profiling of Main labour force (Andrews and Jenson, 2006)).	To measure the effects of job and personal characteristics on the Maine labour force,	Multiple and logistic regression	The identification of key characteristics to illustrate the differences between key groups of users	The different characteristics would be fed into a marketing strategy, as is the situation in this research.
Lifecycle management (Mojsilovic et al., (2007))	To improve targeting, tracking and assessing the outsourcing of clients	Logistic regression	Achieved objectives and could predict which businesses would make certain business decisions	Differentiating between two segments.

Table 10: Previous Research Into The Financial Services Consumer

Reviewing the literature regarding the analysis and findings of related financial services research illustrates the techniques that have been undertaken and permits an understanding of the most appropriate techniques for use in this research. It also assists in confirming the key areas of segmentation within financial services and provides additional ideas for analysis which may previously not have been considered or thought particularly useful.

The previous research into the financial services consumer also illustrates the use of techniques such as chi-square, regression, proportional choice criteria and cluster analysis. Chapter 7 proves more detail about the techniques that will be used in this research and it is expected that chi-square and regression will feature strongly in the techniques used as a result of the purpose of their use.

4.5 Customer Behaviour

As well as understanding the profile of credit union users and identifying the typical characteristics of groups of users to answer the first broad research question of “who uses credit unions ?”, it is important to consider the second question presented in section 1.5 reviewing why the credit union is used.

There is much overlap and interlinked subject matter between these two areas as the purpose for usage determines the profile of users, and the profile of users determines the products and services offered and thus the reasons for usage. Specifically examining the reasons for purchase decisions and choice of financial service providers will result in the classification of users into related groups and this will make the development of a targeted marketing strategy more successful and focused. This knowledge will aid the understanding of why and how financial service purchases are made and what motivates customers to buy or use a specific product or service. This knowledge can then be applied to LCCU as the case-study example within this research and tailored to address the specific needs of other UK credit unions.

One definition of consumer behaviour is provided by Gabbott and Hogg (1998) who explain consumer behaviour within services as:

> *"... a wide range of activities and behaviours, the process involved when individuals or groups select, purchase, use or dispose of products, services, ideas or experiences".* (Gabbott and Hogg 1998: 10)

Rickard and Jackson commented that:

> *"Given the complexity of the machine we call the human being and therefore the consumer, to have an understanding of how people react to situations, marketing stimuli and offerings is the very core of any attempt to market goods and services in a meaningful way".* (Rickard and Jackson 2000: 16)

It is therefore critical to comprehend consumer behaviour before there can be a complete understanding as to why credit unions are used and therefore effective marketing can be achieved.

There are numerous citations in the literature where a financial services behavioural outcome has been researched, for example users of a particular service or products versus non-users. Understanding how previous research has been conducted will assist in the development of the methodology of this work and therefore examples will be outlined below in Table 11.

Study	Objectives	Methods	Key Findings	Critique
Internet banking in Mauritius (Padachi et al., (2007)	To understand the factors influencing the adoption of internet banking in Mauritius	T-tests and factor analysis	Demonstration of most used services by internet banking customers. Also ease of use was the key reason for usage. Key behavioural factors also emerged.	There are differing reasons for the adoption of services. LCCU will examine the differing reasons for motivations to use the credit union.
Understanding buying behaviour (Pinto et al., (2005))	To improve financial education for college students by gaining a better understanding of their financial consumer behaviour.	T-tests	Understanding the sources of information about credit. Information about parents was found to be the most important factor.	This could assist in the development within this study of the user /non-user research and also research into different segments of users.
Understanding attitudes and behaviours (Minhas and Jacobs (1996))	To research improved ways of targeting building society customers	Chi-square and factor analysis	Variety of customer needs were identified with differing customer profiles for each segment.	This research will seek to identify specific segments of LCCU users for improved segmentation and targeting.
Understanding customers and customer behaviour (Harrison and Ansell, (2002))	To identify lifestage segments	Cluster analysis and logistic regression	Provided a greater understanding as to likelihood of customer requirements over their lifetime. This had implications for cross-selling, up-selling and improving customer retention.	Illustrates the importance of knowing the customers and shows how this can be used to make a practical difference. The same principle will apply in this situation.
Multi-attribute analysis of financial service firms (Rao, 2006)	To confirm expected hypotheses in multi-attribute analysis of financial service firms.	Chi-square, logit and factor analysis	Key factors including stability of earnings and reliability influenced customer confidence levels and behaviour	Awareness of the key factors that can influence customer behaviour.

Table 11: Previous Research Into Customer Behaviour

The previous research indicates that there are numerous reasons behind why financial services customers behave as they do. The importance of understanding the customer and their needs is highlighted as well as the various factors impacting on customer behaviour. This illustrates that it is key for LCCU to conduct accurate and up-to-date segmentation so that it can really understand who its customers are and why they use LCCU. Understanding this will enable more accurate targeting of its products and therefore improved positioning of LCCU as an organisation.

Again examining the previous research that has already been undertaken provides an insight into the methodologies and types of techniques that can be used when reviewing customer behaviour – a key feature of this research. Whilst more information is provided on this in Chapter 7 it is expected that use will be made of t-tests, chi-square, factor analysis and regression and it is comforting to know that other research into the financial services consumer and consumer behaviour, for example in segmentation analysis.

Now that some of these reasons have been identified a closer review of buying behaviour will be examined, with the purpose for the purchase highlighted.

4.5.1.1 Buying Behaviour

An examination of the financial services consumer demonstrates that purchase is influenced by motives, for example, physiological and psychological needs (Maslow, 1970). Identification of these motives will lead to a much greater understanding as to what a customer simply desires versus their actual needs. Making priority calls (albeit often subconsciously) are evident in all purchase decisions however motives behind the purchase of various financial services is a key tool to understanding how a customer conducts their life in terms of the purchases, from their choice of property (usually funded by a mortgage/loan), to their car (again many are purchased on a finance deal basis) to what savings are spent on. Understanding the motives behind a purchase will lead to a greater understanding of how they use financial services. This in turn will assist in understanding different segments of the LCCU as each group is expected to have different financial needs and priorities and this will support the answering of the second research question as to why customers use credit unions (specifically LCCU).

Many financial needs are at level two of Maslow's hierarchy (Maslow, 1970), for example, that of safety and security provided through insurance and the physical safety of cash and other assets. Motive bundling however is one product providing for numerous needs (or motives) at the same time (McGoldrick and Greenland, 1994). Knowing how highly these different motives are valued by consumers will assist companies in marketing these products successfully. For example, with the purchase of a house is the element of the safety and security of home ownership over rented accommodation, however within this is also the motive of status (esteem) and a sense of belonging and provision for family as well as the ability to move up the housing ladder.

Financial services can also build upon a belief that anxiety and tension can be created through fear appeal, thus stimulating defence mechanisms against unpleasant situations such as death (Ray and Wilkie, 1970). The consumer is motivated to purchase a product offering so as to avoid the fear. Avoidance objects can be offered to prevent these consequences, offering for example, the purchase of life insurance to provide for the family. Marketeers are therefore building up the fear so as to be able to provide a solution, which will protect the client from the fear that they feel presented with. Correctly assessing any potential goal conflict (Lewin, 1935) is a successful reaction for the financial services providers.

4.5.1.2 The Decision-Making Process

A core theory that is central to this study is that of consumer behaviour, and specifically of the consumer's decision-making process. This theory will be reviewed now as it is expected that this will assist in answering the second overall research question as to why credit unions are used. Understanding the decision-making process will provide an insight into the reasons for purchase decisions and this will lead to a greater awareness of the influencing variables that can be controlled by LCCU.

The nature of the decision-making process depends greatly on the amount of involvement a consumer has with a product or service. Assael (2004) identifies that consumers are likely to have more involvement with a decision if it is important to them; it has emotional as well as functional appeal; it is of continual interest; it entails significant risk or finally, it is identified with the norms of a group.

Financial services in general are more likely to involve greater risk for the individual consumer due to the personal monetary value involved where, for example, the purchase of a house with a mortgage could lead to a significant personal gain or loss. Fluctuations in market stability lead to varying interest rates, potentially resulting to house repossessions. Risk to personal assets is therefore very important to the consumer and of continual interest to them. It should be noted however that the amount of involvement will vary depending on the type and nature of the consumer.

The Engel-Kollat-Blackwell model presented in Figure 5 outlines five distinct phases identified in the buying behaviour of services consumers (Engel, et al., 1995) backed by the AIDA concept – Awareness, Interest, Desire, Action). This is reinforced by the work of Brotherton (2000) when defining the customer buying process as having five generic stages: Aware, Inform, Decide, Purchase and Re-purchase.

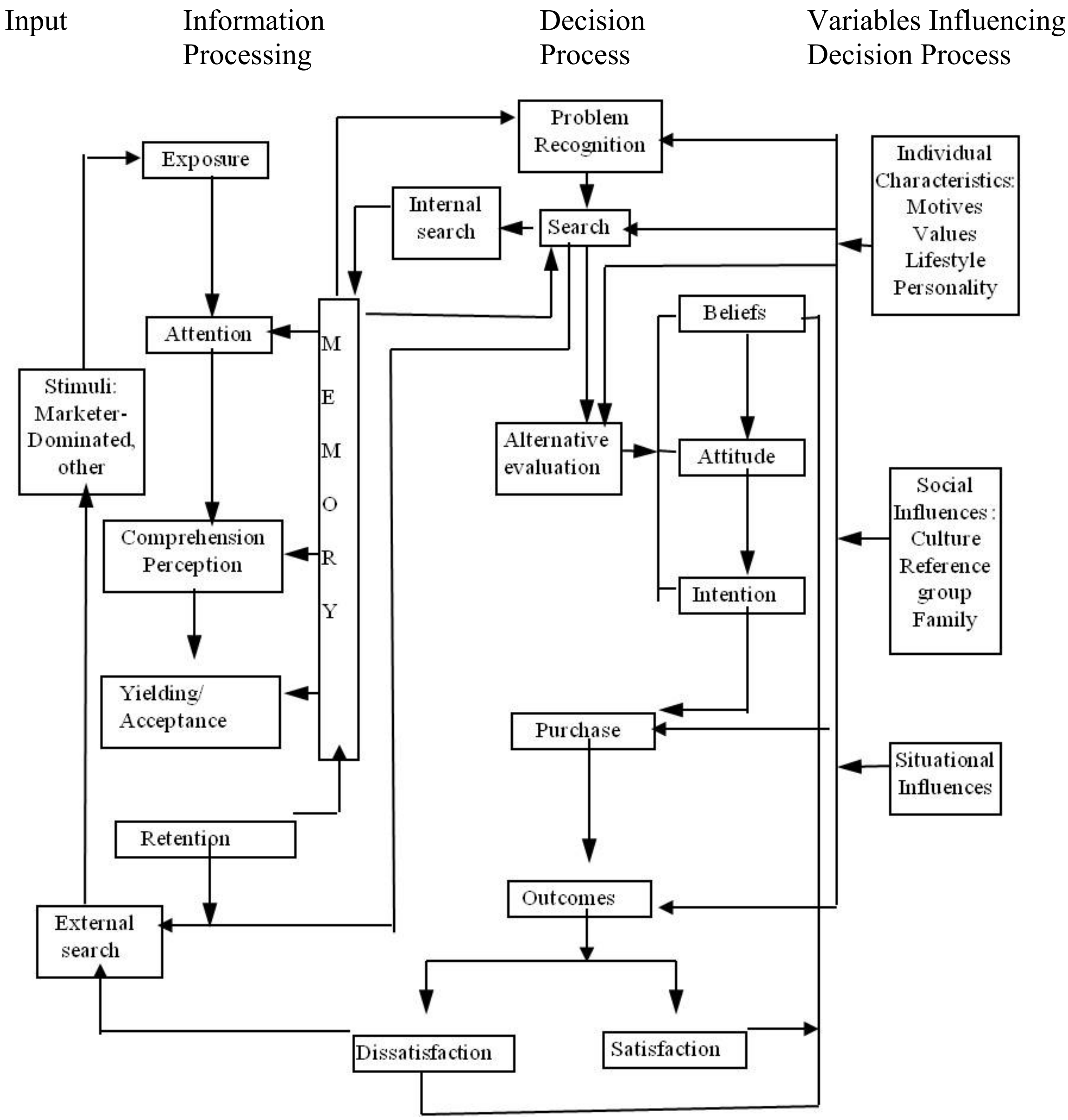

Figure 5: The Engel – Kollat – Blackwell model of Consumer Behaviour (Engel, Blackwell & Miniard, 1995: 95)

The Engel-Kollat-Blackwell model outlined by Engel et al. (1995) shows that many variables influence consumer behaviour. Inputs to this process are created by continual exposure to stimuli, of which marketing has a small influence. Understanding why customers use LCCU will assist in the marketing of it so that this area of stimuli can be influenced. This is not a guaranteed way to success however as this stimuli is competing with other inputting variables. Information is then processed by the consumer and the memory plays a key role in this. The results of this process are then fed into the decision-making process and this process of problem recognition –search – evaluation of alternatives – purchase – post purchase use and re-evaluation and this is the crux of the consumer buying process. This is also influenced by many variables including family and reference group and understanding who the existing users of LCCU are will help in the assessment of such variables.

4.5.1.2.1 Problem Recognition

Clearly for consumer decision-making behaviour to be displayed, there must be a need, this being the disparity between the current situation and the desired goal (Assael, 2004). This need effectively defines the problem, and problem recognition focuses on the wants and needs that a consumer may have and defines how much they are motivated to satisfy these needs.

Yorke (1982) identifies five basic needs for financial consumers – cash accessibility, asset security, money transfer, deferred payment and financial advice. Kamakura, et al. (1991) also outlined their interpretation of financial needs assuming that, similar to Maslow's (1970) hierarchy of needs, individuals begin with basic, higher liquidity and lower risk products and work towards needs of lower liquidity and higher risk.

Actions then taken are affected by various factors including past experiences, the characteristics of consumers as individuals, motives behind the need, environmental influences and past marketing stimuli.

4.5.1.2.2 Information Acquisition

Bettman (1979) builds on work by Jacoby, et al., (1979) and characterises the process of information acquisition as a memory scan for experiences resulting in knowledge or attitudes, however unless the consumer has had personal experience of the service – frequently an issue with financial services, they have to rely on others, often through word of mouth or organisational credibility. As financial services are often infrequent purchases, for example the switching of a current account or the acquisition of a mortgage, it may be difficult to gain internal sources of information potentially due to the lack of personal experience and therefore there is greater reliance on external sources (Harrison, 2002). Harrison's research into the purchasing of financial services also indicates that a high number of product alternatives combined with high levels of product complexity may result in a more limited search due to the increase in the cost of thinking, which is contrasted with high levels of product knowledge and familiarity potentially extending the product search as increases in knowledge make the information available easier to understand and digest (Harrison, 2002).

When probing to fulfil a need, Assael (2004) claims that consumers are more likely to search for information and take notice of advertisements thus making the need for effective marketing strategies, particularly for lower involvement services, more prominent, however exposure may be more selective. This is the area that LCCU must concentrate on to attract new customers. Zeithaml (1981), however, argues that in the case of the services industry it can be difficult to find accurate, reliable information about them and so consumers may be more loyal with their final selection when making repeat purchases in the future. Ennew and McKechnie (1998) add further complications to this matter when assessing the reliability and validity of the information used. They discuss three issues – firstly, the lack of final evidence as the outcome of a 15 year savings plan will not be fully realised until the plan ends after 15 years, yet judgement may be made on it after 5 years. Secondly,there is the issue that many financial services may have been customised and thirdly, many consumers do not interpret the information, or do not interpret it correctly.

Parasuraman, et al., (1991) identifies two levels in service information searches, these being desired and adequate, as the two may not necessarily be the same. If the current information is insufficient however, further sources are identified by the consumer with the extent of this search dependant on various factors including the effectiveness of information gained; the value of the experienced-based information; consumer expectations (Olson and Dover, 1976) and the comparison between alternatives.

4.5.1.2.3 Evaluation of Alternatives

The third stage in the Engel et al., (1995) buying process is the pre-purchase alternatives evaluation based on the results of the information search from need arousal. Within this stage there may be a brand evaluation and benefits association depending on the offering and priority rating to the buyer (Assael, 2004), and this is then expected to link to satisfaction. Clarke (2000) cites that buyers have been aided by technology in the search for information meaning that now many decisions do not have to be weighed as due to this it may already have been done. Harrison, (2002) argues that it is financial knowledge that is the critical factor – either from the individual or a financial advisor. The FSA (2002) discovered that one fifth of adults recently sought financial advice from a bank, building society or insurance company with an eighth using an Independent Financial Advisor. Unsurprisingly, usage of advisors increases with income (FSA, 2002).

Once alternatives have been evaluated there will either be an intention to purchase or no purchase for a variety of reasons. Difficulties arising from the search stage, such as the similar products to satisfy one need, for example, determining risk on long-term savings accounts may be extremely difficult to compare due to varying terms and conditions between institutions and the potentially flawed information gained about each. The need for a relationship to be built on mutual trust and commitment is clear (Ennew, et al., 1995) due to the dependence the potential consumer has on the image and reliability of the organisation as a means of symbolic trust and reassurance, and this is supported by the findings of an early study by Leonard and Spencer (1991) who discovered that students had the greatest financial confidence in large-medium sized banks when investigating the importance of image.

4.5.1.2.4 Purchase Stage

The most visible stage is the fourth as it is the actual time when the consumer comes into direct contact with the service and, as purchase is inseparable from consumption, personal interaction brings about the end result. Carlsson (1987) highlights this as a moment of truth for obvious reasons – any past experiences, attitudes, information etc will be proved or otherwise by the first-hand experience of the consumer and as such the role of front-line staff are critically important. This is reinforced by Harrison (2003) who explores the importance of contact in enabling trust to be developed through careful handling.

As many financial products may be "avoidance" products then staff may sometimes be guilty of hard-selling products to vulnerable consumers and this has been a significant factor in loss of consumer confidence in certain markets in the past (Devlin and Ennew, 1993). McKechnie (1992) argues against this by highlighting the fiduciary responsibility that distinguishes financial services – it may not be appropriate to sell a certain product, for example, if an individual is struggling with loan repayments it may not be wise to sell them another personal loan.

Gabbott and Hogg (1998) identify five varying dimensions to the service encounter. Based on the work of Lovelock (1995) they firstly cite time, for example, the 'purchase experience' may be a single, one-off purchase, or a multiple, repeat purchase encounter. Secondly is that of 'physical proximity to the service' and this is supported by Zeithaml and Bitner (1996) who write of three different types of encounter – face-to-face, remote and telephone, each affecting perception of the service experience. Thirdly is that of the 'differing degrees of participation or involvement', for example, the differing involvement between sending off dry-cleaning and receiving a haircut. Fourthly, the 'degree of personal relevance and engagement' for the recipient, for example purchasing a mortgage versus the dealing of stocks and shares through a broker, and finally the degree of 'tailored customisation', for example, the service received from an individual music lesson will be different to that received in an ensemble group.

4.5.1.2.5 Post-Purchase Stage

Finally, there is the post-purchase evaluation which is made difficult by the question of validity and reliability over the information used – again the 15 year savings plan cannot be fully evaluated until the span is up – yet the consumer needs something to base judgement on. Enis and Roering (1981) argue that consumers do not purchase a service, instead they purchase a bundle of benefits with which they expect to gain their desired goal through satisfaction. Assael (2004) agrees with this line of argument, commenting that this post-purchase evaluation may not affect the purchaser (as they may not be the consumer) and it will depend on expectations as to how satisfied the purchase is, noting that this evaluation will affect brand repurchase. This was supported by Cooke, et al., (2001), who claimed the information learnt after the purchase has a greater impact on satisfaction than the information learnt pre-purchase. Gabbott and Hogg (1998) cite the complexity of post-purchase evaluation for services as there are dual dimensions open to evaluation – delivery and reception. Zeithaml (1981) suggests that more emphasis is placed on evaluating the functional aspects of the financial service as opposed to the technical elements as this is more difficult to evaluate.

Burton (1994) cites that in financial services, loyalty is still extremely high, although there are moves being made away from this. This is reinforced by Mintel (2004) which states that around 65% of consumers (26 million adults) have always used the same financial provider and in the last three years, only 9% of current account holders have switched to another provider. As Burton suggests however the numbers of "switchers" is gradually increasing. The Mintel report discovered that over the next couple of years 13% of current account holders indicated that they may switch to another provider, up from 7% last year.

Repurchase behaviour is achieved by creating customer satisfaction and perception of service quality leading to both the attraction and retention of customers (Gabbott and Hogg, 1998). Ennew, et al., (1995) state that generally, empirical studies highlight the importance of confidence, trust and consumer loyalty in relation to consumer buying behaviour for services. Thus in the long-term, relationships need to be built and maintained, based on mutual trust and commitment if they are to be developed and maintained to their true potential.

There does not appear to be any prior research to be found about the purchase process with regard to the credit union service environment other than more general research surrounding the services and financial services movement as a whole, which has been discussed above. Thus it is important for LCCU to consider the areas where it can create an influence on the consumer and the most effective and efficient ways to do this within the purchase decision process. This is key particularly to the longer-term goals of LCCU as a marketing strategy is prepared.

4.5.1.3 Impacting Factors on Financial Services Consumer Behaviour

Understanding factors impacting on consumer behaviour could be vital to the success or otherwise of a brilliant marketing plan. Whilst on paper the plan may look extremely workable, in practice there could be factors impacting on behaviour that could have an adverse impact on success.

One such factor is the success of marketing, potentially leading to more demanding consumers. Rickard and Jackson (2000) reinforce this when they claim that the effectiveness of marketing has led to its manipulation by consumers with traditional stereotypes spawning consumers who now demand a greater choice and therefore a larger variety of products.

A second factor is the varying levels of financial education and the ability to make financial decisions due to the legal requirements imposed by the Financial Services Authority. FSA research (2000) illustrates that 8% of individuals completing their education by the age of 16 own no financial products, compared to 0% of those completing it aged 20 or over. This is contrasted to 16% of those aged 16 or under when completing their education owning a ‘high’ number of financial products (defined as eight or more) compared to 45% of those aged 20 or over. A weak understanding of financial services and products may make it easier for customers to be more attracted to marketing gimmicks or flash advertising, rather than understanding the actual product.

A third factor is circumstances outside the control of the individual consumer, for example, with the housing market. The recent boom-bust cycle of the housing market demonstrates how individuals who had recently been asset rich and able to borrow against property may now not have the equity available.

4.5.2 Other Dimensions/Appeal

To win customers, credit unions need to have other dimensions to appeal to its customer base. This enables it to offer unique selling points and to appeal to customers in ways that more traditional financial institutions cannot. Key unique potentially appealing factors of credit unions include: its localised appeal, based within communities or workplaces (Rathore, 2009); the simple, mutual nature of savings being loaned out and the interest gained paying dividends for the membership (Rathore, 2009, Grunbaum, 2009); the range of accounts on offer including current accounts and the range of services available including money advice (Rathore, 2009, Grunbaum, 2009); the ways in which customers are assisted in the handling of their finances and through the developing relationships (Barlett, 2009); regulation by the Financial Services Authority (Rathore, 2009); the excellent levels of customer satisfaction which are affected by high levels of courtesy, privacy and waiting indicators (Barboza and Roth, 2009, Turner, 1996, Alred, 2001); not being directly affected by the sub-prime lending crisis (Grunbaum, 2009)

4.6 Conclusions

Initially this Chapter set the scene for credit unions within the UK financial services arena. The current market situation was reviewed as well as key factors in the development of this sector, specifically its move towards mass-market appeal through low barriers to entry. UK credit unions were then introduced within these discussions, whilst noting their small market share; albeit showing signs of becoming stronger and more established. The importance of credit unions to the financially excluded was also presented and credit unions were identified as a key tool used by the government in an attempt to financially serve this segment of consumers.

Relationship marketing within the financial services sector was then explored generally and highlighted that UK credit unions already use a very customer focused approach due to the traditional model used within the movement. Typically, there has been much evidence of small, community based operations and whilst there is a move away from this inward looking approach, it is recognised that there are some valuable attributes which can be used in a more forward looking, larger scale model.

With the two broad research questions from section 1.5 being considered it was then appropriate to split the second half of this Chapter into two. The first question considers the profiling characteristics of credit union users (specifically at LCCU, with a view to projecting these findings on other UK based credit unions). This section of the Chapter considered the various ways that financial services customers can be segmented and variables were considered including: gender; age and lifecycle stage; culture and ethnicity; residential areas; product ownership; and elements within financial exclusion. Understanding from the previous literature the contribution that each segmentation variable has made is vital to build an expectation of the findings from this research study and therefore evidence of the importance of each of these segments was sought, with a specific focus where possible on the direct application to financial services and credit unions. Whilst there was some data available, it was generally acknowledged that the previous research within this area has left some gaps which this research is expected to fill.

The next and final section then considered the theory behind consumer behaviour and specifically the decision-making process. Using the model presented by Engel-Kollat-Blackwell (Engel et al., (1995), the various stages that customers go through within the decision- making process are considered and applied to the financial services arena. It also reviewed the previous literature in relation to the second research question as to why credit unions are used. To do this there was a review of financial services related customer behaviour with a particular focus on buying behaviour, exploring, for example, loyalty and attitude to financial services. By understanding the previous literature in relation to why customers use a particular type of financial services provider or product allows proposals to be prepared as to the findings from this research into why credit unions are used. Whilst there was no definitive evidence found as to why UK credit unions were used, this has again exposed a gap in the existing literature and it is appropriate to use this research to close the gap.

Specific gaps were noted both as to who the users of credit unions are and the reasons for use and also gaps were noted covering the credit union movement as a whole. As it is such a unique, niche format of financial services it does not directly correlate with more mainstream providers and therefore whilst expectations of segments can be set they need to be tested to confirm their accuracy and definitive assumptions cannot be drawn without conclusive evidence. Whilst international comparisons can be used as examples, the UK has been developing at a much slower pace than many of these organisations. This therefore makes direct comparisons with such credit unions difficult. This research aims to fill this gap by providing data directly from a UK credit union to test.

Sections 4.4 and 4.5 both included detail about previous studies with an insight into the techniques used and the results highlighted. This has been done so to provide a feed into Chapter 7 and to provide an initial starting point for considering the methodology of this research.

Following this review of the previous literature and an understanding of the research gap that is present, the broad research questions presented in section 1.5 will be developed into specific hypotheses with the expectations of the findings outlined in Chapter 6.

As this research is particularly focused on LCCU, with a view to projecting the findings onto other credit unions within the UK so that they use and adopt the findings, Chapter 5 will conduct a case-study of Leeds City Credit Union so that the theoretical research presented in this Chapter can be set in context with the actual research situation and the knowledge gaps identified.

5 Leeds City Credit Union - The Case Study

5.1 Introduction

Whilst the overall research questions have been developed in section 1.5 and the research gap explored in Chapter 4 it is essential to fully understand the available data. A case-study has been chosen for an in depth analysis of the UK credit union market and therefore it is crucial to gain a fuller understanding of this particular credit union so as to put this research in context.

Chapter 1 outlines the reasons behind the choice of case-study. This is primarily due to the unique opportunity to access a wide range of data within Leeds City Credit Union through the KTP project that could assist in answering the research gap in understanding the users of credit unions and the purpose of use.

The LCCU is a 'live and work' credit union with a large common bond and therefore there was viable access to non-users too to assist in comparative study. In addition, provided that any non-users surveyed lived or worked in the Leeds Metropolitan District, they would all have been eligible to join LCCU and could be considered as potential users.

Initially this Chapter will begin with an historical overview of LCCU to show the line of development from its conception in 1987 to the present day. As explained in Chapter 1, the data was accessed in 2004. It will then consider developments following the KTP up to the present time.

There will then be an investigation into the structure of LCCU as well as the support received from different stakeholders. The product offerings will then be highlighted and within this there will be a view of competitors and other local credit unions. The future for LCCU will also be presented.

Reviewing LCCU in this way will ensure that background is provided so that the data and its analysis can be understood and placed in context. This will also clarify why some of the hypotheses have been developed in Chapter 6 and why and how the expected findings have been moulded.

5.2 About Leeds City Credit Union

Due to the KTP project and researcher employment at LCCU (detailed in Chapter 1), the unreferenced data in this Chapter is knowledge gained as the result of personal experience during the project and subsequent employment at LCCU.

5.2.1 Terms of Reference

The terms of reference of LCCU are outlined on the website (LCCU, 2004, 2011). They detail that it is:

> *"...an organisation that provides straightforward, affordable financial services to anyone who lives or works in the Leeds Metropolitan area. Members of LCCU make regular payments into a range of savings accounts - this fund then provides the basis for preferential rate loans. The income generated by lending helps us meet our operating expenses, build our reserves and pay our savers a dividend (subject to surplus and at the discretion of the Board of Directors)."* (LCCU, 2011)

In addition it is run by a volunteer Board of Directors and overseen by a Supervisory Committee. As part of the Financial Services Compensation Scheme the savings are protected up to a maximum value of £85,000.

There is a range of financial services offered including current accounts and access to affordable credit.

Whilst terms of reference will vary between credit unions, for example, specifically regarding where members can be recruited from, the basic principles are the same.

5.2.2 History

Following a feasibility study by two local MPs in 1986, Leeds City Credit Union (LCCU) was registered in August 1987 after an initial grant from Leeds City Council. Originally offering financial services from a broom cupboard in the Council headquarters in Leeds Civic Hall, it was established to provide a co-operative style of financial services, offering a simple service of one type of savings account and one type of loan.

Directors were chosen to preside over the organisation and they were (and still are) unpaid volunteers. From the beginning of LCCU there was slow but steady growth and this time was seen as a learning curve for all involved as the roots of the Credit Union were established.

Initially the common bond was employer-based and only permanent and retired employees of Leeds City Council could join. This common bond was expanded in 1996 to reflect Compulsory Competitive Tendering and the removal of further education colleges from council control. It now incorporated employees of other large companies across the city, including the hospitals and universities, as well as the immediate families of council employees. 1996 also saw the introduction of “First Saver” savings accounts for the under 16s, initially provided for children of existing users.

In 2001 the common bond was again extended to include any individual living or working in the Leeds Metropolitan District (Leeds City Credit Union, 2004), providing LCCU with the largest common bond ever approved by the FSA at this time. LCCU has still retained its strong council roots, with around 60% of its members being employees of Leeds City Council and this is therefore a key segment of its target market.

Shortly after this, LCCU expanded and took over the North East Leeds Credit Union. This included a branch in Harehills, to complement the main branch in Leeds City Centre.

Further developments with Leeds City Council saw expansion into some of the One Stop Centres – council-owned initiatives to provide a one-stop location to answer council-related questions, for example, related to housing and benefits. Some of these centres also housed other council facilities including a library. The first One Stop Centre branch was established in Morley in December 2005 closely followed by branches in Armley and Seacroft. Each of these facilities offered all the LCCU services, including cash withdrawals, account opening facilities and access to money advice. Following the success of these branches, further ones were opened in One Stop Shops in the city centre; Belle Isle; Halton Moor; and Wetherby (LCCU, 2007).

Recently LCCU has seen its own financial crisis (outlined further in section 5.2.4) and as a result of significant mismanagement the opening hours of most of these branches and the facilities available, for example, the availability of cash withdrawals, has been drastically reduced along with the staff levels across the company, with one branch closing completely and others turning into Information Points – offering information to the local community a few hours a week as opposed to the full range of banking services offered in the city centre branches (LCCU, 2011).

5.2.3 Structural Support

LCCU is affiliated to the Association of British Credit Unions Limited (ABCUL), a national trade association that provides support, information and services to credit unions within the UK. ABCUL is affiliated to the World Council of Credit Unions (WOCCU) that provides support and services on an international level.

5.2.4 Governance Structure

LCCU demonstrates the typical credit union style of structure, with a volunteer Board of Directors that has the ultimate guidance for the development and progress of the credit union. The next tier is that of paid staff (also members of LCCU) who ensure that the business operates efficiently and successfully on a day-to-day basis. This is more in keeping with the new model of credit union development suggested by Jones (2006). All staff are accountable to the Board of Directors. Finally the credit union is supported by its members. When members use a credit union to save, their savings are lent out to other members as loans. When the loans are repaid with interest, operational costs are provided along with dividends to the savers. Thus this cycle ensures the continuation of the credit union.

Leeds City Credit Union is authorised and regulated by the Financial Services Authority and is subject to the same safeguards as banks and building societies. It has recently started to subscribe to the Banking Code.

In recent years the mismanagement of LCCU has had severely detrimental impacts on the credit union. Problems first publically surfaced in 2009 when LCCU applied for a cash injection from the local government of £4m to ensure that it could continue to service its loans offering, whilst at the same time trying to repair the damage left by the former Chief Executive Officer, Sue Davenport. At the time of writing Davenport has currently been bailed by the Economic Crime Unit of West Yorkshire Policy on suspicion of fraud. There were also concerns with the internal running and management of the credit union, as well as the realisation that loans to herself and her family had potentially not received the correct sanction from the Directors (Smith, 2009).

Waugh (2010_1) highlights the critical state that LCCU was in in 2010 due to the mismanagement of LCCU by Davenport. The result of such management and governance failings has led to financial collapse and near bankruptcy of LCCU. The resignation of the company secretary in 2010 was the result of a thin and deficient recovery plan with failure to address the cost of senior management, and cutting back on member benefits and operational costs (Waugh, 2010_1).

Waugh (2010_2) later added to this by confirming that the auditors for the accounting year 2009/10 had issued a technically insolvent warning following the discovery of over £2m toxic debts, which had remained hidden for 4 years. It was reported that drastic measures were being made to keep the company operationally solvent, including the redundancy of almost half the staff.

If the directors of LCCU are to be believed, confidence is on the increase, with a new management and strengthened legal and financial representation (Waugh, 2010_2). Only time will tell whether this credit union has the strength to survive in a competitive financial world.

5.2.5 Competitors

Differing common bonds mean that several credit unions can be based within a close locality without them being direct competitors to each other.

Other competitors would consist of banks, building societies and other forms of money lenders (including loan sharks) that were available to individuals living or working in the Leeds Metropolitan District. Arguably each of these competitors as single institutions would not cater for the whole spectrum of LCCU customers and therefore LCCU operates within a niche corner of the financial services market.

5.2.5.1 Other Local Credit Unions

LCCU is the only credit union with the common bond of living or working in the Leeds Metropolitan District, although there are other small credit unions within the immediate area, including Bramley Credit Union, however this has a much smaller and restrictive common bond and therefore is not a direct threat.

Table 12 demonstrates the size and strength of LCCU within the locality of the major ABCUL affiliated local credit unions. This data was sourced in the earlier stages of this research, prior to the credit crunch.

Credit Union	Membership Size	Asset Size	Common Bond
All Saints (Batley)	174	£68732	Association
Calderdale	1091	£643016	Live or work
Castle and Minster	2600	£1450684	Live or work
Hull and East Yorkshire	2155	£1734423	Live or work
Leeds City	12429	£12147150	Live or work
White Rose	2265	£2328442	Live or work

Table 12: Comparison of Yorkshire Credit Unions, 2006 (ABCUL, 2007_1)

Leeds City is clearly the dominating credit union within the local Yorkshire area and at the time, the largest live or work credit union in England and arguably, in the UK.

By the early 21st century LCCU has become one of the largest credit unions in England with assets of over £12 million from approximately 17,000 adult members and a further 2,500 child savers, served by eight branches and numerous community collection points across the city.

5.2.6 Membership

The KTP pack (2003) describes the membership at that time as comprising of a broad socio-economic mix of individuals from across the city. The original members were predominantly council employees, with the second phase belonging to the public sector and the third phase being much more widespread, due to the nature of the expanding common bond. By 2003, 60% of members were council employees, with 80% of members living in disadvantaged wards.

5.2.6.1 LCCU Services Offered

At the start of this research in 2003, the services offered were:

- Membership savings account
- Holiday saving account
- Christmas saving account (these three savings accounts offered the same dividend rate and were merely different “holding” accounts to keep funds separate and make saving for one event or occasion easier.)
- Regular loan
- Budget accounts (to assist with bill paying)
- Insurance services (through the CUNA Mutual Group)
- A savings account for children
- Money advice
- Access to foreign currency

By 2007, following the findings of the membership survey and the marketing strategy developed as a result of the KTP, the following additional services were introduced, demonstrating a wide range of services available to the members of LCCU:

- Regular Saver account
- 60 Day Notice account
- Loyalty account
- Premier account
- A revised and improved Christmas Club
- First Saver Loyalty account
- Individual Savings Accounts (regulated accounts)
- Child Trust Fund (regulated accounts)

These new accounts (all of which are savings accounts) introduced the notion of variable dividends, dependant on limited withdrawals, savings levels and varying levels of minimum balances. This was a first for LCCU as prior to this research being undertaken, all savings received the same dividend rate regardless of the amount saved and the frequency of withdrawals.

By 2007 there was also key development with the loan products with the introduction of the Handiloan. Offering a loan at a higher rate of interest to the typical credit union loan to offset the increase in risk of this product, this was designed to be a direct competitor to the loans from the doorstep lenders and other loan sharks who charge extortionate rates of interest on small cash loans. The doorstep lenders issue relatively small loans (typically a couple of hundred pounds) and the loans are repaid in cash on a weekly basis. The personal contact between the lender and borrower is viewed as a key success factor in this exchange. Befriending the borrower prompts loyalty and further lending, thus ensnaring them in a debt trap as the loan is frequently "topped-up". The LCCU Handiloan was developed offering similar terms, with small cash repayments being made at the local branch and the key difference being a substantially lower rate of interest and access to LCCU's other accounts, designed to help the customer in a difficult financial situation but then to give them help and support to get out of their financial difficulties.

5.2.7 The Future of Leeds City Credit Union

In 2007 Leeds City Credit Union was going through a major expansion phase, by opening branches in the former cash offices of the Leeds City Council owned One Stop Centres across the city. They were intended to improve the accessibility, footfall and membership of LCCU across the city.

Things at LCCU however quickly turned sour, due to several factors including an expansion that was too rapid, and dire mismanagement culminating in the resignation and fraud investigations (and subsequent declaration of bankruptcy) of the Chief Executive, Sue Davenport. This news was followed by a technical insolvency warning by the Auditors.

Some critics do not believe that LCCU will be able to pull itself out of its current predicament, and ultimately only time will tell, however, whatever the outcome of 2011, it will be a turning point in the history of the Credit Union.

5.3 Conclusion

This Chapter has provided an overview as to the functional workings of LCCU to provide background information and to explore how it operates, works and is supported. Discussing the competitors and competitor offerings provides a greater understanding of the products developed following the implementation of the KTP marketing strategy.

Overall this Chapter intends to provide an understanding about how the LCCU (and indirectly other credit unions in the UK) function and operate and will set the research in context, allowing a greater insight, understanding and practical application.

Issues arising at LCCU that will have severe impacts on its future sustainability have also been discussed. These issues however only came to light after the research had been conducted and therefore the publicity associated with this situation would not have negatively impacted on the results of the surveys or focus groups.

Understanding LCCU – what it is, what it stands for and how it came about and developed is important to understand how the marketing strategy needed to be developed. It also explains why there may be some unexpected findings from a financial services perspective as to who uses credit unions and why.

It is also key to understand why LCCU was chosen as a case-study credit union and this is considered further in Chapter 1. The KTP project provided this unique opportunity and whilst there were some things that would have been done differently had the choice of credit union been different, this situation did not arise and therefore it is important to understand the situation and data available so that the data can be realised to its full potential.

6 Research Questions

6.1 Introduction

The title of this research is “To understand the current user profile of LCCU and examine the reasons for usage”. This was then developed into the overall aims of this study and they were presented in section 1.5, with the two initial research questions being firstly “Who uses credit unions?” and secondly “Why are credit unions used?” and a case-study style approach will be taken when informing these questions. To be able to assess the current user profile of LCCU users, a comparison will be conducted with non-users of LCCU (who would be eligible to join because of the common bond) so that a direct comparative tool can be achieved and therefore more meaningful analysis can be drawn.

Due to the complexity and depth of the potential answer to each of these questions it is appropriate to create separate sub-questions so that different angles can be examined before an overall answer is provided. This Chapter will detail the approach taken to ensure that the overall research questions can be answered as fully and appropriately as possible.

The first research question examines the profiling characteristics of credit union users. To answer this there will be sub-questions presented based on the identification of the potential significance of key variables as highlighted by the previous literature outlined in section 4.4.2. The variables of: gender; age; financial exclusion and ethnicity will be tested to identify any significance present in users of the case-study credit union, LCCU. The reasons for the use of LCCU as the case-study are detailed in Chapter 1. To answer the question relating to financial exclusion, key indicators of financial exclusion will be examined before an overall answer is provided and it should be noted in this section that reviewing sub-questions of financial exclusion, for example income and property status on their own is not sufficient to determine its presence and that these findings are more accurate and reliable when viewed as a whole. The development of the more detailed questions within this section will provide an insight into the characteristics of credit unions users.

The second section of this Chapter will outline the expectations as to why credit unions are used. Based on the previous literature outlined in section 4.2 and also the expected findings within a credit union context in Chapter 5, three expected segments will be developed: those looking for the cheapest financial deal; the ethically minded investors; and the financially excluded within the user profile of LCCU. The characteristics of each of these groups will be outlined so that a segment profile can be used as a hypothesis to prove the presence of each group in later Chapters.

Both of the research questions outlined in section 1.5 are linked and therefore there will be overlap present in the analysis, for example understanding who uses credit unions is related to their reasons for use and an individual's use of a credit union (or any other financial services provider) will be linked to their personal profile and characteristics.

These questions will be answered through the use of: qualitative analysis; descriptive analysis; factor analysis; and regression in Chapters 8, 9, 10 and 11. The data available to answer these questions will take several forms including: surveys; a user database; and focus groups. More detail around the methodological structure of this research is provided in Chapter 7.

The reasons for the use of a case-study credit union are considered in Chapter 1 and it is hoped that conducting the research in this way will aid understanding and insight into the UK credit union movement as findings can be tailored to understanding the user profile and reasons for use within other UK credit unions.

As the rationale behind the expected results of the segmentation questions are explored in section 4.4.2, to avoid repetition, this Chapter will not repeat the findings presented from the literature, it will merely propose the sub-research question and outline the expected findings based on the previous literature and knowledge about LCCU. There will be a section reference made to the specific detail in the literature review that these expectations are based on.

6.1.1 Gender

The first sub-question when considering the overall research question of "Who uses credit unions?" as outlined in section 1.5 is regarding gender:

ai) Is gender a significant variable in credit union membership?

It must be flagged that there is a lack of research available specifically relating to the impact of gender on financial decision making within UK credit unions, however available literature covering gender as a segmentation factor within financial services is presented in section 4.4.2.1.

Based on the evidence found in previous research I would expect that there would be a gender bias towards females in the credit union membership and that this would be statistically significant when user and non-user data is compared. This is based on previous evidence from other credit unions showing an over-representation of female users and also from the type of financial services provider that a credit union is - a low risk institution which offers a basic, small product range. In addition Leeds City Credit Union is authorised and regulated by the Financial Services Authority and is part of the Financial Services Compensation Scheme, meaning that should the Credit Union go bankrupt then the money of savers is protected and returned – therefore it is a safe provider for the risk adverse.

To answer the specific research question of "Is gender a significant variable in credit union membership?" a direct comparison will be made of the LCCU user and non-user survey data. This will firstly allow a comparison in terms of frequency data and their related percentages before secondly being used for a chi-square test to prove significance.

6.1.2 Age

Another key variable for investigation is age, and this provides our next sub-question:

aii) Is age a significant variable in credit union membership?

Section 4.4.2.2 provides evidence of the effects of age on financial services usage and this has been used to shape expectations as to the expected answer to this question.

Potentially LCCU could appeal to one or a couple of lifecycle groups who prefer the types of products on offer, or the philosophies behind the credit union movement, for example, LCCU (at the time of beginning this research) offered simple products, with the core focus being a basic savings account and a basic loan account. It is a low risk style of financial service and has a local and ethical element to its ethos.

Due to the nature of the origins of LCCU within the council and the research amongst Scottish credit unions (Hayton et al., 2005) I would expect to see a significance of ages around mid 30s, early 40s due to the nature of the LCCU origins within the council and research among Scottish credit unions. This expectation would also fit within the expected stage within the family lifecycle of credit union members – if users were clustered around mid 30s – early 40s then it would be expected that it would be predominantly family-based with low risk financial services required through a service offering basic savings and loans products, with the emphasis being security and safety.

6.1.3 Financial Exclusion

The issue of financial exclusion is often associated (albeit sometimes controversially) with credit unions and this leads to the next research question of:

aiii) Do credit unions appeal exclusively to the financially excluded?

Based on the evidence presented in sections 4.4.2.4, 4.4.2.5 and 4.4.2.6, it is suggested there will be several different segments of individuals, each with their own common beliefs and values, with the financially excluded being one of those significant groups.

The key piece of evidence supporting this is based on the historical origins of Leeds City Credit Union which are firmly grounded in large local organisations such as the council, the hospitals and the universities. Therefore, it is likely that the vast majority of early users are employed with a regular income and they are unlikely to be financially excluded. When the common bond was expanded to those living or working in the Leeds Metropolitan District it covered a wide geographical range and this provided the opportunity to integrate the financially excluded in with the included and would therefore dilute any supposed significances present.

Key indicators of financial exclusion will be reviewed to highlight any statistical significance. Indicators include: low incomes, lone parents and unemployment (Lee and Kelly, 2004, FSA, 2000). This will be represented by testing for significances in: low incomes (a household income of less than £15,000); lone parents (households with only one adult); unemployment (unemployment levels and no adults working in the household) and no qualifications. This will give an initial understanding as to the situation around the significance of financial exclusion, however, it is not likely to provide a conclusive answer to the research question. Therefore, this will be explored more fully in the second key area within this section – why credit unions are used - as the financially excluded are expected to be at one of several key groups within the user base.

6.1.4 Ethnicity

aiv) Do credit unions have a significant proportion of users who are members of the African-Caribbean community?

Section 4.4.2.3 details traditional methods of borrowing from family and friends across the black and ethnic minorities are starting to disintegrate and therefore new ways are being sought to secure funds. This, coupled with the strength of the credit union within the Caribbean communities will, it is argued, make it more likely that those of African-Caribbean origin will join a UK credit union, and therefore this group will be statistically significant. LCCU is based in a very multi-cultural city and research will indicate the significance of ethnicity with regards to financial products in the city.

Due to the growing ethnic minority population in the UK and the strong origins of the credit union movement I would expect to see an over-representation of the black community within LCCU.

6.2 Segmented Groups of Users

Whilst answering the research question of: "Who uses credit unions?", there will also be an investigation into the second query from section 1.5: "Why are credit unions used?".

Based on the finding in the literature and summarised in section 6.1 an expected perception of different segments can be created as to who uses credit unions. The characteristics of these segments can be hypothesised and this then naturally develops the theories as to why each segment uses it. This will permit answering of the second research question.

The content of each segment will be defined using key variables. These include (in no specific order): firstly, trust and confidence in different financial service providers (Mintel (2002_3), Mintel (2002_2), Barber and Odean (2001), Estes and Hosseini (1988)) as it would be expected that the higher the levels of trust and confidence, the greater the levels of loyalty and potentially this would lead to continued and repeated custom. Secondly, the perceived performance of providers and satisfaction levels (Ennew et al., (1995), Harrison (2000, 2002)). Thirdly, the motivations for joining LCCU (Mintel (2005), Boucher et al.,(1993)). This will be a key tool in understanding the different segments of users. Fourthly, the attitude of respondents to credit unions as a financial provider (Lee and Kelly (2004), Jones (2004)). Again the different segments are expected to view credit unions differently depending on what they use them for and how important the credit union is in their financial life. Fifthly, an insight into perceptions of financial promotions (Rickard and Jackson (2000)) will be gained to understand what different segments respond to and what motivates them to purchase.

This research will seek to prove the hypothesis that credit unions are used for three key reasons:

i) By users who monitor interest/dividend rates and use the provider offering the cheapest deal.

It is expected that users in this category have a strong interest and awareness of financial services and financial promotions. They place the highest levels of importance on interest rates on offer and would choose providers that would bring them the best return or ensure that they will only repay minimum interest on borrowing. They take great interest in high quality advertisements and other financial information and make use of specialists to ensure that they make the correct investment decision. As they are confident investors, they also place a high value on their own advice. They will exhibit trust towards a wide range of financial service providers and are not afraid to try the non-traditional services, for example, retailers with an extension of financial offerings. Their attitude to finance is one which carefully considers all decisions. The main priority of such users however is how much money can be made or saved from a transaction and these individuals are not afraid to switch providers when they can achieve a better deal.

This segment of users would be expected especially now that the common bond has been widened to incorporate anyone living or working in the Leeds Metropolitan District.

ii) By ethical investors

Ethical investors care about what their money is used for and invested in. They would rather receive a poor or no rate of return for example if their savings were being invested in good causes. This segment of users place high value in the importance of the ethical beliefs of financial providers. They use high quality financial information to ascertain the strength of the ethical stance. Other issues pale into insignificance in comparison to the ethnical nature of the organisation.

Due to local and community based roots of the credit union movement it is expected that this segment will be present. Whilst traditionally LCCU was an employee-based credit union, the expansion of the common bond has made it accessible for those not employed by the Council and other large employers in the city.

iii) By the financially excluded as their main banking and financial services provider

Whilst it has been emphasised that LCCU is not expected to exclusively cater for the financially excluded it is expected that they will form a key segment of users due to the more relaxed nature and the importance of the personal touch. A different lending criteria to mainstream providers may also make this more appealing to the financially excluded.

This segment of users is expected to be evidenced by an interest in financial promotions from the perspective of being able to secure a loan. There would be low importance placed on specialist financial information or the performance of a particular provider as long as finance can be accessed. These users would place importance on the advice from a wide range of individuals, for example, through word of mouth. Overall, this group would exhibit a careless attitude towards finance and is generally more interested in a "quick-fix" solution to assist them from their latest financial troubles.

6.3 Conclusion

The two research questions outlined in section 1.5 regarding the users of credit unions and the reasons for their usage were considered using sub-research questions to assist with the provision of reasoned arguments and succinct answers to the questions.

Considering the profiling characteristics of the users of credit unions using expected variables based on the previous literature and credit union (and specifically LCCU) understanding and expectations will provide a logical and appropriate framework for the analysis. It will ensure that no key variables are missed and will provide an insight into the users of credit unions.

For the second research question related to the reasons for usage of credit union, the segments identified are believed to be representative of the main three segments of credit union users. Based on the previous literature a profile has been developed for each of these samples to describe the profile of the users of each group. A confirmation of the presence of these three groups would indicate that users are customers because either firstly,they follow interest rates on product offerings and deem the credit union to be the best product saving them the most money at that particular time; secondly that they are ethically minded and choose their financial services provider based on the organisation's beliefs, values and culture; or thirdly that they are financially excluded and find it difficult to get credit elsewhere.

The use of a case-study as an example of a UK credit union does have benefits and flaws, however, and they should be considered prior to taking the answers to the research questions as true of any UK credit union. Whilst it would be impossible to get one model to fit all situations due to, for example, the variance in the common bonds, locations and purpose for establishment and credit unions size, the use of a case-study seeks to offer a generic focus to the overall situation whilst providing in-depth analysis of LCCU. Other UK credit unions could tailor and develop the findings presented in this study and apply it practically to their own credit union.

Following this presentation of the research questions and expected segments of users, Chapter 7 will now provide methodological input into the approach and techniques that can be used to prove these hypotheses. After consideration of a variety of techniques, an approach will be decided upon and prepared, after which the analysis will be conducted and conclusions drawn to answer the broad research questions and subsequent sub-questions.

7 Methodology

7.1 Introduction

Initially this study has reviewed the research gap identified as part of the KTP project in Chapter 1. A study of the previous literature from Chapter 2 has then been conducted to confirm the gap and fully understand the background and context of the credit union movement. A depth study of LCCU, the case-study credit union, has then been undertaken in Chapter 5 to ensure that this research is put into context within the facilities available. Following the review of the previous literature the research questions have been further developed in Chapter 6. This Chapter will now refine the details as to how this study will actually be carried out. It will build on previous chapters to ensure that the methods used are suitable and appropriate, considering previous research; the sample case-study credit union; the tools and techniques available for use; and the current research gap. This Chapter aims to ensure that the research gap can be reduced or closed completely by answering the proposed questions outlined in Chapter 6.

Initially, the available research philosophies and approaches will be considered with a direct thesis application offered to set this piece in context. Secondly, the research strategy will be presented. This will examine the strategic route planned to meet the overall aims. To understand how it will be conducted, several forms of research will be reviewed so that the most appropriate methods can be chosen. The approaches taken will seek to answer the research questions as succinctly as possible whilst using the most appropriate methods and tools available.

Key tactical methods that are used will then be examined in more detail. An exploratory view of key statistical techniques that will be used for this data will also be undertaken with a view of how this will aid the analysis and interpretation of the data. An understanding will also be provided into the types and sources of data available with a practical application provided.

An overview of the population and sample will also be considered. This will include a view of the sample of users and non-users of LCCU. Background into response accuracy and the reliability and validity of data will also be considered.

Finally the ethics to this research will be presented along with the stakeholders involved in the ethical decisions. The Chapter will end with a consideration of the challenges and barriers to research within this work.

7.2 Research Philosophy and Approaches

7.2.1 The Philosophies

In deciding and planning the best and most appropriate approach to take in this research it was important to consider the desired outcomes of the work and steps required to achieve this. Saunders et al., (2000) commented that the philosophy of research: *"depends on the way that you think about the development of knowledge" (2000: 84),* as ultimately an individual's personal thought processes play a critical role in determining the approach undertaken in research. Saunders et al., (2000) clarify that the literature is dominated by two main philosophies – positivism and phenomenology.

Neuman (2003) identifies positivism using a deductive approach and viewing social science as:

> *"an organised method for combining deductive logic with precise empirical observations of individual behaviour in order to discover and confirm a set of probabilistic causal laws that can be used to predict general patterns of human activity." (2003: 71).*

Phenomenology however is much less traditional and Saunders et al., (2000) cite arguments against positivism as being that:

> *"…rich insights into this complex world are lost if such complexity is reduced entirely to a series of law-like generalisations." (2000: 86)*

Sympathisers with this view are likely to approach research with a phenomenology philosophy, resulting in the use of an inductive approach.

This research study, whilst exhibiting elements of phenomenology has primarily taken a positivism approach. The research angle consisted of a combination of deductive logic with empirical observations of individual behaviour to establish rules that can be used to predict patterns of activity (Neuman, 2003). The use of LCCU as a credit union case-study allowed an in-depth, detailed analysis of demographic and behavioural trends across the existing membership database and provided user data that was analysed against non-user data. This assisted in answering the overall research questions outlined in section 1.5 as to who uses credit unions and why they are used, and also confirmed the more specific hypotheses presented in Chapter 6.

7.2.2 Methodological Approaches

7.2.2.1 Deductive

The two key different methods of social science research are inductive and deductive (Gill and Johnson, 2002). A deductive approach will:

> *“begin with an abstract, logical relationship among concepts, (that will) then move toward concrete empirical evidence”(*Neuman, 2003: 51)

As this approach is based on testing and specific factual evidence, quantitative analysis will provide the bulk of the deductive research.

Robson (1993: 19) identifies the five stages in the progression of deductive research as: deducing a hypothesis from the theory; expressing, in operational terms, the proposed relationship between two specific variables; the testing of the hypothesis; the examination of the outcome which will either confirm or result in modifications of the hypothesis; and modifying the theory if necessary. This can then be checked by repeating the five step process.

A summary of the deductive approach to research as defined by Gill and Johnson (2002: 39) is shown in Figure 6.

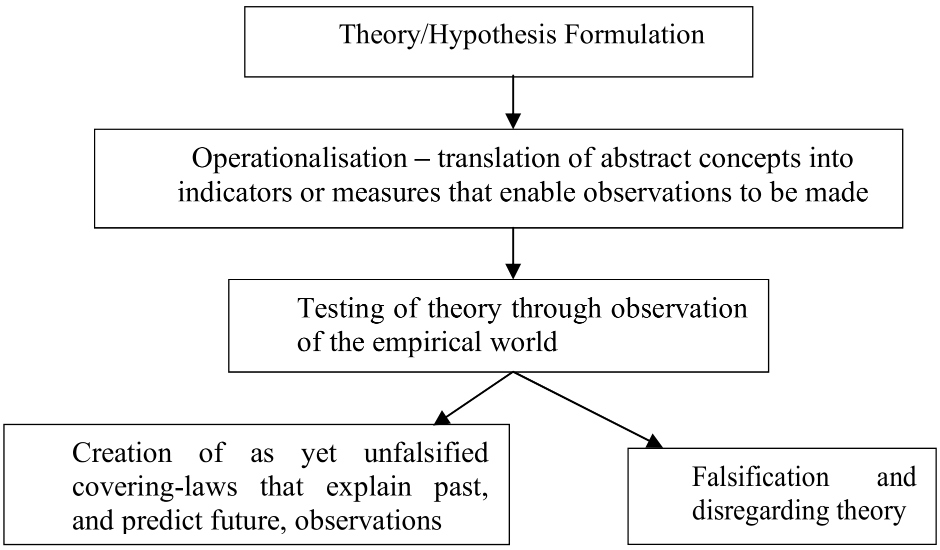

Figure 6: The Process of Deduction, Gill and Johnson (2002: 39)

7.2.2.2 Inductive

Saunders et al., (2000: 91) explore the distinguishing features of the inductive approach as opposed to the deductive as being an understanding of meaning attached to events by humans; a close understanding of the research context; the collection of qualitative data; a more flexible structure to permit changes in the research emphasis if required; an actively involved researcher; and less concern with the need to generalise.

Gill and Johnson (2002) highlight the model of human behaviour supported by inductivists in Figure 7.

Inductivist Behaviour:

a) Stimulus – Experience – Response or
b) Interpretation and meaning - Action

Figure 7: Inductivists Model of Human Behaviour. Gill and Johnson (2002: 42)

This approach uses primarily qualitative data sources as it focuses on exploratory, investigative work.

7.2.2.3 Comparison of Research Approaches

Gill and Johnson (2002) also found that the different research methods can be discriminated between in terms of the emphasis placed on deduction or induction, the degree of structure, the data generated and the forms of explanation created. They present this as a continuum – at one end is the nomothetic methodology and at the other, ideographic methodology. These methodologies are compared in Figure 8 below with the continuum being presented in Figure 9.

Nomothetic Methods Emphasis	Versus Ideographic Methods Emphasis
Deduction	Induction
Explanation via analysis of causal relationships and explanation by covering-laws	Explanation of subjective meaning systems and explanation by understanding
Generation and use of quantitative data	Generation and use of qualitative data
Use of various controls, physical or statistical, so as to allow the testing of hypotheses	Commitment to research in everyday settings, to allow access to, and minimise reactivity among the subjects of research
Highly structured research methodology to ensure replicability of 1, 2, 3 and 4.	Minimum structure to ensure 2, 3 and 4 (and as a result of 1)

Figure 8: Methodology Comparison

Laboratory experiments, quasi-experiments, surveys, action research, ethnography

Methodological Continuum

Figure 9: Research Methods Compared, Gill and Johnson (2002: 44)

In order to answer the specific research hypotheses in Chapter 6 and to satisfy the general research questions presented in section 1.5 in the most appropriate way, the research undertaken within this study used a combined approach of deductive and inductive methodologies, this being achieved using both qualitative methods as an inductive approach and quantitative methods as a deductive approach. There was overlapping of both approaches within the research study.

7.3 Research Strategy

A combination strategy of methodologies can be used in research and there is much support in the literature for this technique in assisting in the improvement of the reliability and validity of the data (Denzin, 1970) and in the search of more accurate conclusions (Fielding and Fielding, 1986).

There are three approaches to multi-strategy research, as cited by Hammersley (1996): triangulation, using one strategy (either quantitative or qualitative) to support the other; facilitation, using one strategy to aid the research of another and finally a complementary approach when both strategies examine different angles and complement each other.

This research made use of the multi-strategy approach using facilitation (Hammersley, 1996). The primary strategy of research was conducted using surveys – the investigation focused on a large-scale survey to the user database of the sample credit union. This approach was reinforced by a survey of the wider population in the area of the sample credit union – primarily to non-users of the credit union to ensure that comparative work was available as required to answer the general research questions of "Who uses credit unions and why"? This quantitative, deductive approach was supported by a qualitative, inductive approach using focus groups, which were conducted to ensure that the survey was approaching the research from an appropriate angle. It was also used to gain qualitative research to potentially open up avenues of thoughts and ideas that would otherwise be left untouched and undiscovered through quantitative work alone. It was expected that this strategic approach would give the best overall results for the research and therefore the end result was a fuller understanding as to who the users of LCCU are and why it is used.

The strategies that were employed in this work are indicated below in Figure 10.

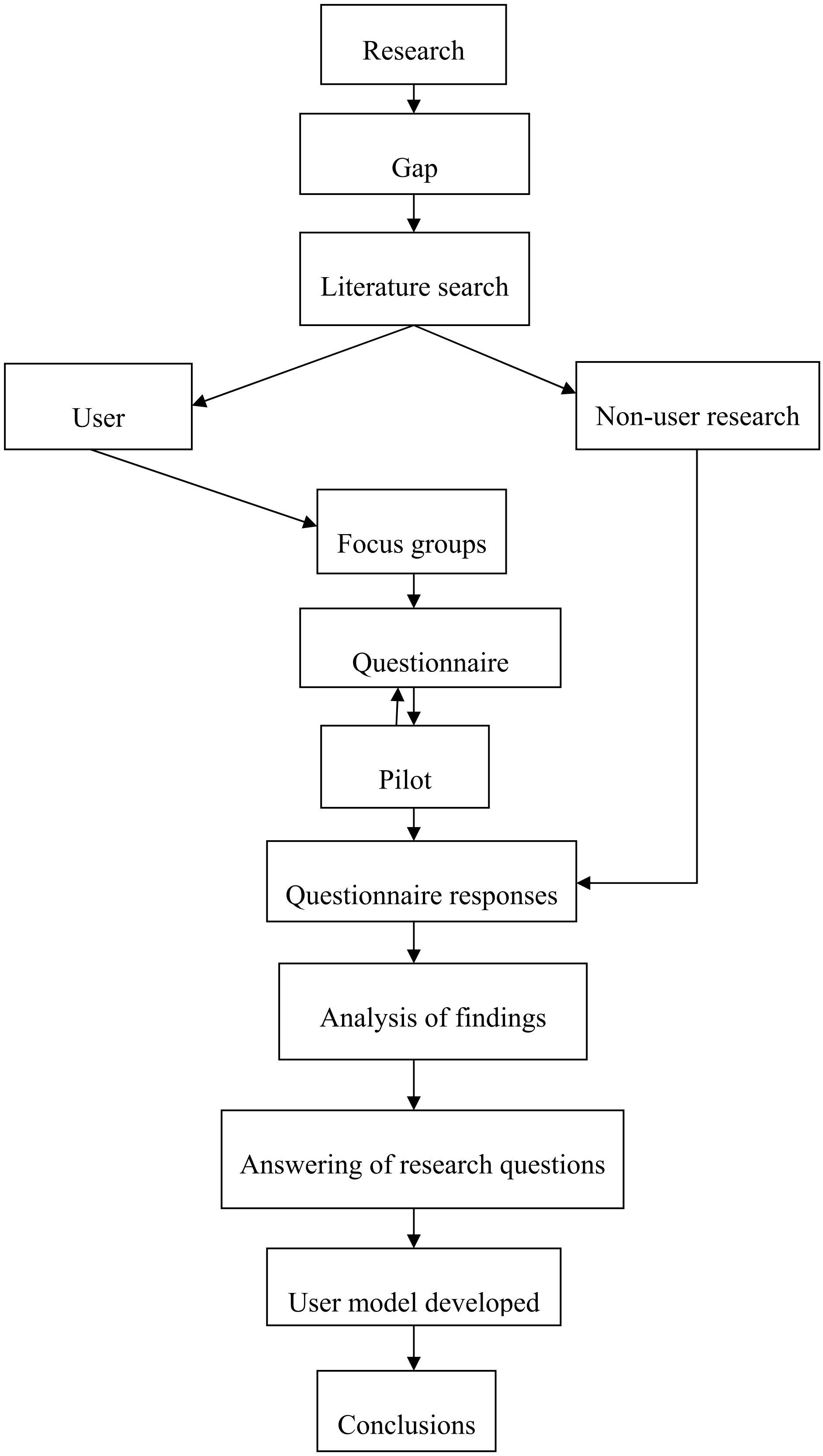

Figure 10: Research Strategies Employed in LCCU Research

7.3.1 Data Types

Both quantitative and qualitative data can be used to test hypotheses, with research indicating that using a combination of methodologies will assist in greater reliability and validity of the data (Denzin, 1970, Fielding and Fielding, 1986).

Bryman (2001: 20) highlights that qualitative research has an emphasis of an inductive approach emphasising theory generation and showing a preference towards the ways individuals interpret the social world over natural, scientific models; viewing social reality as a shifting emergent property, created by individuals. Qualitative data can be used for both inductive and deductive purposes however it may often be used initially to investigate the underlying issues, constructs and variables involved within a research area prior to the detailed quantitative research being carried out (Saunders et al., 2000, Oliver, 2004)

Saunders et al., (2000) cite that quantitative research involves numerical data that can be used to find answers to specific research questions, for example statistical analysis from surveys (Bryman, 2001). Any errors in the data therefore must be identified as they could have an impact or implications on the conclusions drawn, for example, due to human error.

This study used a combination of both quantitative and qualitative methods to ensure that a rounded approach was achieved, whilst maximising the reliability and validity of the data due to the use of several strategies. Using this approach enabled the research aims to be viewed in a more generalised manner through the overall research questions presented in section 1.5 and the sub-questions or hypotheses established in section 6.

Qualitative analysis was initially used to ensure that the questions for the quantitative analysis were suitable and appropriate for the target respondents. The research questions were then quantitatively analysed resulting in definitive statistical answers to the statements posed. Additional qualitative data, aimed at gaining additional insight into the membership base, was gained through the focus groups.

The quantitative research undertaken through the user and non-user surveys and the comparative use of the census data and the LCCU database assisted in the provision of definitive evidence to this work, whereas the qualitative work provided through focus groups provided a "softer" overview, providing a more human angle to the overall results.

7.3.2 Data Sources

As secondary data may be used to provide answers, or the development towards answers to research queries (Saunders et al., 2000) it can be more practical and appropriate to begin by researching any available secondary data prior to delving into the realms of primary research as the secondary data may act as a sign-post towards result indications on the primary data. This view is supported by Churchill (1996).

Hakim (1982) indicates that secondary data can be the re-analysis of data that has been previously collected for another purpose. It may be either quantitative or qualitative (Saunders et al., 2000) from a variety of sources.

Primary data is "*collected or produced by the researcher for the specific purpose of addressing the research problem*", (Malhotra 1999: 40). This definition was later reinforced by Sekaran (2000) confirming that primary research is "*gathered for research from the actual site of occurrence of events*" (2000: 57).

In this research, as well as using secondary data in the literature review, the main use of it was in the analysis of the existing LCCU database as this data has been collected since 1987 for the purpose of operations, financial regulation and internal use. There was also a significant comparative contribution from the census data of the city. This provided invaluable data about the demographics of the population, for example relating to gender, age and marital status, and of particular use was the information from the most recently published census in 2001. As there would be limitations in using this alone with regard to meeting the specific objectives of the study, the findings were presented with analysis from primary data sources. There are various forms of primary research that were used, including: feedback from the pilot questionnaires; the use of focus groups or interviews; and most importantly in this research, through the survey completion from both users and non-users, as the information gained from these was used to directly answer the research questions established in section 1.5 and Chapter 6.

7.4 Research Methods

A higher level approach has been reviewed, outlining the philosophy and approaches available and the research strategy has been explored outlining the types of data and sources of data available. Specific methods of strategy implementation will now be considered in more detail.

Various methods were employed to build the overall research questions outlined in section 1.5 into sub-questions that can then be answered and developed into a model in Chapter 6. The tools available for this study included previous research; the LCCU user database; existing members at LCCU; census data and; members of the general public. Clearly there was ample data available, however, it needed to be put to use in the most appropriate way. Methods chosen for this study were used due to the suitability of the method to the data; data availability; purpose and scope; and advantages towards achieving the end goal.

Considering the accessible data and the tools available, this study consisted of a literature review to assess the secondary data from previous research and to act as an aid for the development of the hypotheses; focus groups to channel and direct the survey and hypotheses development; analysis of a user survey to gain raw primary data directly from the users to form the majority of the data required for this research; analysis of a non-user survey to gain raw data from the general public; data from LCCU's user database and finally data from the government census as an aid for comparative purposes.

The identification of a gap in the literature relating to the users and uses of credit unions has uncovered a previously under-developed research area which this research attempted to contribute towards with the production of a model.

Whilst each of these methods has been examined in the previous section, the direct applications of each within the context of this research will be explored.

7.4.1 Literature review

Gill and Johnson (2002) clarify the importance of conducting a literature review prior to carrying out any research, as this will permit an examination of the awareness of the current state of knowledge and its limitations, allowing the gap between existing research and the current situation to be identified. They also cite the importance of continually reviewing literature throughout the process of the research as it is constantly evolving. Sharp and Howard (1996) agree with this but also cite as an additional purpose of examining the literature being to critically review, as well as to generate and refine research ideas. Neuman (2003) reinforces this by highlighting that a literature review is an essential step in the research process, as knowing and understanding past discoveries is critical to the development of the aims of future research.

The literature review in this study comprised of several chapters, aiming to provide the reader with a background to the credit union movement within the financial services arena and also credit unions in more detail, for example, their place internationally and factors resulting in their growth. All of this ultimately leads to a greater understanding from within the previous literature as to who uses credit unions and why. Key segmentation variables have also been reviewed to define the financial services consumer and these findings will help to assess the understanding of who the users of credit unions are.

The literature review provides the reader with the context to this research and allows an understanding of the credit union movement as well as the financial services arena. The gaps in the literature are highlighted and this will focus this study towards the research questions from section 1.5.

7.4.2 Database Analysis

Crystal (1994: 324) defines a database as "… *data structured in such a way that it can be of general use and is independent of any specific application*". This source of secondary data can be used to provide a "snapshot" of users at one particular point in time. It is quantitative in nature, as the conclusions gained will be performed using statistical analysis. The main purpose of this is to analyse the existing data available and this will allow comparisons across groups (Neuman, 2003). Limitations with it do exist, however, because a database is designed for a purpose and to attempt to use it for statistical analysis may be limited due to the depth required.

Databases can be mined to act as:

> *"….a strategic tool for obtaining new levels of business intelligence….providing the ability to identify hidden relations in the data" (*Sekaran 2000: 47).

Analysis from the database of the LCCU provided basic information on all its members, however, the database system was not a sophisticated model and therefore only provided basic information.

The information contained in the LCCU's database included:

a) A unique membership number for each individual
b) Name
c) Address
d) Contact telephone numbers
e) Date of birth
f) Gender
g) Next of kin details
h) Employment status
i) Place of employment
j) Existing user status (for example, employment status, child user (aged 0-17), long-term sick, retired, debtor, left etc)
k) Date of joining LCCU
l) The number of and type of LCCU accounts held (savings and loans)
m) Account balances
n) Date of loans issued
o) Loan balances (outstanding and paid)

Analysing this data using postcode level data only made it anonymous and virtually impossible to trace individuals whilst allowing a detailed profile of credit union users to be established.

It should be noted that some of this data has not been accurately maintained, for example: marital status; employment status; and place of employment and therefore some of the available data was not used in descriptive analysis due to questions as to its accuracy.

7.4.3 Focus Groups

Bryman (2001) describes focus groups as being:

> *"a popular method for researchers examining the ways in which people in conjunction with one another construe the general topics in which the researcher is interested"* (Bryman 2001: 337)

Bryman highlights the characteristics of focus groups as being: a form of group interview using several participants led by a moderator. They are questioned around a defined topic and the emphasis is on interaction.

As a form of group interview, focus groups should ideally be relatively unstructured and free-flowing (Zikmund, 1997). The focus groups will contribute towards this research qualitative data collection from a primary source.

Neuman (2003) suggests that focus groups should consist of approximately six to twelve individuals gathered to discuss several issues, so this research will aim for approximately 7-10 in each group.

As part of this research two groups were created to represent the diverging strands of development of LCCU since its conception in 1987, as initial database evaluation and discussions with its employees suggest that the majority of users fall into two distinct segments. The first had the community-based emphasis, which aimed at bringing basic financial services to the financially excluded. This group frequently interacted with LCCU through a network of mini-branches run by volunteers at community points, for example, schools, churches and community centres. The second strand emerged from the origins of the LCCU which was originally established to provide services for the local council employees only, as an employee benefit and now serves several other large citywide employers such as the hospitals and the universities, whose employees have the option to save using payroll deduction. More information about the group size and structure is outlined in Chapter 8.

The core aims of the focus groups was to establish that the survey is understandable so the researcher knew that it was clear; correct; relevant; applicable; and easy to understand, excluding minimal users from responding. It also ensured that any key issues to be included (or excluded) in the survey could be established before the survey was completely developed.

It was believed that using these two groups of LCCU users would be adequate to resolve these issues. Such individuals already with an understanding of the credit union movement would be more likely to want to assist in research to improve it. As the local council supported the movement, the employee-based focus group was done in work time therefore increasing the likelihood of volunteers. To rely on a sample of the general public who are available during the day would have led to a skew in the types of individuals available and willing to attend and it was believed that users from the two distinct strands would fulfil the purpose as required.

Each group had a simple structure. Group participants were invited to attend the session and then all participants sat together around a table with the tape recorder visible at all times. At the beginning of each focus group, the purposes of recording the sessions were clearly explained, (to ensure that an accurate record is retained and then the researcher could focus on leading the group) and permission was gained from each member prior to the session starting. When these sessions were transcribed and analysed, full names were not used to identify individuals to retain their anonymity.

All participants were offered an incentive for taking part (a £10 Morrisons voucher for the community-based group due to the issues surrounding payment of the unemployed or volunteer workers as a large percentage of this group are, and £10 cash for the employee-based group). Reasonable transport costs were covered so that no member of a focus group lost out financially by taking part.

Malhotra (1999) confirms that if properly conducted, "*focus groups can generate important hypotheses that can serve as a basis for conducting quantitative research*" (1999: 153) and the key findings from these focus groups are considered in Chapter 8.

7.4.3.1 Surveys

Surveys are suitable for research questions about self-reported beliefs or behaviours and provide the opportunity for researchers to ask respondents many things at once, as well as measuring many variables and testing several hypotheses (Neuman 2003: 264). Robson (1993) warns however that they work best with standardised questions allowing little room for misinterpretation. Neuman (2003: 264) continues by outlining the categories of information that may be assessed in a survey: behaviour; attitudes, beliefs and opinions; characteristics; expectations; self-classification; and knowledge.

7.4.3.1.1 Survey Development

The user questionnaire provided the main source of research in this project and therefore the methodology surrounding it needs to be examined in greater depth. The non-user survey has been designed to be almost identical, with the exception of several user-only questions, for example, investigating motivations to join LCCU that would not be relevant for a non-user.

The format of a mailed questionnaire was chosen as individuals would feel more anonymous when discussing their personal finances and it was thought that they would have more of a freedom than if the survey was administered face-to-face due to the sensitive subject data (Malhotra, 1999).

Written permission from the LCCU has been obtained to confirm that this data can be used anonymously for the purpose of this research study.

A self-administered survey will be mailed out to the full adult user database of the LCCU (it is their policy not to send mail to account holders under the age of 16 as parental permission would be required), which consists of approximately 12,000 users.

Key elements in the presentation and structure of this survey included the following factors:

a) Surveys were sent with a branded covering letter, explaining the purpose and reasons for the research (Morison 1986, Vaus 1996, Gillham 2000).

b) The branding used was aimed at encouraging the different audience (both users and non-users) to respond (Denscombe 2003, Gillham 2000, Vaus 1996). Due to the KTP partnership between LCCU and the University of Leeds the non-user questionnaire was branded with the University of Leeds logo and this was also present on the covering letter and envelope, as well as the survey, to provide non-user respondents with reassurance that this was not simply a financial services survey that would result in months of junk mail deliveries. In keeping with this, the first line of the freepost address was changed from LCCU to “Win a Holiday” so that respondents were not aware that it was coming to LCCU.

c) For existing users of LCCU, included within the envelope was a copy of the regular newsletter. Due to the high levels of loyalty that users appear to feel towards LCCU, it was thought that referring to the survey in the newsletter would result in a higher number of responses from users. The newsletter contained a front-page article about the importance of completing the survey and reiterating the information in the covering letter (Jolliffe 1996, Frazer and Lawley 2000, Gilham 2000, Vaus 1996, Denscombe 2003).

d) The survey was timed to arrive the weekend before a bank holiday to encourage the maximum response from respondents (Jolliffe 1996, Gilham 2000, Vaus 1996).

e) There was the offer of a helpline, should there be any questions a respondent would wish to resolve prior to returning the survey. (Following the survey it was confirmed that this was not used by respondents (Vaus 1996))

f) An incentive was offered and the title printed on the survey was "Win a £500 Holiday" – designed to draw the attention of potential respondents (Oppenheim 1992, Brossard 1998, Gill and Johnson 2002). This amount was donated by CUNA Mutual Group, the insurance providers linked to LCCU (offering insurance services exclusively to credit unions) and Leeds Co-op Travel (another local co-operative organisation). This was intended to provide an incentive to the potential respondents and should the respondents wish to be entered for the prize draw they were asked to provide their membership number so that they could be contacted. It was stated that this was optional but this information was required for the prize draw entry so that the winner could be contacted. The offer of a holiday was provided by LCCU for the non-user survey so that a comparable prize was available.

g) The survey was designed to look professional in appearance as well as user-friendly (Frazer and Lawley 2000, Denscombe 2003, Oppenheim 1992).

h) At the end of the survey the respondents were thanked for their time to show appreciation (Frazer et al. 2000, Denscombe 2003).

i) To provide extra reassurance a data protection statement was included to ensure respondents that the data would not be shared or sold etc (Oppenheim 1992, McNeill 1990).

j) Finally there was a freepost address to a P.O Box number included (through LCCU) to encourage responses (Sapsford 1999, Oppenheim 1992, Frazer and Lawley 2000).

7.4.3.1.2 Survey Design

Many researchers have suggested checklists for the design and development of surveys including Churchill, 1999.

Maltotra (1999) suggests a checklist, shown in Table 13 which will be used in this research to ensure that the survey design is appropriate to the intended respondents.

Step	Checklist
1	Specify the information needed
2	Review the type of interviewing method required
3	Review the purpose and need for the content of individual questions
4	Ensure that unwillingness or inability to answer can be overcome
5	Choose the question structure
6	Choose the question wordings
7	Determine the order of the questions
8	Develop the form and layout of the questionnaire
9	Reproduce the questionnaire in a professional and appropriate manner
10	Pre-testing

Table 13: Survey Design Checklist based on Malhotra (1999: 316-317)

The questionnaire was 4 sides of A4 (folded A3) as shown in Appendix 14.1and key sections of questioning, also discussed below, centred around the following questions providing foundations for the research. Questions were developed from several influences including the literature examined, including the "Financial Well-Being Survey" produced by the University of Leeds in 2003, and as a result in gaps appearing in the work of the LCCU which were discovered primarily through personal work and discussions with key personnel. The questions formulated sought to relate to and answer the research question by asking a range of demographic and psychographic questions, the answers to which also aimed to close gaps found in the literature.

7.4.3.1.3 Survey Format

The segmentation of questioning to be used to satisfy the aims and overall research questions (section 1.5) and sub questions (Chapter 6) are outlined below (the numbers referred to correspond to the numbering of the user survey included in Appendix 14.1):

- Demographic research (Kimmis (2003), Powell and Ansic (1999), FSA (2000), De Mooij (2004), Harrison (2000), Mintel (2005))covering; gender, age; family lifecycle; family size; , income, occupation; education; religion; ethnic origin (questions 3, 4, 5, 6, 7, 8, 10, 11, 12, 13, 14, 15, 16, 17, 18, 39, 40, 41, 42, 43, 44
- Financial related research (FSA 2000, Mintel 2002) in questions 19, 20, 21, 22, 23, 24, 25, 26, 27, 37, 45.

The two key areas expected to be examined to answer the research question of "Who uses credit unions and why?" are profiling (questions 2, 3, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27 and 35) and consumer behaviour related issues (questions 28, 29, 30, 31, 32, 33, 34, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45).

7.4.3.1.4 Types of Questions

Closed questions limit the choice of responses a respondent can make – for example yes/no or offering a choice of answers with the respondent indicating the more appropriate or correct response (Morison, 1986 and Jolliffe, 1986) for example: *"What is your gender?"* Open ended questions do not list the responses and the respondent should answer the question in their own words, however this makes it harder to categorise responses (Kumar, 2005), for example: "*Why do you use your main financial services provider?*" Closed questions provide data that is suitable for quantitative, statistical analysis whereas open questions provide more qualitative evidence.

The advantages and disadvantages of using open and closed questions are highlighted in Table 14 below:

Question	Advantages	Disadvantages
Open-ended	Can provide more in-depth information Allow respondents to express themselves more freely Virtually eliminate the possibility of investigator bias	Can be more difficult to classify the data Information may be lost as respondents are unable to freely express themselves Greater chance of interviewer bias
Closed	Responses are standardised and can be coded Ensures information required is already categorised so responses are easier for the researcher to analyse	Lack of depth and variety to the information provided in the answers Greater possibility of investigator bias Conditioned thinking may lead to opinions not being truly expressed May not really think about the answers provided Spontaneity of response is removed List of responses may not be appropriate for all respondents

Table 14: Advantages and Disadvantages of Question Types, Based on Work by Kumar (2005) and Jolliffe (1986).

This survey will use a variety of both closed and open-ended questions. Sometimes a combination will be used, for example, the closed question of: "*Do you or any members of your household use the internet to access any of your financial accounts?*" Yes/No (q42 on user questionnaire in Appendix 14.1) has been developed and will then immediately be followed by an open question to aid clarification: "*Please state which provider these on-line accounts are with*" (q43 on user questionnaire).

7.4.3.1.5 Scales

Malhotra (1999) highlights that semantic scales are very versatile, making it popular in marketing research and it is widely used for brand, product and company images, and Saunders et al., (2000) support this by demonstrating that it is often used to determine underlying attitudes within consumer research.

When beginning to design this survey it was decided by the researcher that as attitudes were vitally important in this study, semantic scales should be incorporated to assist the analysis. As Malhotra (1999) explains, semantic scales make use of a seven-point scale with bipolar labels being used at each of the end points. McDaniel and Gates (1999) confirm that researchers have found a seven-point scale the most useful. This situation however allows respondents to be indecisive, as they can choose 4, the average. Whilst this is acceptable and appropriate in some situations (and this will therefore be incorporated in other questions), it was felt that for when questioned about risk there should be no "middle ground", and therefore this scale ranges from 1-10 to allow suitable scope.

7.4.3.1.6 Survey Structure

Following the initial thoughts and developments, a survey was developed (see Appendix14.1) that has been ordered using the five key sections to gain more general information from the respondent before delving into more personal matters, relating to their financial behaviours. This is supported by the work of Kumar (2005) who suggests that questions should follow a logical pattern based on the overall objectives of the document. Filter questions are being used where appropriate, for example, question eight of the user survey asks: *"If you do work, what type of job are you in? If not please go to question 10."*

Section A of the survey examined the demographics of the respondent and these questions were multi-choice to aid comparisons and segmentation of the groups in the analysis stage and specifically aimed at answering "Who uses credit unions?" They seek to cover a variety of demographic factors including postcode, age group, employment status, job type, religion, number of adults and children in the household, number of employed adults in the household etc. The limitations on the multi-choice segments were defined by the 2001 UK census so that comparisons could be made regarding the demographics of both the Leeds population and the Leeds City Credit Union sample provided.

The second section was titled "Understanding Your Financial Needs" and was the largest section of the survey. It covered a wide variety of questions relating to the financial information of the respondents, for example, product ownership, salary and council tax brackets, the value placed on advice and information about financial decisions and products, savings levels, the levels of trust placed in financial providers and perceived performance levels of main financial providers. Semantic scaled questions were used to ensure that respondents could rank their answers and a scale of 1-7 was used.

The third section examined the relationship that the respondent had with LCCU and as such covered the length of membership, motivating factors for joining, perceived performance levels and product usage. Semantic scaled questions were used, again with 1-7 scales to ensure that the opinions of respondents could be viewed on a scale, rather than simply a closed question. As well as having use in this research project, this section also provided direct application for use at LCCU.

Section D covered the levels of internet usage the respondent had, particularly in relation to financial services. Again this section was primarily for the use of LCCU.

The final section examined the future financial needs of the respondent. It covered the propensity to purchase specific products in the future (using semantic scales of 1-7), as well as identifying levels of financial risk. In this situation, semantic scales were used from 1-10, not allowing respondents to be indifferent. It was also believed that risk may require a wider range of possible ratings.

A slightly different variation of the survey was prepared for non-users which included questions about the perceptions of credit unions.

When developing the questions, care was taken, as suggested by Malhotra (1999) to simplify the language used, as this would be received by people of all academic abilities, and responses were wanted from all segments of society; to avoid using ambiguous words to aid clarity and minimise confusion; to avoid asking biasing or leading questions to ensure that as much information was true as possible; to avoid implicit assumptions and alternatives; and to avoid generalisations and estimates.

7.4.3.1.7 Piloting

A pilot study of a survey should be undertaken to assist in ensuring the correct comprehension and interpretation of the questions (Morison, 1986 and Saunders et al., 2000).

Bell (1999) suggests that a pilot study should be used to clarify and identify completion time; clarity of the instructions; ambiguous or inappropriate questions; major omissions; a clear and appropriate layout; and anything else of significance.

A pilot study of the survey has been undertaken to assist in ensuring the correct comprehension and interpretation of the questions (Morison, 1986 and Saunders et al., 2000).

7.4.3.1.8 Survey Pilot

Prior to the survey being mailed out to all adult users of LCCU, there was a small-scale pilot survey carried out. Its primary purpose was to ensure that the survey was appropriate, suitable and easy to complete. Fink (1995) suggests that the minimum sample size for the pilot study of a smaller scale survey should be 10 and that each questionnaire should be checked to assess for any difficulties understanding, interpreting or completing the questions and to ensure that instructions can be followed correctly.

The surveys used in the pilot study were clearly marked as "Test Questionnaire" and as the survey for users was prepared first; this pilot study only involved users. The sample used was one of convenience and it was distributed in LCCU outlets – through the Head Office and the branches so that any queries could be answered and feedback could be gained immediately, resulting in more accurate comments being collected. Respondents were asked to comment on the survey, in particular the ease of completion, understanding of the language used and generally any other comments that they had about it.

The survey was made available for 3 days and 20 respondents completed the forms in an attempt to provide a representative sample of responses of gender, age, ethnicity, highest qualification levels achieved and employment status. The feedback provided assisted in several minor amendments being made in the final questionnaire and these are outlined in the table below. This questionnaire was then modified in a minor way to provide the non-user questionnaire. Ideally, a larger sample for a pilot study would have been gathered, however, the sample size was limited due to volunteer availability and time constraints.

The positive and negative comments are indicated in the table below and corrections and amendments made with regards the negative comments are indicated. Feedback is indicated in the language that it was provided in Table 15.

Feedback	Additional Researcher Comments
Positive Layout OK Looks catching Should be at least two pages	
Negative	
Too many questions Quite intensive Boring	It was felt that that number of questions was needed to fulfil both the researcher's aims and the Credit Union's aims, as well as to fit an A3 sheet (4 A4 sides)
Questions probing and prying	This was felt to be an appropriate level of questioning by the research, academics, the Credit Union and other members of the pilot group.
Spacing too close together Like an eye test	The questionnaire as a whole was presented in a more aesthetically pleasing manner with a darker, shaded background
Did not think that the holiday prize offered measured the length of the questionnaire	This was felt to be appropriate based on the questionnaire and the resources available
Like an exam	Questions were asked and readers had the option to complete them – some people indicated that they did not wish to complete them by marking them as such

Table 15: Findings of Survey Pilot Study

The amendments made to the survey using the focus groups and the pilot study had now developed it into an acceptable document. This was then sent to the printers for proofing, approved by the researcher and printed.

7.4.3.1.9 Non-User Survey

A survey was also sent out to a sample of individuals in the Leeds Metropolitan District who were not users of LCCU yet who were of a similar demographic make-up of existing users to aid comparison work between the two groups. This survey was in the same basic format as the one for users to ensure that the information provided was as similar as possible to assist with minimal confusion or causes of variation. An incentive of a holiday voucher was again offered to encourage responses. The sample size used was 10,000 people from a mixture of postcodes, ages, ethnicity and social class as these were believed to be the independent variables that would affect membership of UK credit unions, and significance tests will be used to minimise sampling error. The sample chosen consisted of one polling district out of every ward in the Leeds Metropolitan District.

7.4.4 Advantages and Limitations of Different Research Methods

Important advantages and limitations of each of the research methods are indicated in Table 16 below.

Research Method	Advantages	Limitations
Literature review	Reduces risk of research duplication Useful as a comparison guide Will set the context of this research	Very difficult to find all relevant literature Space constraints Minimal credit union marketing literature available to evaluate
Database Analysis	Provides a "snapshot" view of users Real-time data A complete dataset of the whole user database. Allows a more quantitative insight into membership patterns	Does not highlight trends due to the "snapshot" view Fairly basic information held at the LCCU May be misrepresentative of the situation as a whole Only provides one level of information
Focus Groups	Useful for PR purposes from a credit union aspect Interesting to build up an information flow with a group of users Relatively informal situation Can receive instant feedback about ideas Group act upon invitation Qualitative data much easier to get face-to-face	Topic can go off on a tangent Can be difficult to get some of the quieter group users to contribute People may just say what they think you want to hear.
Survey	Can get a lot of detailed, quantitative information about users They may feel more confident disclosing private information on a survey rather than face-to-face Freepost envelope and prize draw act as incentive Relatively inexpensive to collect large quantities of data. Can ask everyone the same, standardised questions	There can be misunderstanding of questions Some people do not read the questions properly and therefore answer incorrectly Respondents can miss questions out totally Can put wrong information down which will distort data

Table 16: Advantages and Limitations of Research Methods

Adopting several research methods in this study should lead to a suitable and appropriate mix of data for analysis.

7.5 Population and Sample

Malhotra (1999: 328) explains that a population is:

> *"...the aggregate of all the elements that share some common set of characteristics and that comprise the universe for the purpose of the marketing research problem."*

This is confirmed by Neuman (2003) stating that the target population refers to the specific pool of cases to be studied.

7.5.1 Response Rates

Sapsford, (1999) suggests that when sampling using surveys there should be at least 40 cases for each independent variable to be analysed. This minimum should be increased if the independent variable has more categories and each variable needs a new multiplier. Neuman, (2003) recommends that for moderately large populations (approximately 10,000), a return of around 10% is ideal. Therefore in this case a return in excess of 1000 was required.

7.5.1.1 Users

In research relating to users, the population were users of the LCCU which in June 2004 (the time of the survey), were over 12,000 users. All adult users were sent a copy of the survey and therefore all had the opportunity to complete it, however it is not practical to think that they all would. Consequently, whilst a census return would be ideal, as the more information collected the easier it would be to analyse data from every possible population (Saunders, et al., 2000 and Malhotra, 1999), it is not practical to believe that this will happen. Therefore the sample returned was a random sample and it was hoped that this was representative of the population. The census style of distribution also allowed for a wider response, making it easier for the distributors (being done externally and at the same times as a regular newsletter) and also allowed blanket promotion through the newsletter and the website.

Following the distribution of the user survey there was a response rate of 1350 users (11%) providing ample information to analyse.

7.5.1.2 Non-Users

Due to a potential user base of over 800,000 people (living or working in the Leeds Metropolitan District) it was not practical – due to both time and financial constraints to attempt to achieve a census. The users of the LCCU consist of approximately 1.5% of this population so there is clearly a huge potential market for new users.

Once the data was collected from the user survey, the non-user survey was sent out. The non-user survey was almost identical to the one sent out to the users, with the addition of several questions, relating to attitude, opinions and knowledge of credit unions, both in general and specifically related to the LCCU.

It was sent to 10,000 individuals living in the Leeds Metropolitan District. This was the most consistent way of reaching potential members within the common bond through a self-administered survey, to ensure that the data collection methods were the same as for the users. Controllable conditions were kept as similar to the user survey as possible. The same incentive of a holiday was offered to encourage responses.

To ensure a sample consisting of a wide and reflective mix of the population, a list was purchased from the Electoral Office at Leeds City Council listing one ward from each district of the Leeds Metropolitan District, with the wards chosen at random. Therefore a stratified random sample of non-users were sent a survey and the aim was to ensure that the sample was representative of the population of the common bond.

The response for non-users was substantially less than that of users, with 205 responses (or 2%), which whilst being undesirably low, still assisted in the provision of data for analysis.

7.5.1.3 Response Accuracy

7.5.1.3.1 Reliability

"*Reliability means dependability or consistency*" Neuman (2003: 178) and it suggests that under the same conditions the result would recur over and over again and thus reliability in data collection results in stable and consistent results (Newman 2003). Easterby-Smith et al., (1991: 41) state that reliability can be assessed by asking two questions. Firstly, if the measure will yield the same results on different occasions and secondly, whether similar observations would be made by different researchers on different occasions.

Robson (1993) cites four threats to reliability, these being subject error, subject bias, observer error and observer bias.

When carrying out research on this project all possible efforts have been made to keep the data as reliable as possible and any potential errors or biases will be checked before analysing the data.

On a practical level, reliability issues within the quantitative analysis have included: using the same format, including the same questionnaire (albeit with several different questions depending on whether the respondent was a user or non-user of LCCU); using the same process for issuing the questionnaires including a similar length of time for responses to be sent back; similar incentives; a freepost address for returns; and a letter of explanation about the questionnaire and its purpose. Some issues that may have affected the reliability were the differences in branding (one LCCU, the other the University of Leeds), however, whilst this may be viewed as a limitation, it was deemed necessary to ensure that recipients were as receptive as possible to the mailing. As it was expected that a higher return would be gained from the user population, a larger mailing was sent to the non-user group in an attempt to get a larger response rate from this section.

To ensure the reliability of the focus groups, both groups followed the same format for consistency purposes and also the researcher had the tapes transcribed by a third party and then listened through the recordings and ensured that the transcripts were accurate.

7.5.1.3.2 Validity

Saunders, et al. (2000) explains that validity is whether findings are about what they appear to be about. Neuman (2003) suggests that validity is about truthfulness and the way that a researcher thinks about an idea and the measure of it through the information.

Robson (2003) has identified several threats to the validity of data: testing which may be affected depending on the dis/advantage to the subjects; instrumentation over how the research is carried out; mortality of individuals dropping out before the end of the study; maturation caused by additional, unrelated events and ambiguity about the causal direction of factors. These are all issues to be considered when undertaking this research project.

When analysing the qualitative data, extensive quotes will be used in Chapter 8 taken directly from the transcripts to ensure that a full understanding of the analysis is provided.

When assessing the quantitative data, initial checks will be done to ensure that the data is valid. Outliers will be monitored and corrected in the case of human error when inputting the data from the surveys. If no response has been provided a closer examination will reveal whether the respondent has not fully understood the question, for example, if the question about the level of trust they have in a credit union has been left blank and the respondent has stated that they have not heard of credit unions then this is a plausible explanation as to why they do not know how much trust to place in them. If they have not answered any questions in that section then it is questionable as to how useful this data is and this is therefore a limitation on the data. In the case of missing values, the mean will be substituted so as to provide an average result when interpreting the data.

7.5.1.4 Statistical Sample Methods

This section provides a brief overview of the statistical sample methods that will be considered in the analysis within this thesis. Following a general consideration in this section, the next section will present the chosen methods of analysis. This section is designed to provide a broad overview of the potential statistical techniques available for the analysis of this data – for the more complex techniques used to model substantial elements of this data, a more detailed insight will be provided in chapters 9, 10 and 11.

7.5.1.4.1 T-Tests

T-tests are used to "*compare the values on some continuous variable for two groups or on two occasions*", (Pallant, 2001:177) or as a means to examine pre-set hypotheses (Malhotra, 1999), thus highlighting any statistical significances between the groups.

There are two types of t-test – independent samples and paired samples. An independent samples t-test relates to the mean scores of two different people or conditions, whereas a paired samples t-test compares the mean scores of the same people on two different occasions (Pallant, 2001, Malhotra, 1999).

Independent sample t-tests will be used throughout this research as the mean scores of two different groups of people – users and non-users will be examined. Pallant (2001:177) identifies independent sample t-tests as being; "*to compare the mean score, on some continuous variable, for two different groups of subjects*." This will highlight any statistical significances present between the two data groups.

Bryman and Cramer (1999) show the equation for an independent samples t-test as being:

$$t = \frac{\text{sample one mean} - \text{sample two mean}}{\text{Standard error of the difference in means}}$$

As a t distribution is normally distributed, most will be nearer to the mean (Field, 2000, Bryman and Cramer, 1999). If there is a difference in the variances of the two samples then Levene's test can be used.

This thesis will make use of independent sample t-tests as there is one categorical, independent variable and one continuous, dependent variable (Field, 2000, Pallant, 2001). Field (2000) however believes t-tests to be a useful but limited tool as only two levels of the independent variable can be considered – if there are more levels then another technique such as ANOVA needs to be considered.

7.5.1.4.2 Factor Analysis

The concept of factor analysis is a more complex form of statistical analysis and will therefore be examined in more detail in a dedicated chapter.

To provide a brief overview to factor analysis, it can be described as a data reduction technique, in which a large set of variables can be reduced or summarised by using a smaller set of factors or variables in order to make them more manageable (Pallant, 2001). This is reinforced by the previous work of Child (1990) who describes factor analysis as making order out of chaos – an aid to identifying and classifying data and that of Coolidge (2000) describing factor analysis as:

> *"determining what an underlying conceptual structure looks like in a set of dependent variables by examining the correlations between each variable in the set with every other variable in the set."* (Coolidge 2000: 265)

There are two approaches to factor analysis – exploratory and confirmatory, and Child (1990) describes these two states as opposite poles on a continuum.

Whilst there is more information about factor analysis in Chapter 10, one of the primary functions of this research is to analyse the effects that membership and non-membership of the LCCU has on various variables, including: the use and attitudes towards credit unions. In this research, the use of factor analysis allows the data to be reduced to such an extent that it can be used in an exploratory situation – to identify the presence of a structure, however to some extent it could also be viewed as confirmatory as preliminary research was conducted qualitatively through focus groups. The focus groups however did not give statistical evidence - merely discussed opinions providing guidance to the type of structure that may be evidenced through the quantitative research. The identification of interrelated factors and a structure will lead to further understanding into the differences between members and non members of credit unions.

There are five areas to be tested for factor analysis between the user and non-user data:

1) Value of information when making financial decisions
2) Sources of information for making financial decisions
3) Trust in different financial institutions
4) Performance of existing provider
5) Personal attitude towards making financial decisions.

In addition two more areas will be tested for users only – the motivation to join the LCCU and the perceived performance of it.

These areas were chosen from the survey because each question consisted of a set of related continuous variables. The information available will allow the analysis of the factors using the entire sample (of users and non-users combined), or it will allow the separation of the two groups.

7.5.1.4.3 Chi Square

Welkowitz et al (2000) describe the technique of chi-square as being "*the statistical model used to test hypotheses when data are in the form of frequencies*" (2000: 345). This is confirmed by Malhotra (1999) who stated that the *"chi-square technique is used to test the statistical significance of the observed association in a cross tabulation. It assists us in determining whether a systematic association exists between the two variables"* (1999: 465).

There are two assumptions for non-parametric tests, including chi-square: firstly the assumption of random samples and secondly that of independent observations (Pallant, 2001). Pallant then highlights the two types of chi-square techniques, both of which test categorical data – chi-square for goodness of fit and chi-square test for independence.

Goodness of fit is centred round single variable problems (Welkowitz et al, 2000). Pallant (2001: 256) expands on this by explaining that it measures the proportion of cases falling within the various categories of a single variable and then compares them to a hypothesised value.

This is focused on two variable problems and Welkowitz et al., (2000) cite that it is "*to test the significance of the relationship between two variables when data are expressed in terms of frequencies of joint occurrence.*" (2000: 265). This was reinforced by Pallant (2001) who clarified that the chi-square test for independence is designed to discover whether two categorical variables are related and to explore these relationships.

A major part of this thesis is the comparative work between the use, uptake and perceptions of credit unions by both users and non-users. A series of chi-square tests for independence have been undertaken to investigate the existence of relationships between the user and non-user data and the results are presented in Chapter 9.

7.5.1.4.4 Regression

Regression is a statistical tool available to investigate the relationship existing between variables (Sykes, 1993, Hinton et al., 2004, Fisher, 1925, Brace et al., 2009, Field, 2009.

Put simply, regression is predicting the score on one variable based on the scores of other variables (Brace et al., 2009). It is used to predict continuous dependent variables on independent ones (Tabachnick and Fidell, 1989). Regression investigates the relationship between variables, often to seek to identify the causal effect of one variables from another (Sykes, 1993, Hinton et al., 2004).

The simplest relationship between two variables is linear (Hinton et al., 2004). Regression should be used when exploring linear relationships between predictor and criterion variables. The criterion variable is generally on a continuous scale (or dichotomous dependent for logistic regression) and the predictor variable is measured on a ratio, interval or ordinal scale (Brace, 2009).

Sykes (1993) highlights several types of regression, each with a different role and purpose including simple regression, multiple regression and logistic regression, with multiple regression being the most widely used tool by social scientists.

Regression will be used in this research to study the relationship of the characteristics that are linked to an individual being a user or non-user of LCCU and also to segment users. More detail about regression and its use within this study is provided in Chapter 11.

7.6 Ethics Driving the Research

Whilst the issue of ethics within research is extremely complex (Oliver, 2004), it is clearly a critical issue as "*ethics address whether a particular action is right or wrong, good or bad*" (Malhotra, 1999: 734). This statement implies that the application of ethical practices to a piece of research could make the difference between reliable and valid data sources and collections and bias, inappropriate ones.

There are two main methods of practical data collection – focus groups and surveys requiring a written response from the respondents, and these were then both split into research among users and non-users. Table 17 examines each of these methods alongside the steps undertaken to ensure that good ethics could be adhered to.

Research Methods	Ethical Measures Taken
Focus Groups	Asked permission for the sessions to be tape-recorded for reference and ensured participants that these would be kept confidential An explanation given of the reasons behind the research, the types of results anticipated and the usage of these results Have not included a full transcript of the tapes to avoid individuals being identified Attempted to make participants feel at ease. The community-based group was invited to the Leeds City Credit Union's Head Office and provided with refreshments. For the employee-based group the focus was done in their place of work to reduce fears of getting back to work on time etc. The use of the room for the employees was confirmed with the supervisor. The atmosphere for both groups was made to be as informal as possible.
Surveys	Neither survey asked for respondents names to protect their anonymity – any other forms of identification were optional and for inclusion into the prize draw Both surveys were sent with a covering letter to explain the purpose of the survey and the dissemination of the results Both surveys had contact details should the respondents wish to clarify any aspects of the survey prior to participation

Table 17: Ethical Measures Taken During Research

All the data collected, the transcripts, tapes and completed surveys, have been stored by the researcher to ensure anonymity and confidentiality.

7.6.1 Stakeholders In Ethical Decisions

Malhotra (1999) identifies four key stakeholders in the process of ethics within market research and potential issues that may lead to ethical dilemmas and these are detailed in Table 18.

Stakeholder	Potential Ethical Dilemmas
Public	Incomplete reporting Misleading reporting Biased research
Respondents	Conducting survey to sell products Invasion of privacy
Clients	Abuse of position Unnecessary research Unqualified researcher Incorrect disclosure of identification Non-confidential data Misleading presentations
Researchers	Improper solicitations Proprietary techniques Misrepresentation of findings

Table 18: Malhotra (1999), Stakeholders in Ethics. Adapted from pages 735-740

Reeves and Harper (1981) have established four minimum requirements for any code of practice governing an organisation's survey research and can be summarised: consulting with all prospective respondents to gain consent and agreement to continue with the research; ensuring agreements over the dissemination of results; not hiding the true reasons for employee-based research and highlighting any special circumstances that could affect the reporting should be clearly indicated in the reporting.

These requirements were confirmed by Oliver (2004). Oliver suggests four codes of good practice when using participants in data collection. Firstly, informed consent, which Oliver claims is one of the best-known principles of research ethics. He argues that it is the researcher's obligation to ensure that before participation all respondents are fully aware of the nature of the research and the role that they will play within it. Secondly, he advises that participants be given a summary of the research, as this will allow them to put it into context. Thirdly, the importance of anonymity and the lengths undertaken to ensure that this is adhered to, in particular the keeping of any promises made to respondents regarding confidentiality. Finally, there is the issue of interview ethics and the importance of making the respondents feel at ease.

7.7 Challenges and Barriers to Research

Challenges and barriers to this research study are also explored in section 1.4 and include:

a) Budgetary and time constraints, for example, when sending out surveys.
b) Nature of the practical work associated with the researcher's project employment at the LCCU. This has further time and budgetary constraints.
c) Sample size – with any form of research, the larger the sample size the more accurate the information gleaned from it will be.
d) Evolving nature of financial services and in particular marketing within financial services.
e) Evolving nature of credit unions within the UK means that this research is somewhat of a starter piece – there is no other similar work to compare findings with.
f) Potential resistance to any change which this research may bring about, from users but also more particularly from staff.

7.8 Conclusion

As the introduction sought to demonstrate, this Chapter is intrinsically linked to all the previous chapters within this research. Placing the chapters in this order has permitted all available research from previous sources; research gaps; tools; and techniques to be considered prior to this Chapter, which has then drawn it all together by producing a strategy plan of how the research gaps will be eliminated by the use of specific tactical tools and techniques.

This methodology has been achieved by placing this piece in research context by examining and reviewing methodological philosophies and approaches and then presenting a suitable strategy for use in this research.

Different types of research methods have been reviewed so that the most appropriate route to answering the research questions can be undertaken. Advantages and disadvantages of each method have been considered and the type of data emerging from each source has also been recorded to ensure that decisions have taken into account all aspects of usage.

As the main part of this research consisted of a survey both sent to users and non-users of LCCU, a sizeable proportion of time has been spent reviewing the survey in this Chapter. It considered the design of the survey; how it was developed; the reasons behind certain parts of its development and layout; how it was piloted; what the results of this pilot were; and the structure of it. Focus groups were also a key to the success of this study and they were also discussed.

The overall aims of the research detailed in section 1.5 were also considered with the profile variables reviewed in more detail. This allowed the questions within the survey to be shaped and planned so that the questions could be answered in the most appropriate ways possible.

Following a view on the methods of statistical analysis in which the most appropriate methods of analysis for this research were chosen and presented, a review of the ethics behind this research were considered.

This plan was then actioned by considering: the qualitative analysis from the two focus groups in Chapter 8, the quantitative analysis on a descriptive level in Chapter 9 and then further investigations undertaken using factor analysis in Chapter 10 and regression in Chapter 11.

8 Qualitative Research

8.1 Introduction

The initial research tool used within this study to gather primary data to promote the understanding of LCCU's membership base was focus groups. Overall the aim of the focus groups was to provide a qualitative answer to the research questions detailed in Chapter 6 with specific application to section 6.2 that aimed to understand the segmentation of the LCCU membership through the research question of "Why are credit unions used?"

When LCCU was registered in 1987, section 5.2.2 highlights that membership was only accepted from employees of Leeds City Council. By 2001 the common bond had been expanded to allow LCCU to offer membership to any individual living or working in the Leeds Metropolitan District. This expansion has resulted in a continuum of users, with the core, traditional group of council employees at one end and the community-based element at the other end. It was therefore deemed appropriate to base one focus group within the traditional council network and therefore this sample was taken from users within a department of the Leeds City Council and the other group comprised of a sample of users from the All Hallows Community Collection Point, a volunteer-run session offering information about LCCU and taking deposits on their behalf. There is more detail about the methodology behind the focus groups in section 7.4.3 and the full transcript of both focus groups in included in Appendix 14.2 and 14.3.

The two groups took place in Spring 2004. The community-based group consisted of 9 individuals plus the researcher and an assistant to take notes of key discussions and assist with the tape recording, permitting the researcher to concentrate on conducting the group. The group all knew each other as they were from the same community association and therefore they already had a rapport established which helped to make them more comfortable when discussing financial services as a group. There were 3 males and 6 females in the group with a range of ages. One individual was in the age 25-29 category; 4 aged 30-44; 1 aged 45-59; 1 aged 60-64 and 2 aged 65+. The majority of the group were white British with 1 group member being white and black Caribbean. Three members were employed and 8 of the group members were relatively new to the credit union movement, having joined less than 3 years earlier.

This was in contrast to the employee-based group, where (as would be expected) all group members worked. It was also an all male group (not by design but due to the availability of volunteers on the day of the event) that was smaller than the community-based group and two of the group members were unable to attend on the day. All the groups were established users of the LCCU, having joined over 9 years earlier (in the first phase of its development). The ethnic mix of the all male group was 2 white British; 1 white / black Caribbean and 1 black Caribbean.

As section 1.3 alluded to, the links that this research study had to the KTP project meant that the focus groups would serve three key purposes: firstly, they were used as a test to ensure that individuals across the spectrum of members had an appropriate level of understanding of specific words or phrases relating to financial services. These words and phrases were planned to be incorporated in the survey and so this test would ensure that they could be easily understood so as to reduce barriers for users to respond to the survey. Secondly, the session would permit testing of some of the proposed questions for inclusion within the user survey on users of LCCU to start to shape the expected results and thirdly, the groups could be used by LCCU as a means of developing contact with users, therefore assisting in building relationships and customer loyalty.

8.2 Survey Understanding

Following introductions, each group was shown a series of flashcards, showing words relating to financial services. The groups were asked what the words meant to them to ensure they had a full understanding and clarification of usage. The words and phrases were:

a) Credit union (their understanding of its purpose)
b) Bank
c) Building Society
d) Interest
e) Dividend
f) Financial services provider
g) Financial products

It was felt and understood by the researcher and the assistant (an employee of the LCCU) that both groups had a reasonable and adequate understanding of each of these words and phrases and it was acknowledged that the researcher would be able to make use of such words and phrases in the development of the survey.

8.3 Survey Question Focus

Discussions were then guided towards certain topics and were moderated by the researcher who aimed to start the discussion around specific areas and try to steer them appropriately if they began to diverge.

Following the initial confirmation that focus group attendees were familiar with the key financial words and phrases used, the conversation moved onto the financial products and services that they used. They covered the products owned and the purposes (hypothetically) of why individuals may take out a loan.

Both groups contained individuals with a wide variety of product ownership, demonstrating a good spread of understanding and awareness of financial services products. A range of products including credit cards, mortgages, pensions, bank accounts and credit union accounts were owned across both groups.

Loans are expected to be used for situations including home improvements, holidays and cars.

8.4 Consumer Behaviour Survey Focus

The focus group then considered the research question outlined in section 6.2 of segmentation regarding why credit unions are used. To use the data from the focus group to shape the survey, the conversation was steered towards proposed questions so that areas included: the values placed on advice and information from various sources; trust; incorporating reasons for joining LCCU; and perceived performance attributes of LCCU and other financial services providers.

All sources quoted throughout this Chapter are taken from the employee-based focus group, where the full transcript is included in Appendix 14.2 and the community-based group focus group, where the full transcript is included in Appendix 14.3.

8.4.1 Value of Advice

When discussing the value placed on advice from various sources, the employee-based group considered several avenues: "*I think I would go to them (financial advisor) but I wouldn't necessarily put it in there", "I would go to my building society*" and "*shop around – there's a lot of variation - car insurance especially*". When the value placed in friends was mentioned by the researcher a group member confirmed that they would "*look into it*".

There were mixed opinions on the value of financial services advice from the community-based group with one member clarifying that they "*wouldn't trust financial advisors because I would feel that they were there to sell me something. I wouldn't feel that they would give me impartial advice*", and another group member counteracting this by confirming that they would trust financial advisors "*if they didn't have any preference towards one bank*". There was strong support amongst this group for gathering advice from family, friends and (where applicable) work colleagues – "*I think I would ask around ... family and friends*".

8.4.2 Sources of Information

Both groups were then asked which sources of information (including advertising) they considered to be important when choosing where to purchase financial products or services.

The employee-based group stated that the value they would place in an advertisement "*would depend on the advertiser*". They then confirmed that they would "*shop around and see what was going on*" before making a decision. They appeared to want to gain an understanding of the whole situation before a decision would be made. This implies that they think carefully about their financial decision-making.

In contrast, the community-based group sought help in a range of media. This opinion however was not shared by all group members, as one stated, "*I'd trust family and friends ... because I don't think anything on the television, any of the adverts you know, no chance. They don't instil you with confidence".* Informative television was considered helpful – "*I ... watch on BBC news the financial reports ... I always look to see what's going up and what's going down*" and there were mixed views as to the importance of financial services television advertising – with "*I look at the television ...the Halifax advert*" being contrast with "*I don't think anything on the tele, any of the adverts .. you know, no chance. They don't instil you with any confidence. Someone dancing around in a green costume or something like that*".

The LCCU newsletter was given moderate value among the community-based group with one member commenting that "*I would look at it but I wouldn't say that it was the most important because are you deliberately trying to push something off? I would think first are they going to sign me up for a load of stuff and they can't get rid of it?".* This was given more value than sources of information on the internet which was greeted with laughter and "*what's that*?!" On a serious note however one contributor commented that "*I just think it's irresponsible offering people loans on-line. You know we say that one of the reasons that we like the Credit Union is because it's ethical in that sense.*"

Text messages and phone calls providing information were also considered in a poor light "*I think it's rubbish*", "*it just puts you off*" and "*if you do phone back you have to waste so many minutes it's just a rip off*." One member added that "*if you start texting people to say that you could benefit from this loan you're almost stooping to the level of the loan sharks....I think that's one of your strengths to see you as something ethical. So I'd say avoid getting into those marketing strategies."*

They also confirmed that they would not place value in methods such as letters "*We get so much and we don't read it. I mean anything that came like that you don't read it*" however letters from LCCU were treated differently as when the participants read an LCCU letter they knew that "*you're not going to get ripped off basically, you know who it is. Like when you send the yearly thing (LCCU newsletter) out, to tell you how things are, that is the most important* *because you want to know. Are you going to survive another 12 months, are you running on an even keel, because we don't know generally*".

8.4.3 Trust

Each focus group then discussed the different levels of trust placed in various financial service providers.

Within the community-based group there was a conversation about financial service providers and one member stated about one of the UK's largest banks: "*I've gone visiting them recently... they've advised me to change to certain ones (loans) at a lower interest. So it's done me a big favour believe it or not, I'm paying out less now financially than I was before*".

A number of ethical-type providers were discussed including credit unions and the Co-operative Bank and one member highlighted the levels of trust she had in such companies because "*those companies are not out to make a profit out of us, but other banks are. Make as much money as you can ...it's not about that and that kind of reassures me a little bit*". When the conversation moved towards credit unions one group member commented that: "*you know you're not going to get ripped off basically, you know who it is*".

8.4.4 Motivations for Joining LCCU

An understanding of the motivating factors behind participants joining LCCU was sought.

One strong factor emerging from the community-based group was the importance of the ethical stance: "*Something that's important to me (is) about the ethics of it as well because I have an account with Nat West which I'm trying to close at the moment ... because they invest their money in arms companies and that's really quite insulting. That's important to me as well – the Credit Union, the Co-op, they've all got a good record of not investing in these sort of products*". This was supported by another contributor who cited that "*... it should be someone who has your interests at heart really, somebody who is giving you help, rather than almost pushing you into a direction that you don't want to be in, you know financially ... making you have an account that is not as good for you but better for them*". Other members also cited credit unions as being "*a really fair way of doing things*", "*it's not about profit it's about people*" and "*an ethical way to save and basically I thought it was important to be involved in the community*".

Another key factor from the community-based group was access to credit: "*if you're not working you cannot go to the bank and get a loan. I'm not working ... but I still had to ask for a* *loan from the Credit Union and got it without any questions. If I went to any other bank they would ask me are you working and when I say no they would say "I'm sorry*"."

Convenience was also cited as an important factor for joining LCCU – " *I joined the Credit Union ... .. when they began a collection point at All Hallows. I've got a Yorkshire Bank and a building society account but it's really handy because every week I can just go to them and put something in without paying into a bank*" and "*I joined through the church and it's better for me because it's right near my house...it's hard to come into town and back again so it helps me*" and "*you don't have to go to a bank*".

Whilst the employee-based group considered the importance of "*a rate of interest*", their trust was earned through the reputation with key phrases being: a "*well established reputable reputation*" and "*if the company's been running for a few years*".

8.4.5 LCCU Performance Perceptions

The employee-based group did suggest that expanded opening hours would be well received and would be an improvement on the existing situation: "*Saturday morning openings ... like banks are open, if you want anything from the Credit Union you've got to wait until Monday*". An increased number of staff was also cited as key tools for improvement: "*more staff you know in lunchtimes*" and they felt that the "*personal service (was) sometimes lacking*".

When asked about the ethical side and importance placed on this from a Credit Union perspective they stated "*I think it's alright. I think it's important for the members to say what's best for the Credit Union*". When reflecting on changes from the past they considered that "*it (the Credit Union) is a good thing, it's gone forward and it's more organised than what it were before. I got used to all the staff. I think there's a lot of movement gone on there. The personal touch has gone"* and *"The personal touch is what you should go after".*

Privacy was also believed to be lacking: "*You stood there and there's a queue behind you. It's a nice enough office but there's no privacy for the members*" and "*You know when you discuss things down there you need some privacy you know where you can say go with a member of staff".*

The community-based group considered a range of current LCCU provisions. The lending facilities at LCCU were rated fairly well: "*I have a loan with the Credit Union and it's pretty reasonable; if you're not at work you can't get a loan from a bank*". Another contributor confirmed that "*I once walked in for a loan and I expected to get a letter three or four days later* *saying yes or no. I was dumbfounded when they told me straight away – they put it straight into my hands that minute*".

The importance of personal interaction was considered by both groups. The community-based group clarify this: *"... it's not dealing with a faceless thing*" and "*It's having some sort of input and knowing that everybody's got input and everybody has had interest in it rather than dealing with some sort of authority figure which you get in a bank*".

As part of the KTP project detailed in section 1.3, LCCU wanted each group to be used for market research about potential accounts that LCCU was considering developing. This provided an insight into the key areas valued.

The community-based group felt that new accounts should encourage fairness: "*I just think it's unfair that richer people are rewarded for being rich*", and "*we're all trying to get across it doesn't matter how much money you've got, we're just encouraging people to save a little bit each week*". They confirm that "*it's not about big money, that's wrong. I think it encourages proper saving so what kind of budgeting savings all about*".

There was a continual emphasis on social responsibility from both groups. The community-based group confirmed that "*you have to be responsible. The effects of debt and getting into debt. I think it's really good that things are tightening up. I know that's disappointing a lot of people if they don't get their loans but I think in the long run that's better. There's nothing worse than having loans and knowing that you can't pay them. It's a whole spiral*". This was supported by the employee-based group who concluded that: "*..what happens then is when things go wrong and they're in debt but they keep borrowing. I mean really they should be punished, you should keep an eye on them and say wait a minute and say I think you should put, well I don't think, put a limit on what they can borrow".* They were acutely aware that their savings were going to fund loans which appeared to be becoming easier to not repay and this was having a negative impact on the savings and returns of the other members.

8.4.6 Performance Perceptions of Other Providers

When the word "banks" were discussed with the community-based group they thought of "*high interest rates ...on loans*". They also believed that "*nowadays there isn't a difference between a bank and building society whereas they used to be two totally different establishments",* however this is in contrast to the views of another group member: "*Before I moved to Credit Union, before I had a bank account I always had a Building Society account. It was a good way of saving, before other things that you could stand by*".

Interest rates were also considered important when considering the performance of other providers: "*whatever you use... the first thing you look at is how low is the interest – if the interest (is) high, you instantly transfer*".

8.5 Conclusion

Conducting the focus groups provided useful qualitative information that helped the researcher confirm that the survey and the financial words and phrases within it had been prepared at an appropriate level that could be understood by a range of LCCU users and therefore it was deemed to be 'fit for purpose'. It also provided an opportunity to understand the financial understanding of users who were not based within a financial services environment as the researcher was.

Secondly, various questions that were included within the survey were discussed and this provided an understanding as to what the results would show. As expected there were differing opinions over the value of advice, the sources of information sought for product purchase and the motivating factors and reasons for usage of LCCU and other financial services. When discussing the value of advice placed in the consideration of products or services from different financial services providers, each group displayed different attitudes. The employee-based group would be happy to consult with independent financial advisors and would be prepared to shop around before making a decision. In contrast, however, the community-based group would seek advice from family, friends and where appropriate, work colleagues. In terms of sources of financial information, the community-based group appeared to be much more restrictive as to the sources sought and would prefer to consult with family and friends. The employee-based group, however, appeared to be much more affable to considering different types of media and placed a strong emphasis on shopping around to ensure that they got the best deal.

As expected, the community-based group showed strong leanings towards the convenience of LCCU as a financial service provider and also highlighted the importance of the ethical nature of the credit union movement. The employee-based group placed importance in convenience of usage as well as rates of interest.

Interestingly, the employee-based group appeared to prefer the status quo of the original style credit union, where savings were used as a guarantee against loan repayments and the Credit Union was predominantly used as a basic savings and loans channel.

This research can also be directly linked back to the overall research questions presented in section 1.5 as well as the sub-research questions outlined in Chapter 6. As the focus groups were designed to incorporate two very different segments of users, detailed analysis of the contributors of each group would be relatively fruitless as there is intended bias in the selection process within the focus group. One was specifically aimed at those in employment and due to the availability of employees and the access available, this was an all-male group who were all employed and who had all been members of LCCU for over 9 years. They are typical of the council base of initial members. The second group was typical of the community base of members. There was a range of ages and gender across this group and the majority were not employed. This was also a group of "younger" members in that they had all only been involved with LCCU for less than 3 years. In summary, just examining the contributors to these groups alone cannot be used to statistically answer questions relating to who the users of LCCU as just to look at these two groups would provide skewed results due to the selection process, however they do give an insight into the second overall research questions of why credit unions are used.

The importance of understanding customers and their behaviour is highlighted by Harrison and Ansell (2002) and Rickard and Jackson (2000). Structuring the focus groups in the way that they were has provided an insight into trust and confidence (Mintel (2002_3), Mintel (2002_2), Barber and Odean (2001) and Estes and Hosseini (1998)); perceived performance (Ennew et al., (1995), Harrison (2000, 2002)); motivations for joining LCCU (Mintel (2005), Boucher et al., (1993)); attitude relating to LCCU and credit unions (Lee and Kelly (2004) and Jones (2005)); and an insight into financial promotions (Rickard and Jackson (2000)).

The results provided by this qualitative research give an insight into the requirements of the different segments of users presented in section 6.2. When reviewing the expected segments presented in that section, the employee-based focus group appears typical of the first expected segment – those who monitor interest / dividend rates and use the provider offering the best deal. This group placed emphasis on shopping around and using a range of advice including that of financial advisors and a variety of promotions to ensure that they get the best deal. They appeared to be confident about using their knowledge and research to make the best decision based on the figures. Whilst this group have all been members of LCCU for over 9 years, this insight into their opinions suggests that LCCU is used as an additional financial services provider, rather than their main one. They find the convenience aspect of it difficult and whilst it offered competitive rates on both savings and loans at the time of conducting this research, it is argued that employed users would also be able to access competitive rates particularly on loans with other providers. If, as is expected, this is an additional source of savings and loans then this could explain why there are high levels of loyalty exhibited in LCCU.

The community-based focus group exhibited the characteristics expected from those wanting to make an ethical stance through their financial services provider, and also the financially excluded. The ethical stance saw members of this group showing an interest in where their money was being invested and what it was being used for. They did not place high importance on the rate of return offered and placed high value on the ethical motivations of the financial services provider. In addition, there was also evidence of financial exclusion within this group too. Accessibility to credit received high importance during discussions as was expected with reference to the previous literature (Mintel, 2002_2, FSA, 2000 and Cornford, 2004), however, there was debate as to the level of welcome that different financial promotions would receive and word-of- mouth promotions through family and friends were rated highly. This group did not necessarily exhibit the careless attitude and the "quick-fix" solution that was expected in section , however, due to the unemployed status of the majority of this group, it appears that the low incomes were key to the inclusion within the financial exclusion segment (FSA, 2000).

Finally this Chapter demonstrates the steps encountered in the Engel-Kollat-Blackwell decision-making process (Engel et al., 1995) and the differences between the two groups are clear. There are various inputs that play a part in the initiation of this process, for example ,marketing stimuli. This is an area that can be influenced by LCCU, for example, through the ways in which products are marketed and understanding the target market will assist in an appropriate and focused marketing strategy. When each group is processing the information there is reliance on external sources (Harrison, 2002) and an information search (Assael, 2004). As has been reviewed in this Chapter, the ways in which the employee-based group and the community-based group reacted to external sources and started an information search were very different and this needs to be considered in a marketing strategy. Once the decision-making process is underway the critical factor is gaining financial knowledge (Harrison, 2002) and this may be through a financial advisor (for example the employee-based group) or through other sources including recommendations from family and friends (the community-based group). This will then be used as the alternatives are evaluated. Finally, there are the variables influencing the decision-making process which also need to be considered. These will vary as they result from individual characteristics and influences but may include input from family members, cultural situation, lifestyle and values and this is where understanding the different segments is key because this will potentially have a huge impact on the decision-making process and is the area where LCCU will have least influence. For the community-based group this may include income levels; cultural acceptance of using doorstep lenders and the importance of accessing credit regardless of the cost. For the employee-based group, for example, lifestyle influences, such as the frequency a car is changed, may influence the levels of interest that an individual is prepared to pay on a loan or the values placed on money. It is therefore key to fully understand why members of LCCU use the credit union so that the decision-making process can be fully utilised as effectively as possible.

As well as being used to shape the survey, this qualitative research will be used to shape the expectations from descriptive analysis in Chapter 9, factor analysis in Chapter 10 and regression in Chapter 11.

9 Descriptive Analysis

9.1 Introduction

This Chapter will review the descriptive analysis arising from the available data to answer the research question asked in section 1.5 - who are the users of credit unions? Section 6.1 presents specific questions based on expected profiling segments present within the membership of credit unions. These hypotheses are subsections of this research question and the aim of this Chapter is to confirm the first set of hypotheses from section 6.2. This data will also feed into higher level analysis in Chapters 10 and 11 so that conclusions can be drawn to answer the second research question outlined in section 1.5 – why are credit unions used?

Invariably, there will be some overlap in the analysis of the descriptive data and the higher level analysis in Chapters 10 and 11 because the profiling segments of credit union users will be intrinsically impacted by their reasons for use. The descriptive analysis will examine available data from several sources. There will be the results of a survey conducted to users of LCCU and this will be used as a case-study example of a credit union. There will be a comparative survey of users with non-users of LCCU (who lived in the Leeds Metropolitan District at the time of the survey and therefore were eligible to be members of LCCU). In addition there will be access to LCCU's database that will provide details of users from the same time that the user survey was undertaken and also the use of published census data (2001) from the Leeds area.

This Chapter will consider each segmentation research question in turn by briefly summarising the expected outcome based on findings from the previous literature. Data analysis will then be conducted, initially using direct comparisons between the user survey, the database and the census data to highlight any obvious differences and this will then feed into a comparison of the frequencies of respondents from the user and non-user surveys to aid direct comparisons. Finally, there will be a chi-square test conducted to determine the significance of each question, thus providing a definitive answer as to the value of each profiling characteristic. When this method of descriptive analysis has been conducted for each sub question, this will provide an answer to the overall research question of "Who uses credit unions"?

9.2 Segmentation Area

9.2.1 Gender

The first research question detailed in section 6.1.1 considers gender:

ai) Is gender a significant variable in credit union membership?

Section 6.1.1 summarises the findings from the previous literature (detailed further in section

4.4.2.1) and concludes that a gender bias would be expected in credit union usage, with an over-representation of female users being present.

Figure 11 compares the proportion of males to females represented in the Leeds census, the full LCCU database and the user survey to visually demonstrate the proportions of gender bias in each group.

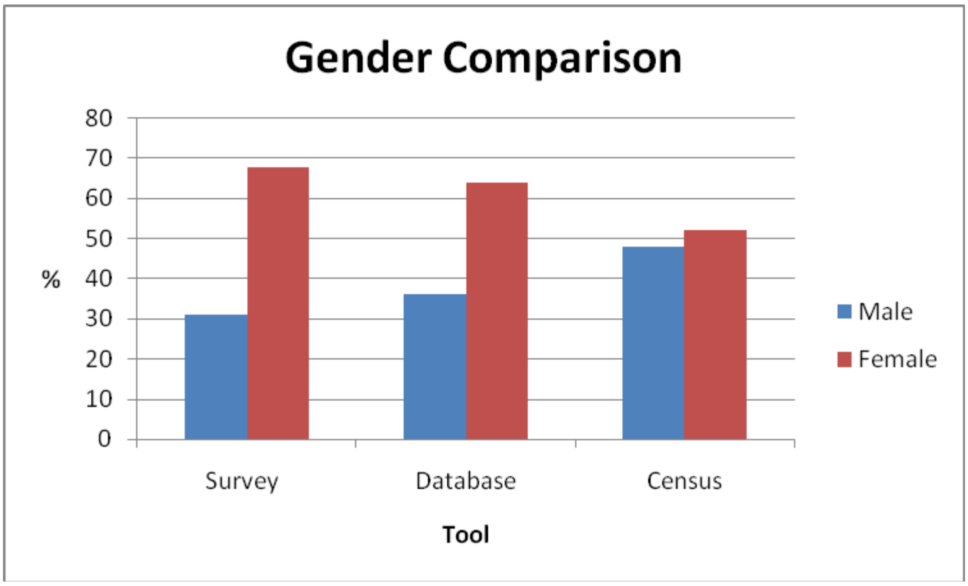

Figure 11: Gender Comparison

Whilst there is a slight over-representation of females in the census population of Leeds, the female to male ratio as highlighted by the LCCU database is dramatically exaggerated and this pattern is repeated more so with the survey respondents, with female responses accounting for double the male ones. This is in keeping with the findings from previous research outlined in section 6.1.1 and indicates that gender may be a significant factor.

To confirm these indications and to answer the specific research question of "Is gender a significant variable in credit union membership?" a direct comparison is made of the LCCU user and non-user survey data in Table 19. This will firstly allow a comparison of frequency data and their related percentages before secondly being used for a chi-square test to prove significance and thus provide a definitive answer to this research question.

	Frequency Users	Percent Users	Frequency Non-users	Percent Non-users	Frequency All	Percentage All
Male	412	30.5	75	36.6	487	31.3
Female	919	68.1	123	60.0	1042	67.0
Total	1331	98.6	198	96.6	1529	98.3

Table 19: Gender Frequency of Survey Respondents

Table 19 shows the frequencies present within the survey respondents and highlights that females consist of the majority of respondents with 68.1% of responses from female credit union users and 60% of responses from female non-users, a slight over-representation of females from the census population.

Table 20 shows the outcome of a chi-square analysis on the survey data, statistically comparing the respondents of the user survey to the non-user survey. The significance value of (p=0.062) illustrates that there are no statistical significances between the gender segment of user and non-user survey respondents.

		Non-User	User	Total	Chi-Square	Degrees of Freedom	Significance
Female	Count	123	919	1042	3.808	1	0.062
	% of status	62.1%	69.0%	68.1%			
Male	Count	75	412	487			
	% of status	37.9%	31.0%	31.9%			
Total	Count	198	1331	1529			
	% of status	100.0%	100.0%	100.0%			

Table 20: Gender Chi-Square

Whilst it appears that there is an over-representation of females in the credit union when compared to the census data, in response to the research question when the sample of survey respondents of users are compared to non-users, gender is not a significant variable in credit union membership. This is in keeping with expectations from other credit unions which reported an over-representation of female users when compared to the general population, for example, in Scotland (Hayton et al., 2005), and Ithaca, New York (Alternatives Federal Credit Union, 2005) and also general research by Fuller (2000). Also whilst Boucher et al., (1993) found no evidence of gender bias, there was evidence that females used the credit union for different purposes to males. In addition McKillop et al., (2003) identified that gender balance was affected by the size of the credit union.

Reviewing the wider financial services arena there is research that confirms that women are perceived as being more conservative investors and therefore this supports the use of a low-risk financial services provider like LCCU by women (Wang, 1994 and Eckel and Grossman, 2002).

9.2.2 Age

The next research question from 6.1.2 considers:

aii) Is age a significant variable in credit union membership?

The evidence from the literature review in section 4.4.2.2 which is summarised in section 6.1.2, demonstrates that age potentially will impact on users of LCCU and it is expected that there will be significances between the user and non-user data, with there being a statistical significance of users aged 30-44.

Figure 12 demonstrates the representations of different age groups across the Leeds census data, the LCCU survey respondents and the LCCU database.

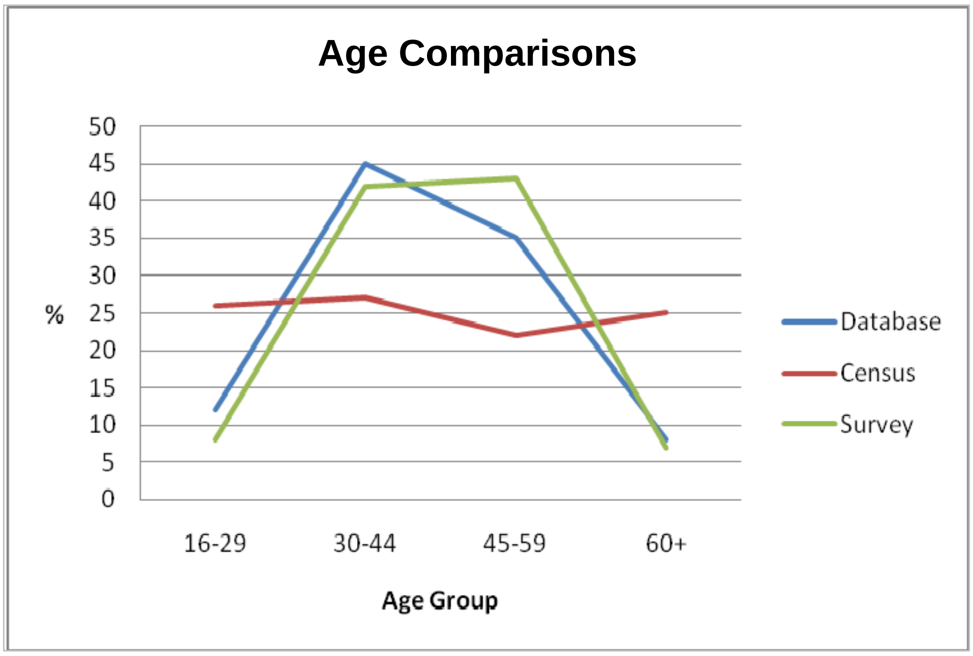

Figure 12: Age Comparison

Figure 12 shows that the census reveals that age groups across the population are relatively even. The database and survey data also appear to be relatively representative of each other, and this would indicate that the survey sample is representative of the whole LCCU membership. This supports findings from the previous literature, with the Scottish data also revealing an under-representation of the under 30s and the over 60s with an over-representation of the 30 - 60 age categories (Hayton et al., 2005). This is mirrored by the user respondents.

Table 21 below provides the frequencies between survey respondents and age group categories. Again this confirms the findings in Figure 12 in that there is an over-representation for users between ages 30 and 59 and an under-representation amongst the under 30s and the over 60s. The non-user data in this table is more consistent in the frequencies and is similar to the census results in Figure 12.

	Frequency Users	Percent Users	Frequency Non-users	Percent Non-users	Frequency All	Percentage All
Under 30	94	7.0	49	23.9	143	9.2
30 – 44	572	42.4	68	33.2	640	41.2
45 – 59	558	41.3	53	25.9	611	39.3
60+	113	8.4	33	16.1	146	9.4
Total	1337	99.0	203	99.0	1540	99.0

Table 21: Age Frequency of Survey Respondents

When chi-square was conducted to provide a definitive answer to the research question in section 6.1.2, Table 22 demonstrates that there are statistical significances present in all age groups when comparing users and non-users of credit unions. Whilst there are significances present within each age group, the category of 30-44 presents the lowest significance (p=0.016) however, there is generally very little difference between the significances of each of the groups.

Age Group		Non-User	User	Total	Chi-Square Value	Degree of Freedom	Significance
16-29	Count	49	94	143	61.157	1	0.000
	% of status	23.9%	7.0%	9.2%			
30-44	Count	68	572	640	6.220	1	0.016
	% of status	66.8%	57.6%	58.8%			
45-59	Count	53	558	611	17.878	1	0.000
	% of status	25.9%	41.3%	39.3%			
60+	Count	33	113	146	12.491	1	0.001
	% of status	16.1%	8.4%	9.4%			

Table 22: Age Chi-Square

In answer to the research question, when the sample of survey respondents compared users and non-users, age was identified as a significant variable across all age groups.

This supports the earlier research by Harrison (2000) who identified that different stages of the family lifecycle have varying financial needs and requirements. There was also evidence of age segmentation significantly affecting usage of financial services, including the previous research, specifically relating to credit unions, of Lee and Kelly (2001, 2004), Boucher et al., (1993), Collard and Smith (2006), the Federal Reserves Survey of Consumer Finances (2001) and

Hayton et al., (2005). In addition there is previous research also relating to the more general financial services arena which indicates that there is significance in age segmentation including the work of Gan et al., (2006) and Moschis et al., (2003).

9.2.2.1 Age and Gender Comparisons

Comparisons can be made between age and gender, with the graphs in Figure 13 and Figure 14 illustrating the relationships between: LCCU members (via the database); census data; and survey data.

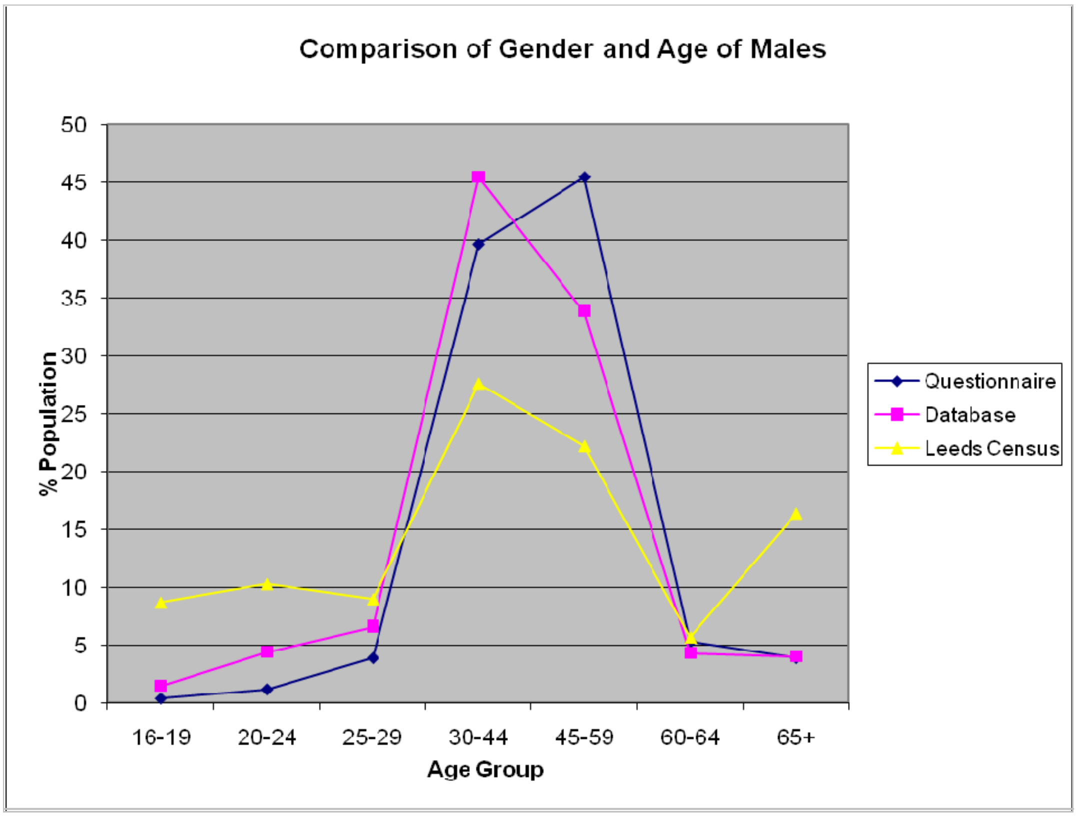

Figure 13: Male Age and Gender Comparisons

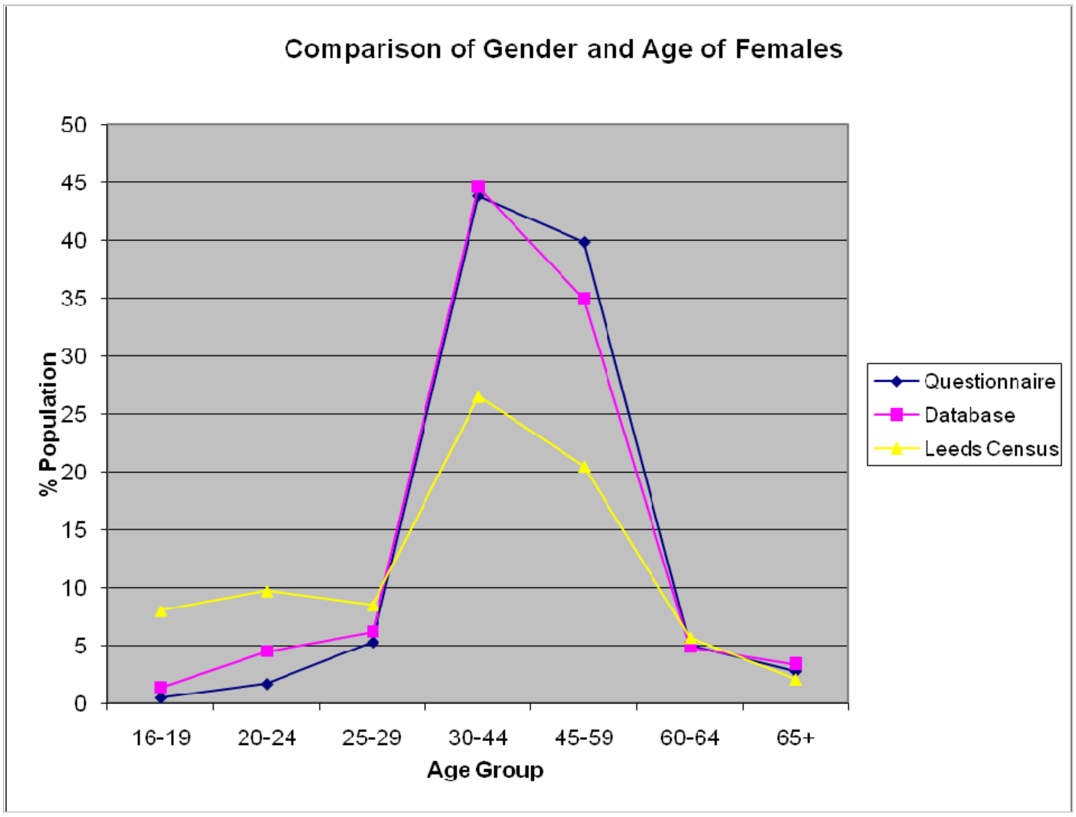

Figure 14: Female Age and Gender Comparisons

The graphs appear to mirror each other and both demonstrate that there is a high over-representation of credit union users (identified through both the survey and the database) for both genders between the ages of 30 and 60. In addition there is a large under-representation of male users aged over 60 when compared to the census data.

Whilst the database for both genders is almost identical in terms of the size and shape of each population the survey shows an over-representation of respondents in the 45-59 category.

9.2.3 Financial Exclusion

The third research question from section 6.1.3 is:

aiii) Do credit unions appeal exclusively to the financially excluded?

At this stage key indicators of financial exclusion that have been identified by the research will be reviewed to highlight any statistical significances. Indicators include: low incomes; lone parents; and unemployment (Lee and Kelly, 2004, FSA, 2000). This will be represented by testing for significances in: low incomes (a household income of less than £15,000); lone parents (households with only one adult); unemployment (unemployment levels and no adults working in the household), no qualifications and the number of financial services providers used. This will give an initial understanding as to the situation around the significance of financial exclusion, however, it is not likely to provide a conclusive answer to this research question and so this will be further developed in Chapters 10 and 11.

9.2.3.1 Employment Status

The previous literature presented in section 4.4.2.6 supports the theory that users of LCCU would be weighted towards sub-prime users, including the unemployed and those on low incomes and therefore there is an expectation of the statistical significance of the unemployed. The hypothesis presented in 6.2 however suggests that whilst the financially excluded will be a significant segment of LCCU users, it will be only one segment and that other groups will also be present, therefore this significance may not be as pronounced as initially expected.

Figure 15 illustrates the employment status of LCCU survey respondents compared to the census population. As the database at LCCU was not always accurately maintained with anything other than just basic details including name and address changes, then this measure will not be included in the employment status analysis.

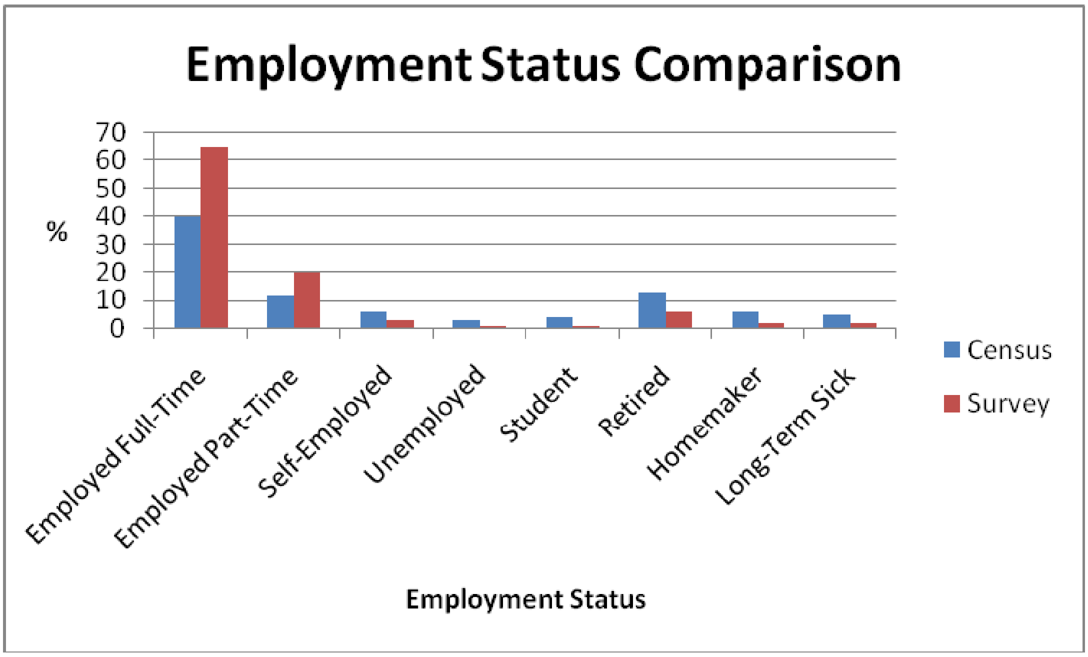

Figure 15: Employment Status Comparison

Whilst employment data was not available on the LCCU database, the survey of LCCU users illustrates that, contrary to the literature review research, there is a higher proportion of individuals who are employed (both part-time and full-time) than the census population.

In line with this census and respondent comparison data, the sample of LCCU respondents (outlined below in Table 23) shows a much higher percentage in employment than the sample of non-users. With users comprising of 65% employed full-time and 20.4% employed part-time this is compared to non-users with 48.3% employed full-time and 14.6% employed part-time. There are also sizeable differences between the two groups with regards the retired and student population.

	Frequency Users	Percent Users	Frequency Non-users	Percentage Non-users	Frequency All	Percentage All
Employed full-time	877	65.0	99	48.3	976	62.8
Employed part-time	275	20.4	30	14.6	305	19.6
Self-employed	44	3.3	15	7.3	59	3.8
Unemployed	10	.7	6	2.9	16	1.0
Retired	78	5.8	30	14.6	108	6.9
Home-maker	25	1.9	5	2.4	30	1.9
Student	8	.6	11	5.4	19	1.2
Long-term sick	24	1.8	5	2.4	29	1.9
Total	1341	99.3	201	98.0	1542	99.2

Table 23: Employment Status Comparisons

Table 24 illustrates that only those who are employed part-time, are home-makers or who have another type of employment other than those listed do not demonstrate any statistical significances between those who are users and non-users of credit unions (p=0.071, p=0.759 and p=0.700). The other variables all highlight statistical significances between the two groups. Of those employed full-time, a significantly larger proportion are users of LCCU (p=0.000). This is in contrast to the proportions of the self-employed (p=0.008), the unemployed (p=0.011); the retired (p=0.000) and the students (p=0.000), which are significantly higher than the non-user segment of the sample.

		Non-Users	Users	Total	Chi-Square Value	Degrees of Freedom	Significance
Employed full-time	Count	99	877	976	20.488	1	0.000
	% of status	48.5%	65.0%	62.8%			
Employed part-time	Count	30	275	305	3.605	1	0.071
	% of status	14.7%	20.4%	19.6%			
Self-employed	Count	15	44	59	8.131	1	0.008
	% of status	7.4%	3.3%	3.8%			
Unemployed	Count	6	10	16	8.421	1	0.011
	% of status	2.9%	.7%	1.0%			
Retired	Count	30	78	108	21.844	1	0.000
	% of status	14.7%	5.8%	6.9%			
Homemaker	Count	5	25	30	0.336	1	0.759
	% of status	2.5%	1.9%	1.9%			
Student	Count	11	8	19	33.803	1	0.000
	% of status	5.4%	.6%	1.2%			
Other	Count	5	24	29	0.439	1	0.700
	% of status	2.5%	1.8%	1.9%			

Table 24: Employment Status Chi-Square

9.2.3.2 No. Adults in Household

Viewing the number of adults in a household could provide a variety of financial suggestions. The research from the FSA (2000) suggests that a group most likely to be financially excluded includes lone parents. Households run by singles (without children) may also find financial limits pushed as household budgets are balanced. In contrast,households with several adults may be a traditional family with adult children who are unable to get onto the property ladder or students. This section then will act as more of an aid to comparison and will provide information to be used for analysis in conjunction with other financial exclusion indicators.

As the number of adults per household is not captured on the LCCU database, Figure 16 shows a comparison of the user data from the LCCU survey and the census data. LCCU is slightly over-represented in the households with three or more adults and slightly under-represented in the other areas.

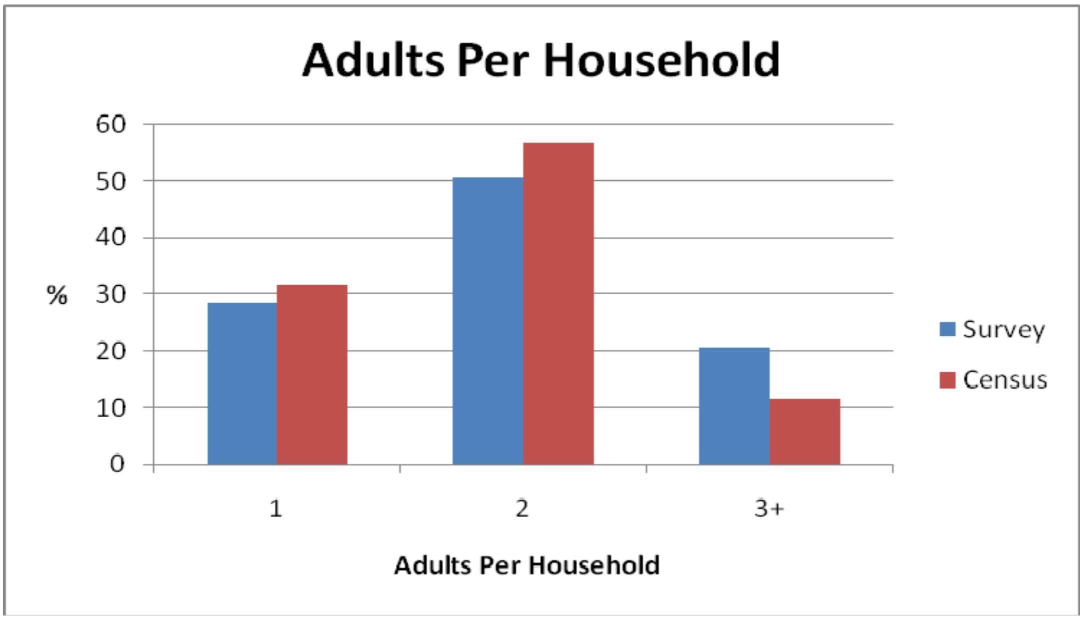

Figure 16: Adults Per Household Comparison

Table 25 indicates that the number of adults per household appear to be mirroring each other again. There are very slight differences between the frequencies of the groups when there are 6+ adults living in the household

	Frequency Users	Percent Users	Frequency Non-users	Percent Non-users	Frequency All	Percent All
1 Adult	374	27.7	58	28.3	432	27.8
2 Adults	665	49.3	103	50.2	768	49.4
3 Adults	183	13.6	20	9.8	203	13.1
4 Adults	78	5.8	15	7.3	93	6.0
5 Adults	9	0.7	1	0.5	10	0.6
6 Adults	2	0.1	3	1.5	5	0.3
Total	1311	97.1	200	97.6	1511	97.2

Table 25: Number of Adults in Household Frequencies

Table 26 indicates that significances are only displayed between users and non-users when there are six adults in a household, with a significance of (p=0.015) and therefore this would (in conjunction with other data) illustrate that LCCU is not significantly appealing to the lone parents as this would have been an indicator of financial exclusion.

		Non-user	User	Total	Chi-square Value	Degrees of Freedom	Significance
1 Adult	Count	58	374	432	0.029	1	0.932
	% of status	28.3%	27.7%	27.8%			
2 Adults	Count	103	665	768	0.064	1	0.859
	% of status	50.2%	49.3%	49.4%			
3 Adults	Count	20	183	203	2.274	1	0.162
	% of status	9.8%	13.6%	13.1%			
4 Adults	Count	15	78	93	0.745	1	0.481
	% of status	7.3%	5.8%	6.0%			
5 Adults	Count	1	9	10	0.090	1	1.000
	% of status	.5%	.7%	.6%			
6 Adults	Count	3	2	5	9.597	1	0.015
	% of status	1.5%	.1%	.3%			

Table 26: Number of Adults in Household Chi-Square

9.2.3.3 Number of Adults Employed in a Household

An expectation of the financially excluded is related to the high levels of unemployment as well as the numbers of lone parents. As a direct result of that, households with no employed adults would be expected to be significantly different between users and non-users.

This section however, as with section 9.2.3.2 may have several interpretations and will therefore be used primarily as a comparative tool as theoretically the more adults employed in a household, the higher the household income, however, an established family unit would be expected to have a higher household income than several students with part-time jobs.

As there is no direct comparison with the census data, Table 27 illustrates that the largest percentage differences between the groups are when no employed adults live in the household and interestingly it is the non-users who represent the larger proportion of unemployed households which is in contrast to the perceived image of credit unions being the "poor man's bank".

	Frequency Users	Percent Users	Frequency Non-users	Percent Non-users	Frequency All	Percentage All
0 Employed	130	9.6	39	19.0	169	10.9
1 Employed	436	32.3	60	29.3	496	31.9
2 Employed	583	43.2	80	39.0	663	42.6
3 Employed	122	9.0	15	7.3	137	8.8
4 Employed	27	2.0	3	1.5	30	1.9
5 Employed	5	.4	0	0	5	.3
6 Employed	1	.1	0	0	1	.1
Total	1304	96.6	197	96.1	1501	96.5

Table 27: Number of Adults Employed Frequencies

Table 28 shows that there only area of statistical significance is where there are no adults employed in the household, with the non-users having the highest percentage of completely unemployed households in contrast to what may have been expected.

		Non-user	User	Total	Chi-Square Value	Degrees of Freedom	Significance
0 Adults Employed	Count	39	130	169	16.216	1	0.000
	% of status	19.0%	9.6%	10.9%			
1 Adults Employed	Count	60	436	496	0.751	1	0.432
	% of status	29.3%	32.3%	31.9%			
2 Adults Employed	Count	80	583	663	1.260	1	0.295
	% of status	39.0%	43.2%	42.6%			
3 Adults Employed	Count	15	122	137	0.655	1	0.498
	% of status	7.3%	9.0%	8.8%			
4 Adults Employed	Count	3	27	30	0.271	1	0.804
	% of status	1.5%	2.0%	1.9%			
5 Adults Employed	Count	0	5	5	0.762	1	0.833
	% of status	.0%	.4%	.3%			
6 Adults Employed	Count	0	1	1	0.152	1	1.000
	% of status	.0%	.1%	.1%			

Table 28: Number of Adults Employed Chi-Square

Whilst this data cannot be used in isolation due to the assumptions made about the number of adults employed in a household this analysis supports the hypothesis that the financially excluded are just one segment of LCCU users and therefore that it has wider appeal than just the financially excluded.

9.2.3.4 Marital Status

FSA research (2000) and Lee and Kelly (2001) provides evidence that of the group most likely to be financially excluded and therefore classified as "sub-prime" includes single parents. According to the literature this would provide strong potential for credit union users. As section 9.2.3 demonstrates however, LCCU does not appear to be typical of the credit union "sub-prime" perceptions.

As this data was not available on the LCCU database, the chart below compares users and non-users of the survey respondents. The 2001 census data does not separate out those who are co-habiting and therefore this will not be included as it is not an accurate comparative tool as the survey data is including those who are potentially still married, single, widowed, divorced or separated within an additional category that does not exist for the census data.

The survey data between users and non-users however can be compared and Table 29 illustrates that LCCU users appear to represent a more traditional family group, with higher percentages being married (and also divorced), compared to the non-user groups which demonstrates higher percentages of those who are co-habiting and single.

	Frequency Users	Percent Users	Frequency Non-users	Percent Non-users	Frequency All	Percentage All
Married	666	49.3	82	40.0	748	48.1
Co-habiting	154	11.4	36	17.6	190	12.2
Single	264	19.6	52	25.4	316	20.3
Separated	42	3.1	5	2.4	47	3.0
Divorced	178	13.2	15	7.3	193	12.4
Widowed	38	2.8	12	5.9	50	3.2
Total	1342	99.4	202	98.6	1544	99.3

Table 29: Marital Status Frequency

Table 30 demonstrates that there are significances from the following variables: married (p=0.020), co-habiting (p=0.014), divorced (p=0.026) and widowed (p=0.035). All the other variables do not register any significance and therefore this again supports the hypothesis that LCCU is not primarily for the financially excluded – it appeals to other segments too.

		Non-User	User	Total	Chi-Square Value	Degrees of Freedom	Significance
Married	Count	82	666	748	5.736	1	0.020
	% of status	40.6%	49.6%	48.4%			
Cohabiting	Count	36	154	190	6.553	1	0.014
	% of status	17.8%	11.5%	12.3%			
Single	Count	52	264	316	3.975	1	0.057
	% status	25.7%	19.7%	20.5%			
Separated	Count	5	42	47	0.255	1	0.776
	% of status	2.5%	3.1%	3.0%			
Divorced	Count	15	178	193	5.471	1	0.026
	% of status	7.4%	13.3%	12.5%			
Widowed	Count	12	38	50	5.416	1	0.035
	% of status	5.9%	2.8%	3.2%			

Table 30: Marital Status Chi-Square

9.2.3.5 Number of Children

It is expected that due to the nature of LCCU and the analysis highlighted within this Chapter, there will be a strong family ethos, with a higher proportion of households with dependent children than the census data. This work will also be used to compare data from the survey respondents to that of the census data.

Figure 17 illustrates comparisons between the number of dependent children living in a household by census data and survey data.

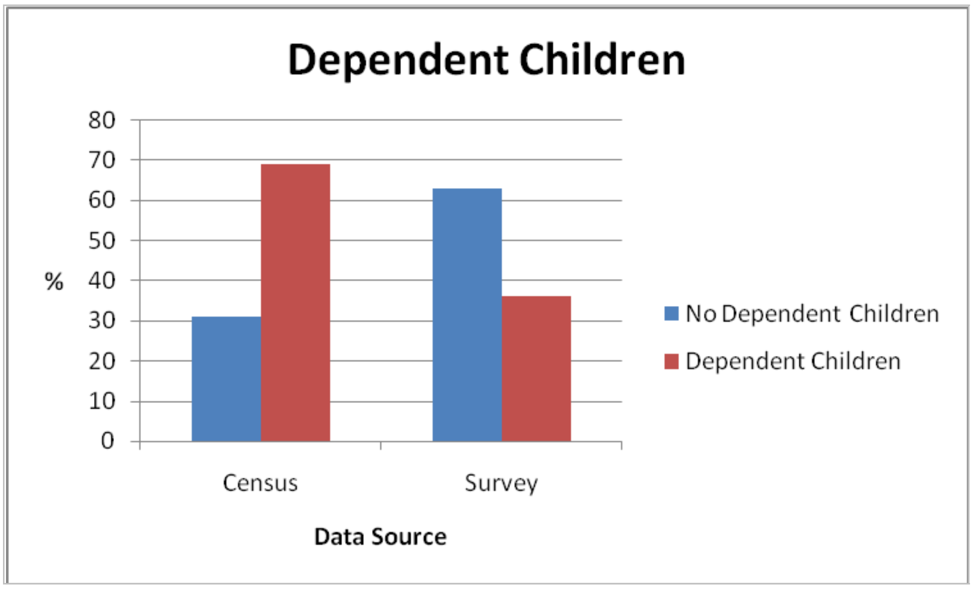

Figure 17: Dependent Children Comparison

Figure 17 illustrates that contrary to expectations, respondents of the user survey are much less likely to have dependent children. These results are in stark contrast to the census data for the area, with LCCU having an under-representation of households with dependent children.

Table 31 highlights that the numbers of children per household are also fairly mirrored between the user and non-user groups, appearing to contrast with that of the census data, with the exceptions for similarities being households with 2 children and also 5 children. Users are twice more likely to have 2 children in the household than non-users and non-users are 15 times more likely to have 5 or more children in the household.

	Frequency User	Percent User	Frequency Non-users	Percent Non-users	Frequency All	Percent All
0 Children	857	63.5	138	67.3	995	64.0
1 Child	241	17.9	30	14.6	271	17.4
2 Children	190	14.1	16	7.8	206	13.2
3 Children	43	3.2	7	3.4	50	3.2
4 Children	12	0.9	2	1.0	14	.9
5 Children	1	0.1	3	1.5	4	.3
Total	1344	99.6	196	95.6	1540	99.0

Table 31: Dependent Children Frequencies

Table 32 shows the results of a chi-square analysis on the number of children in a household to identify any significances. Table 32 highlights the two areas discussed above from Table 31 as being of statistical significance – households with 2 and with 5 children. Interestingly the result for having no dependent children for non-users differs from the census data. This analysis supports LCCU having a membership base with a traditional family style approach for a large segment of its members.

		Non-Users	Users	Total	Chi-Square Value	Degrees of Freedom	Significance
0 Children	Count	138	857	995	3.302	1	0.082
	% of status	70.4%	63.8%	64.6%			
1 Child	Count	30	241	271	0.813	1	0.423
	% of status	15.3%	17.9%	17.6%			
2 Children	Count	16	190	206	5.268	1	0.029
	% of status	8.2%	14.1%	13.4%			
3 Children	Count	7	43	50	0.075	1	0.953
	% of status	3.6%	3.2%	3.2%			
4 Children	Count	2	12	14	0.031	1	1.000
	% of status	1.0%	0.9%	0.9%			
5 Children	Count	3	1	4	14.001	1	0.003
	% of status	1.5%	0.1%	0.3%			

Table 32: Dependent Children Chi-Square

9.2.3.6 Property Status

Owning property is often viewed as more economically stable with the home owner needing an adequate credit rating to be able to take out a mortgage. Owning a property can also be used as security on a loan and therefore would potentially make it easier for an individual to access finance. It would be expected that the financially excluded would rent property and therefore the hypothesis outlining LCCU as a mixture of segments, rather than one predominantly for the financially excluded would see users owning property rather than renting it.

There is no data with which to correctly compare property status on the census and therefore the survey data will be used to compare between users and non-users.

Table 33 illustrates that the biggest differences between users and non-users is with the percentages renting – 26.4% users compared to 16.6% non-users. The non-users have a higher percentage of bought houses than the users. This would suggest that non-users may be more financially established and economically sound than users in contrast to expectation.

	Frequency User	Percent User	Frequency Non-user	Percent Non-user	Frequency All	Percent All
Rented	357	26.4	34	16.6	391	25.1
Bought	947	70.1	155	75.6	1102	70.9
Living with Parents	33	2.4	13	6.3	46	3.0
Other	6	0.4	2	1.0	8	.5
Total	1343	99.3	204	99.5	1548	99.5

Table 33: Property Status Frequencies

Table 34 indicates that there are significances present between the users and non-users within the individuals living in rented properties and those living with parents (p=0.003 and p=0.002). Those living in bought houses or other types of accommodation do not display any statistical significance.

		Non-User	User	Total	Chi-Square Value	Degrees of Freedom	Significance
Rented	Count	34	357	391	9.029	1	0.003
	% of status	16.7%	26.5%	25.2%			
Bought	Count	155	947	1102	2.873	1	0.090
	% of status	76.0%	70.2%	71.0%			
Live with Parents	Count	13	33	46	9.504	1	0.002
	% of status	6.4%	2.4%	3.0%			
Other	Count	2	6	8	0.992	1	0.319
	% of status	1.0%	0.4%	0.5%			

Table 34: Property Status Chi-Square

In contrast to expectation, the number of respondents living in rented property was statistically significant affecting a much higher proportion of users than non-users. One of the indicators of financial exclusion is living in rented property and this therefore may indicate that users of LCCU are more likely to be financially excluded however it is important not to view these results in isolation and conclusions should be drawn from section 9.2.3 as a whole.

9.2.3.7 Income

Clearly the greater the income within a household, the more affluent the household is perceived to be. Whilst gross and disposable income offer different pictures of affluence this can be used as a general trend. It would be expected that the financially excluded would have lower incomes than the financially included. To confirm this hypothesis it would be expected that income levels between users and non-users were reasonably equal.

Income levels are not collected in the census and therefore this cannot be used as a tool for analysis. Table 35 illustrates that levels of income between users and non-users are again mirrored. There is however slightly higher percentages of credit union users on lower incomes of less than £40,000 and this pattern is then swapped at £40,000.

	Frequency Users	Percent Users	Frequency Non-users	Percent Non-users	Frequency All	Percent All
Under £15000	257	19.0	33	16.1	290	18.6
£15000 - £39000	756	56.0	106	51.7	862	55.4
£40000+	303	22.4	62	30.2	365	23.5
Total	1316	97.5	201	98.0	1517	97.6

Table 35: Income Frequencies

The only area of statistical significance shown from the chi-square test in Table 36 is for household incomes between £15,000 and £39,000 with a significance value of (p=0.044). This would indicate that as there is no significance for very low incomes (less than £15,000) this provides support towards confirming the hypothesis that LCCU is not just for the financially excluded and that it has several different segments of users.

		Non-User	User	Total	Chi-Square Value	Degrees of Freedom	Significance
Under £15,000	Count	33	257	290	0.955	1	0.378
	% of status	16.2%	19.0%	18.7%			
£15,000 - £39,000	Count	139	1013	1152	4.400	1	0.044
	% of status	68.1%	75.0%	74.1%			
£40,000+	Count	95	560	655	1.881	1	0.195
	% of status	46.6%	41.5%	42.1%			

Table 36: Income Chi-Square

9.2.3.8 Council Tax Band

The council tax band rating of properties is a direct measure of the value of a property; with A being for the lowest value properties. It would therefore follow that the higher the council tax band, the higher the value of the property and therefore this would potentially reflect to the higher the income/wealth of the resident.

Figure 18 illustrates that LCCU is under-represented in the lower council tax bands and over-represented in the higher ones, indicating that the survey respondents are wealthier than the whole sample of the Leeds population.

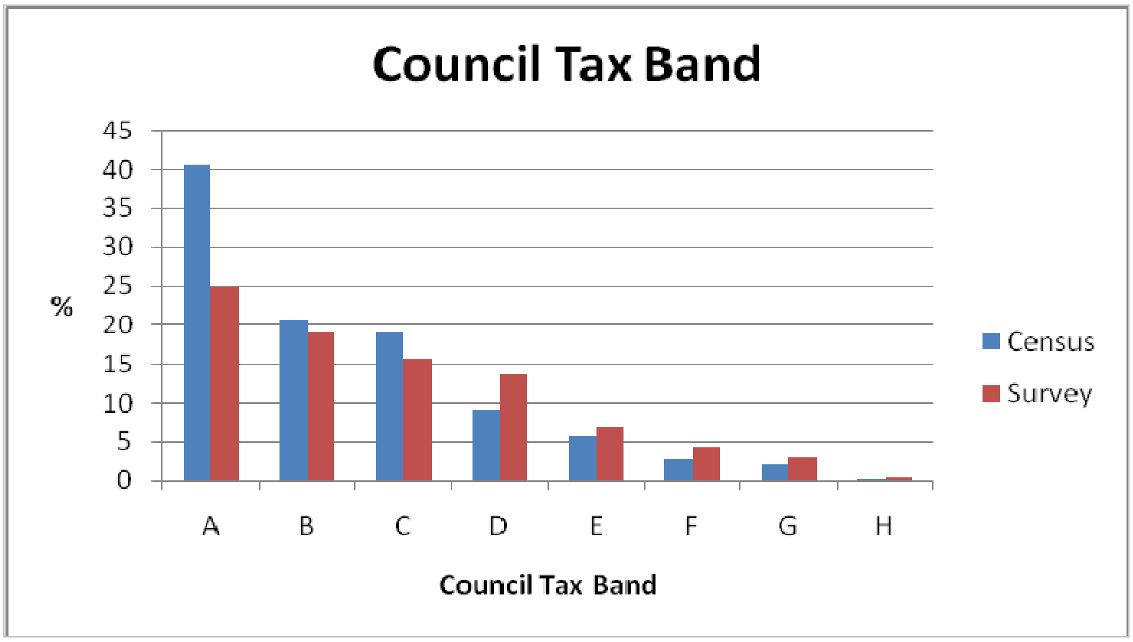

Figure 18: Council Tax Band Comparison

The results between user and non-user survey respondents as seen in Table 37 are again fairly mirrored, however in similarity with levels of income, credit union users have slightly higher percentages in the lower council tax bands than the non-users and vice versa.

	Frequency User	Percent User	Frequency Non-user	Percent Non-user	Frequency All	Percent All
A	335	24.8	47	22.9	382	24.6
B	256	19.0	21	10.2	277	17.8
C	212	15.7	33	16.1	245	15.8
D	185	13.7	26	12.7	211	13.6
E	92	6.8	17	8.3	109	7.0
F	59	4.4	12	5.9	71	4.6
G	40	3.0	10	4.9	50	3.2
H	4	.3	5	2.4	9	.6
Unsure	111	8.2	22	10.7	133	8.6
Total	1294	95.8	193	94.1	1493	96.0

Table 37: Council Tax Band Frequencies

Table 38 illustrates that statistical significances are present between users and non-users living in the following council tax brackets: band B and band H with significances of ($p=0.003$) and ($p=0.001$) respectively. This indicates that LCCU respondents are significantly more likely to own lower value properties (at band B) and significantly less likely to own higher value properties (band H). This may provide evidence towards disproving the hypothesis that LCCU is for different segments of society.

		Non-User	User	Total	Chi-Square Value	Degrees of Freedom	Significance
Band A	Count	47	340	387	0.486	1	0.542
	% of status	22.9%	25.2%	24.9%			
Band B	Count	21	257	278	9.373	1	0.003
	% of status	10.2%	19.0%	17.9%			
Band C	Count	33	212	245	0.021	1	0.967
	% of status	16.1%	15.7%	15.8%			
Band D	Count	26	185	211	0.158	1	0.773
	% of status	12.7%	13.7%	13.6%			
Band E	Count	17	92	109	0.596	1	0.532
	% of status	8.3%	6.8%	7.0%			
Band F	Count	12	59	71	0.899	1	0.442
	% of status	5.9%	4.4%	4.6%			
Band G	Count	10	40	50	2.097	1	0.217
	% of status	4.9%	3.0%	3.2%			
Band H	Count	5	4	9	14.200	1	0.001
	% of status	2.4%	0.3%	.6%			
Band Unknown	Count	22	111	133	1.433	1	0.288
	% of status	10.7%	8.2%	8.6%			

Table 38: Council Tax Band Chi-Square

9.2.3.9 Qualifications

Another indicator of the financially excluded is low or no qualifications. To support the hypothesis it would be expected that the qualification levels of LCCU users would not be significantly lower than the general population.

Figure 19 indicates the percentages of individuals with no qualifications (both LCCU survey respondents and from Leeds census data) and this finding is in line with expectations.

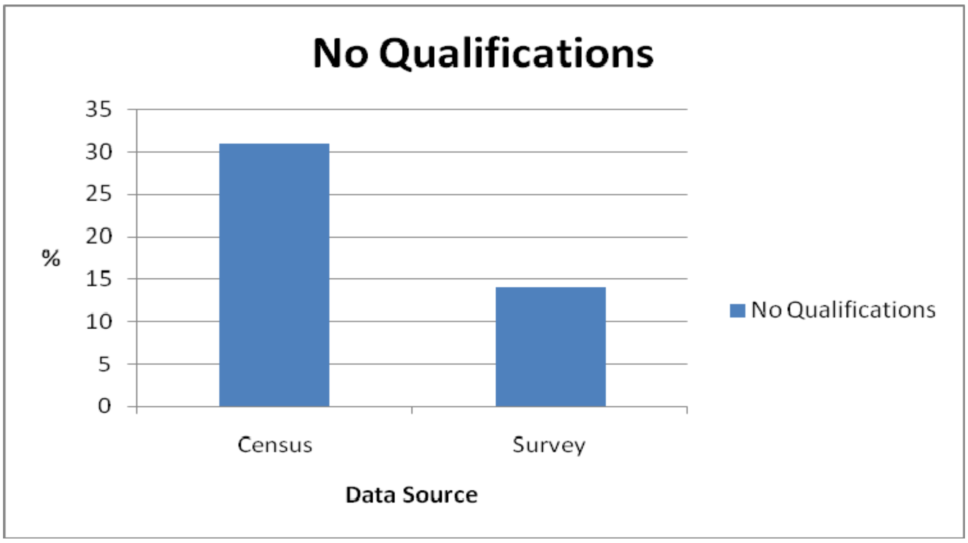

Figure 19: Qualification Comparison

The percentages of users and non-users follow the same trends, however, credit union respondents do demonstrate slightly lower levels of qualifications on the whole than their non-user counterparts as seen in Table 39.

	Frequency User	Percent User	Frequency Non-user	Percent Non-user	Frequency All	Percent All
None	182	13.5	24	11.7	206	13.2
Below Degree	625	46.3	86	42.0	711	45.7
Degree +	279	20.7	62	30.2	341	21.9
Professional	223	16.5	23	11.2	246	15.8
Total	1309	97.0	195	95.1	1504	96.7

Table 39: Qualification Frequencies

Table 40 illustrates that the only area of significance between users and non-users is that of degree and above levels of qualifications (p=0.002) with members of LCCU representing the smaller proportion of degree level + individuals.

		Non-User	User	Total	Chi-Square Value	Degree of Freedom	Significance
None	Count	24	182	206	0.366	1	0.622
	% within status	12.3%	13.9%	13.7%			
Below Degree	Count	86	625	711	0.904	1	0.382
	% within status	44.1%	47.7%	47.3%			
Degree +	Count	62	279	341	10.634	1	0.002
	% within status	31.8%	21.3%	22.7%			
Professional	Count	23	223	246	3.408	1	0.081
	% within status	11.8%	17.0%	16.4%			

Table 40: Qualification Chi-Square

As there is no significance between the users and non-users for no qualifications, this appears to support the hypothesis that LCCU comprises of a number of different segments of users, each segment with different needs and requirements.

9.2.3.10 Number of Financial Service Providers

Access to other financial service providers will also be an indicator of financial exclusion (Mintel, 2002$_2$, FSA, 2000, Lee and Kelly, 2004). It would be expected that the financially excluded would have only limited access to financial services. Users of the credit union will have at least one provider (due to their membership at LCCU).

Financial Companies Used		Non-User	User	Total	Chi-Square Value	Degrees of Freedom	Significance
0	Count	36	0	36	237.761	1	.000
	% of status	17.6%	0.0%	2.4%			
1	Count	44	486	530	18.331	1	.000
	% of status	21.5%	36.8%	34.7%			
2	Count	49	307	356	0.046	1	.830
	% of status	23.9%	23.2%	23.3%			
3	Count	29	246	275	2.393	1	.122
	% of status	14.1%	18.6%	18.0%			
4	Count	17	144	161	1.272	1	.259
	% of status	8.3%	10.9%	10.5%			
5	Count	9	62	71	0.036	1	.850
	% of status	4.4%	4.7%	4.6%			
6	Count	21	77	98	5.772	1	.016
	% of status	10.2%	5.8%	6.4%			

Table 41: Financial Service Providers Chi-Square

The frequency results in Table 41 for respondents having either 0 or 1 financial service providers account for almost 40% of respondents which is higher than the FSA (2000) and Lee and Kelly's (2004) estimates of those finding it difficult / not able to access financial services. The other frequency scores are all fairly mirrored, with an exception being those respondents with 6 financial service providers – with almost double the percentage of non-users within that category than users.

Significant chi-square results are reported between users and non-users of LCCU on 0, 1 and 6 financial service providers (0.000, 0.000 and 0.016 respectively). These significances, particularly on 0 and 1 financial service providers indicate the significance that LCCU plays, for example users who have cited LCCU as their only financial services provider far outweigh non-users with only 1 provider.

Overall, however, there is a distribution of users across the spectrum of numbers of financial services providers therefore indicating that many users of LCCU can access several different financial services providers, thus indicating that it is not primarily for the financially excluded.

9.2.3.11 Financial Excluded Summary

Each of the subsections of 9.2.3 cannot be viewed in isolation as it is not one variable but many that indicate financial exclusion. Using the chi-square analysis, an indication has been provided as to whether LCCU appears to have an overall significance towards the financially excluded.

The findings of this section indicate that credit unions do not show significance towards financially excluded groups. In the areas in which statistical significances were present, this was usually demonstrating that LCCU was more financially inclusive than exclusive and therefore this hypothesis is supported. In the situations that appeared to indicated financial exclusion, for example, relating to council tax and property status, it should be noted that there were credit union users present across the spectrum of possible answers and therefore although these responses appeared to lean more towards the financially excluded indicators, when viewed with the other variables within this section it appears that the financially excluded are just one segment of the diverse credit union membership base and therefore this hypothesis is supported.

These findings are in support with the FSA (2000) research which identifies the sub-prime segment as a section of financial service users. It should be noted that they represent a segment only and this similarity is reflected in the findings of this research. These findings are also reflected in the work of the Alternatives Federal Credit Union (2005) – whilst a segment of users are on low incomes (albeit an over-representation) however this is not typical of the whole credit union statistics.

9.2.4 Ethnicity

The research question below will now be examined:

aiv) Do credit unions have a significant proportion of users who are members of the African-Caribbean community?

Section 4.4.2.3 presents the previous literature research available and this is summarised in section 6.1.4.

As Leeds is developing into a very multi-cultural city and as credit unions are part of a global movement (with strong roots, for example in the Caribbean and therefore Caribbean groups may be aware of the work of credit unions and therefore may be more likely to join one in the UK.), it would be expected that there would be an over-representation of the Black ethnic group.

Figure 20 assesses the representation of ethnic minorities across Leeds compared to user survey respondents.

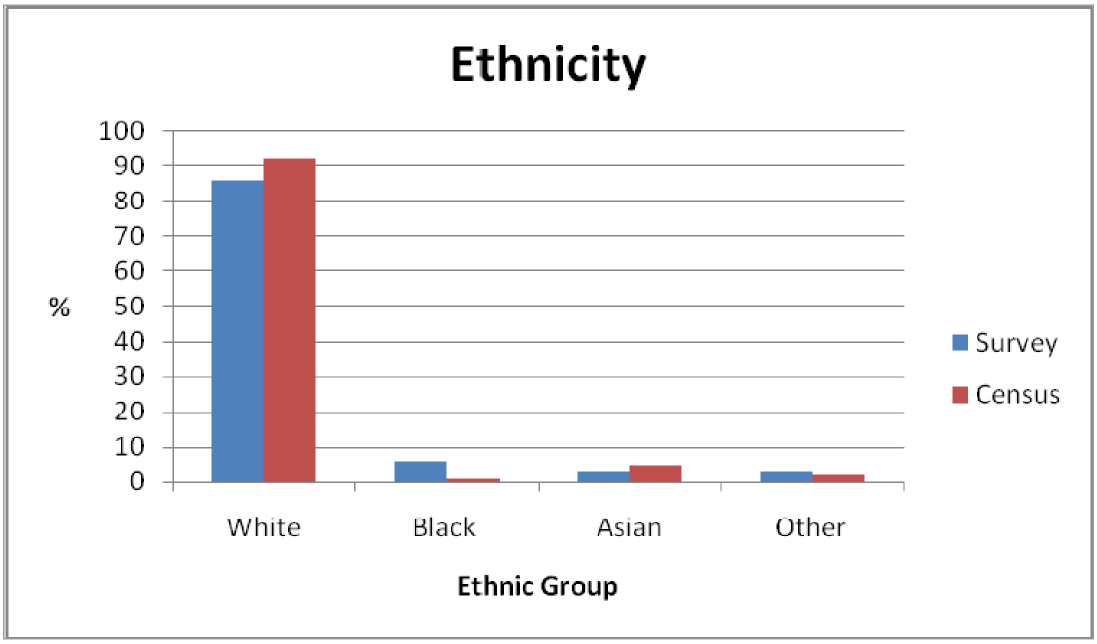

Figure 20: Ethnicity Comparison

As expected, this data indicates that Whites and Asians are under-represented in LCCU, compared to an over-representation of the Black group.

Unfortunately, there was a poor response amongst the non-users from different ethnic groups and as a result this is not an accurate comparison as seen in Table 42. The non-user respondents appear to represent a larger proportion of whites than the users do, however the users also demonstrate a wider range of ethnic groups.

	Frequency User	Percent User	Frequency Non-user	Percent Non-user	Frequency All	Percent All
White	1158	85.8	188	91.7	1346	86.6
Black	80	5.9	0	0	80	5.1
Asian	46	3.4	0	0	46	3.0
Other	43	3.2	.5	.5	44	2.8
Total	1327	98.3	92.2	100.0	1516	97.5

Table 42: Ethnicity Frequencies

Table 43 illustrates that there are statistical significances present from the Black and Asian communities however as per the above note there were no respondents from the non-user categories who were Black or Asian and it is suggested that this chart does not convey sufficiently usable data and therefore no accurate conclusions can be drawn.

		Non-User	User	Total	Chi-Square Value	Degrees of Freedom	Significance
White	Count	188	1158	1346	24.758	1	0.000
	% of status	99.5%	87.3%	88.8%			
Black	Count	0	80	80	12.029	1	0.001
	% of status	0.0%	6.0%	5.3%			
Asian	Count	0	46	46	6.757	1	0.018
	% of status	0.0%	3.5%	3.0%			
Other	Count	1	43	44	4.315	1	0.065
	% of status	0.5%	3.2%	2.9%			

Table 43: Ethnicity Chi-Square

9.2.5 Religion

As section 9.2.4 explored with the data from the white respondents, culture and ethnicity, and, perhaps by default, religion, does have an impact on the ways in which individuals deal with their finances.

As religion is not captured on LCCU's database, Figure 21 compares the census data to that of the LCCU users. It illustrates that the data is generally mirrored albeit with small amounts of variance.

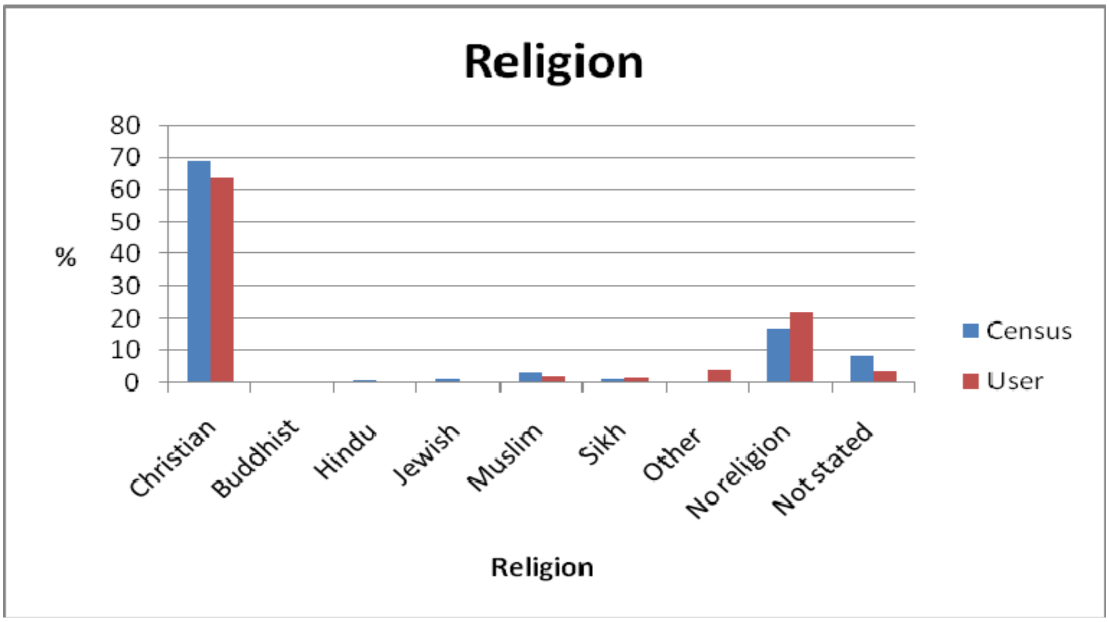

Figure 21: Religion Comparison

The results for religion in Table 44 appear, on the whole, to mirror the findings between both the users and the non-users. There are a couple of exceptions however, the largest percentage difference being the percentage of Jewish respondents.

	Frequency User	Percentage User	Frequency Non-user	Percentage Non-user	Frequency All	Percentage All
Christian	860	63.7	131	63.9	991	63.7
Hindu	6	.4	1	.5	7	.5
Muslim	25	1.9	6	2.9	31	2.0
Sikh	23	1.7	2	1.0	25	1.6
Buddhist	8	.6	1	.5	9	.6
Jewish	7	.5	3	1.5	10	.6
Other	59	4.4	8	3.9	67	4.3
None	299	22.1	47	22.9	346	22.3
Not Say	48	3.6	4	2.0	52	3.3
Total	1335	98.9	203	99.0	1538	98.9

Table 44: Religion Comparison

Table 45 illustrates that there are no statistical significances present between the groups of users and non-users of credit unions and their religion beliefs.

		Non-User	User	Total	Chi-square Value	Degrees of Freedom	Significance
Christian	Count	130	858	988	0.049	1	0.887
	% of status	64.4%	63.6%	63.7%			
Hindu	Count	1	6	7	0.010	1	1.000
	% of status	0.5%	.4%	.5%			
Muslim	Count	6	25	31	1.123	1	0.430
	% of status	3.0%	1.9%	2.0%			
Sikh	Count	2	23	25	0.565	1	0.651
	% of status	1.0%	1.7%	1.6%			
Buddhist	Count	1	8	9	0.029	1	1.000
	% of status	0.5%	0.6%	.6%			
Jewish	Count	3	7	10	2.656	1	0.258
	% of status	1.5%	0.5%	.6%			
Other	Count	10	57	67	0.226	1	0.635
	% of status	5.0%	4.2%	4.3%			
No Religion	Count	42	304	346	0.302	1	0.646
	% of status	20.8%	22.5%	22.3%			
Do not wish to state	Count	5	47	52	0.549	1	0.595
	% of status	2.5%	3.5%	3.4%			

Table 45: Religion Chi-Square

9.3 Mosaic Profiling

When the researcher had conducted this survey, Experian (who were conducting research with the Credit Management Research Centre at the University of Leeds) kindly offered to run the results of the survey against the LCCU database and used chi-square testing to identify any significant differences between the survey and the database. The variables used for testing were: gender; age; marital status; and surname origin. As the survey had asked for membership numbers, these numbers could then be matched to the database for surname origin.

Experian discovered that, using the Mosaic groupings, users of LCCU were more likely to be within the Municipal Dependency (18% of LCCU users compared to 11% of the general population of Yorkshire and Humber); Welfare Borderline (10% of LCCU members compared to 4% of the Yorkshire and Humber population) and Happy Families (13% users compared to 10% of the Yorkshire and Humber population). LCCU users were less likely to be members of the Suburban Comfort (11% to the Yorkshire and Humber population of 15%) and the Grey Perspectives group (2% of LCCU users compared to 6% of the Yorkshire and Humber population).

Those in the Municipal Dependency group are typically families on lower incomes, on the margins of modern society. They rely on the council for accommodation; public transport and the TV for entertainment. Most work in poorly-paid jobs and tend to have old-fashioned consumer values. They are happy being treated as mass market, however, they value face-to-face contact. They often manage money on a weekly basis, with cash payments. Few have substantial savings and a substantial minority have County Court Judgements and are unable to access mainstream credit. Balancing budgets are more important to this group than long-term financial planning.

The Welfare Borderline group have few with rewarding or well paid jobs. They too rely on the council for housing, public transport and state benefits. There is a lack of stability in family formations, with high proportions of single parent families. This group have very low incomes and much of their efforts are centred on achieving the basic necessities of life, such as warmth, shelter and food. Many individuals have County Court Judgements and therefore have to rely on home credit. Most cannot access credit cards and do not have a current account therefore cash is important. It is common for this group to prepay some utilities including gas, electric and mobile phones. Many are surviving on the breadline.

With the Happy Families group the focus is on career, home and family. This group is predominantly a younger age group, with most being married or in stable relationships. They have prospects of good career progression and secure jobs with fringe benefits. They have a strong requirement for credit and often use it to buy consumer durables. They have steady incomes and usually have two parents working.

The Suburban Comfort group are successfully established people, with comfortable homes in mature suburbs. They are typically married with independent children and jobs with practical, interpersonal skills. They have a comfortable retirement to look forward to and value independence and self-reliance.

The Grey Perspectives group are pensioners. They own their homes and have additional incomes to their state pension. They are retired and independent – often they have downsized and therefore have surplus capital available. They like to purchase face-to-face from someone they trust. They have complex financial needs.

Experian also concluded that as well as differences between the Credit Union users and the general population of Yorkshire and Humber there were also statistical significances in the age profile of users when a chi-square test was conducted between the survey respondents and the database.

9.4 Conclusion

This Chapter has provided a descriptive insight into answering the first research question from section 1.5 – "Who uses credit unions?". It has drawn on available data from sources including the Leeds specific census data from 2001, the LCCU database and survey data from both users and non-users.

Conducting descriptive analysis on this data has provided an understanding of who uses credit unions. It has been identified that key characteristics including gender; religion; households headed by lone parents; households on very low incomes; the presence of children in the household; and respondents with low qualifications are not significant variables to credit union usage. The findings for ethnicity were too inconclusive to interpret adequately. Where possible, these findings have been linked back to supporting evidence from the previous literature to show how this research fits into the previous work.

In contrast significant variables have been highlighted as: age; employment status (with a larger percentage of users having full or part-time employment than non-users); households containing no employed adults (with LCCU users being less likely to be in this category); and respondents living in rented accommodation. Users are also more likely to be married than non-users are.

These findings have supported the hypothesis that credit unions do not show significance to financially excluded groups; the financially excluded are just one segment of the diverse credit union membership base. Whilst an indicator of financial exclusion (including employment status; income levels; lone parents; property status; and the number of financial services companies used by respondents) cannot be interpreted in isolation, reviewing the combination of variables as a whole appears to support the hypothesis that LCCU is serving several segments – one being (but not exclusively), the financially excluded.

These findings are supported by the investigations of Experian when they found that LCCU users were more likely to be from the Municipal Dependency, Welfare Borderline and Happy Families mosaic profiles. Municipal Dependency characteristics portray individuals who may typically be on lower incomes; rely on the council for accommodation; work in poor paying jobs and hold old-fashioned consumer values. The Welfare Borderline have few with rewarding or well paid jobs; have low incomes; may struggle to access mainstream financial services; and have high proportions of single parents. Finally Happy Families are young; have families; are married or in a stable relationship; have secure jobs; steady salaries and usually two incomes.

These three segments appear to confirm the findings from the user and non-user survey data so far and whilst one of the segments could arguably be the financially excluded, this is counter-balanced by other groups. Understanding these groups through the first research question outlined in section 1.5 as to who uses credit unions will assist in answering the second overall research question also considered in section 1.5 as to why credit unions are used. This second research question will be considered using further analytic techniques in Chapters 10 and 11.

10 Factor Analysis

10.1 Introduction

One of the techniques described in the methodology as a potential tool for creating meaningful variables from the questionnaire data was factor analysis. Factor analysis is a data reduction technique (Pallant, 2001, Child, 1990, Coolidge, 2000; Burt, 1940; Field, 2000) that allows the detection and modelling of patterns of responses to Likert scale questions in order to create new variables that are composites of the individual scales. These variables can then be used as independent variables in univariate and multivariate models determining the characteristics of the users and non-users of the credit union, as well as in the analysis of the characteristics of credit union membership in greater detail. In analysing the questionnaire data, the combined responses of the credit union users and non-users can be used but include a separate analysis of the user questionnaire in order to take advantage of the user specific questions on the questionnaire schedule and to check the robustness of the factor analysis within the two sub-samples. When factor scores from the combined data are presented, the results from users only can be tested and the combined data can be used to check robustness.

This Chapter will present the results of the factor analysis undertaken for this research. Frequency data for individual questions is provided as additional information. The analysis begins by analysing the responses of the credit union membership i.e. the 'user-only' data. For the user only data, the analysis will focus on seven questions from the survey (questions 28, 29, 30, 33, 36, 38 and 47 of the survey including in Appendix 14.1). These questions solicit responses by the credit union users relating to the sources of information and advice that respondents use in selecting financial services. The questions asked, in Likert scale format, respondents to indicate: value of advice from various sources and the sources of information gathered when they consider using financial service products. Further questions sought responses relating to the degree of 'trust' that respondents have in different types of financial institutions; attitudes toward financial products and the motivation to join the LCCU. Finally a range of questions sought views about the performance of the main financial services providers that the respondent has had experience of and then specifically in relation to the performance of LCCU. Following the user only analysis, the combined data set of users and non-users will then analyse the same variables and will act as a robustness check on the questions common to both questionnaires (value of advice; sources of information; trust; attitude to financial services; and provider performance), with the exception of the specific questions relating to the performance of the LCCU and the motivation to join a credit union. These latter questions are obviously not relevant for non-users of LCCU and therefore usable data would not be gained by including these questions in the combined dataset. The objective is to reduce the data into meaningful variables based on factor score groupings. The number and content of factors emerging from each of these data sets will be analysed, interpreted and compared prior to being incorporated into further multivariate statistical analysis in Chapter 11.

As well as defining and interpreting (naming) estimated factors for further analysis, this profiling of responses has practical value for LCCU since the interpretation of the findings will be used within the KTP (outlined in Chapter 1) as a marketing tool for the development of a marketing strategy specific to the credit union with the objective of increasing the growth of affordable financial services in Leeds. As an example, if specific factors emerge regarding the motivation of users to join LCCU, this may illustrate the key reasons that user segments have for joining. These findings can then be woven into the marketing strategy perhaps by the recruitment style used or the retention activity undertaken. A better understanding of users and a closer relationship with them, enhanced by understanding will assist in a strong membership base and a positive customer experience, which is often promoted through word-of-mouth and encourages a credit union to thrive and grow. Ultimately growth will be recognised by increases in membership numbers and the savings and loans being made. The conclusions drawn could be used by other credit unions (specifically within the UK) as a template for the development of more localised marketing strategies, with the findings from LCCU being tailored and shaped to suit a specific credit union. These results will provide smaller credit unions with generic findings about UK credit unions that would save time and money in initial research, something that smaller or newer groups in particular may cite as a major barrier to the development of a suitable marketing strategy.

The main purpose of the factor analysis in this study is to reduce the data from the user and non-user surveys to create meaningful new variables that measure respondents across a range of attitudes and orientations so that there is further understanding as to who uses credit unions and why they are used.

10.2 Factor Analysis

Within factor analysis there are two approaches – exploratory and confirmatory – which can be viewed as being at either end of a continuum. The use of each is not mutually exclusive (Child, 1990). This research will make use of both approaches however it will primarily be used to confirm the expected findings outlined in Chapter 6.

There are clear differences between the two approaches. Exploratory factor analysis explores data prior to a hypothesis being established (Field, 2009). It establishes the number of factors accounting for variation between variables. In addition, this helps to address relationships between variables (Stapleton, 1997). DeCoster (1998: 2) highlights that the key objectives of exploratory factor analysis are to identify the number of common factors influencing a set of measures and the strength of the relationship between the factor and the measure. The common uses of it are to identify the constructs of underlying responses; to determine items to fit together in a questionnaire; to demonstrate the dimensions of a measurement scale; to determine what features are the most important when classifying groups of items; and to generate factor scores (DeCoster, 1998: 2). Within the questionnaires there are three core question groupings: the value of sources of advice and information; trust; and provider performance. Within each category are sub-groupings of related questions, for example within trust: trust in financial service providers; attitude to financial services; and motivation to join LCCU (for users only).

Confirmatory factor analysis is a tool for hypothesis testing (Field, 2009). Its key objective is to determine the ability of a pre-determined factor model to fit an observed set of data (DeCoster, 1998). Common uses of confirmatory factor analysis are to establish the validity of single factor models; compare the ability of two models accounting for the same data; test the significance of a factor loading; test relationships between two or more factor loadings; test whether a set of factors are correlated; and assess the validity of a set of measures (DeCoster, 1998: 2). Stapleton (1997) adds that confirmatory factor analysis is theory testing, not theory generating (exploratory factor analysis).

The relevance of understanding the approaches of factor analysis is to study the response patterns emerging from the two questionnaires; to identify different segments of users (with the expected findings being outlined in section 6.2) and to confirm the hypotheses presented about these segments. The expected composition of each segment is also outlined in section 6.2 and the factor analysis will provide greater insight into these groupings.

10.2.1 Analysis Approach

The use of factor analysis will allow the data to be reduced to such an extent that it can be used in an exploratory situation – to gather information, explore the relationships between the groups of responses that indicate the different ways in which the credit union is used and to identify the presence of a structure (Bryman and Cramer, 1999; Pallant, 2001). However it will also be viewed as a confirmatory technique, as preliminary research was conducted qualitatively through focus groups and the factor analysis will be used to inform the hypotheses originally arising from the research questions. The focus groups, however, did not give quantitative statistical evidence - merely discussed opinions providing guidance to the type of structure that may be evidenced through the quantitative research and more detail is outlined in Chapter 8. The identification of interrelated factors and a structure will lead to further understanding into the differences between users and non-users of credit unions.

One of the primary functions of this research is to analyse the impact that select variables have on users of LCCU, compared to a dataset of users and non-users combined. Comparing users only to the combined dataset will be used to highlight whether the same factors emerge from both datasets. This will identify the presence of any intrinsic differences between the two datasets. As the users are thought to comprise of several key segments of users of financial services, it would be expected that these segments would be present across the city, regardless of whether the respondents are users of LCCU or not, and therefore differences in the numbers of emergent factors are not expected to be identified.

Section 6.2 hypothesised that there would be three segments of users within LCCU: those who use it for the rates that it offers on savings and loans products; those who use it for the ethical stance it takes as a local and not-for-profit community-based financial services provider; and those who are financially excluded and are unable to access credit and other financial services elsewhere. This Chapter will use factor analysis to confirm the expected patterns of responses and to reduce the available data into a smaller number of meaningful variables.

Several areas of analysis have been highlighted for inclusion within this factor analysis. Understanding them in more detail will provide additional information as to who the users of LCCU are and why it is used. Understanding this for LCCU will have wider research implications as findings can be used and tailored by other UK credit unions to fit their particular circumstances. The results from these different areas are taken from the user survey shown in Appendix 14.1 and non-user questionnaire and are also supported by the qualitative analysis presented in Chapter 8. The breakdown of variables that are used in factor analysis are detailed in Table 46.

Dataset	Area for Factor Analysis	Question Number
Users Only	**Sources of Advice**	
	Value of Advice	28
	Sources of Information	29
	Trust	
	Trust	30
	Attitude	47
	Motivational Factors	36
	Provider Performance	
	Provider Performance	33
	Credit Union Current Performance	38
Combined Data	**Sources of Advice**	
	Value of Advice	28
	Sources of Information	29
	Trust	
	Trust	30
	Attitude	47
	Provider Performance	
	Provider Performance	33

Table 46: Areas for Factor Analysis

Initially the frequencies of the Likert scales corresponding to each area for factor analysis were reviewed to provide an overview of the expected results and to highlight any outlier errors for sense checking. This was done by examining the frequency data for each variable prior to further analysis.

When examining the frequency data, the user data is compared to the combined dataset of users and non-users to identify the presence of any statistical significance in the data. Whilst it would be ideal to directly compare users to non-users, the sample size of the non-user data is too small to stand against the user data on its own and using a combined approach will identify any differences between the two groups and can therefore be used to assess the impact of the addition of the non-user data to the dataset.

There are three stages involved in conducting factor analysis that need to be considered before this analysis can be performed – suitability analysis; factor extraction; and factor rotation (Pallant, 2000).

Firstly the suitability assessment of the data requires consideration of the sample size and the suitability of the relationship between the factors (Pallant, 2001, Field, 2000, 2009). There are several schools of thought as to an adequate dataset size that is required for reliable analysis.

Tabachnick and Fidell (1996: 640) comment that *'it is comforting to have at least 300 cases'*, and this is reinforced by Comrey and Lee (1992) and Pallant (2001) who suggests that the larger the database sample, the more reliable the results. Stevens (1996: 372) however surmises that as more research is being conducted into factor analysis, it is becoming apparent that the numerical requirements suggested by previous researchers are decreasing and this finding supports the work of Arrindell and van der Ende (1985) who identified that changes in the dataset size as a ratio to the number of variables made little difference to the stability of the factor solutions. Other researchers, including Nunnally (1978), have placed an emphasis on the ratio sizes of responses to number of variables with Nunnally suggesting that a ratio of 10:1 would be ideal. The research in this study has a sample size of 1347 users and 205 non-users – a 11.2% return of issued user surveys and 2% of the survey sample of non-users. The difference in the number of returns from each group is a limitation of this study and is discussed further in section 12.9. In summary, whilst the non-user sample size ideally should be larger, within the constraints of the research this was the sample sized gained and when used alongside the user data as a combination of user and non-user data it is believed that it will be suitable for analysis.

The second stage of factor analysis is factor extraction. Within both the user and non-user surveys there are three groups of questions that are identified as being suitable for factor analysis: sources of information and advice; trust; and provider performance. Sources of information and advice asked for responses placed in the importance of various types of media used as a promotional tool for financial services and also the value placed in the advice offered by others about use of financial services. The second group is about trust – the levels of trust placed in different financial providers; attitude to financial services; and motivations to join LCCU (users only). The third group encompasses provider performance: the perceived performance of the respondent's main financial services provider; and the perceived performance of LCCU (users only). These questions contained variables within them that respondents were asked to rate using a Likert scale. By factoring these variables the research questions presented in Chapter 6 can be answered as to who uses credit unions and why they are used with a particular focus on LCCU. To assess the factorability of this data, the results for both users only and the combined group have been tested using the Barlett significance test (Bartlett, 1954) and the Kaiser-Meyer-Olkin (KMO) (Kaiser, 1970, 1974) measure of sampling adequacy. Any result of p=>0.05 in the Bartlett test and p=<0.05 in the KMO test would deem them inadequate or inappropriate. The results of these tests are shown in Table 47.

Dataset	Variable	Bartlett Significance	KMO Score
Users Only	**Sources of Advice**		
	Value of Advice	0.000	0.616
	Sources of Information	0.000	0.909
	Trust		
	Trust	0.000	0.898
	Attitude	0.000	0.577
	Motivational Factors	0.000	0.894
	Provider Performance		
	Provider Performance	0.000	0.921
	Credit Union Current Performance	0.000	0.889
Combined Data	**Sources of Advice**		
	Value of Advice	0.000	0.606
	Sources of Information	0.000	0.909
	Trust		
	Trust	0.000	0.898
	Attitude	0.000	0.578
	Provider Performance		
	Provider Performance	0.000	0.925

Table 47: Data Test for Relationship Suitability

As Table 47 illustrates all the data under consideration is deemed appropriate for use in factor analysis under the Bartlett test of significance and the Kaiser-Meyer-Olkin measure.

Factor rotation exists so that '*their meaning makes sense'* (Child, 1990: 48) and to enable improved interpretation of the factors. This analysis will make use of varimax rotation as suggested by Field (2000), a method of orthogonal rotation, which seeks to maximise the dispersion of loadings on the variables to aid interpretation.

As with every type of research there are always limitations with a particular method. Several limitations of factor analysis are identified by Child (1990: 8) i.e. the potential margins for error when analysing human behaviour.

10.3 Practical Application of Factor Analysis

Factor analysis is undertaken on the user data and then the combined dataset of both users and non-users. Before each set of factor analysis is conducted there will be a review of the frequencies of the Likert scale responses for each question to identify any fundamental differences and highlight any errors or outliers that need to be addressed before the analysis can be performed. In the factor analysis any missing data has been substituted with the mean. The frequency tables however show the percentage of missing responses. When examining the frequency data, users will be compared directly to non-users only. The sample size throughout this analysis was 1347 users and 1552 for the combined dataset, comprising of 1347 users and 205 non-users. Due to the size of the user only data, a frequency comparison using the combined data would be too heavily weighted with the user data, given the ratio of user and non-user data.

Figure 22 illustrates, firstly, the variables included within each of the three groups: sources of advice and information; trust; and provider performance. Secondly, the segments presented in section 6.2 as the expected emerging segments from the dataset are outlined with the predicted findings detailed. The diagram then shows where links are expected between the variables and the components of each segment. Not every variable is expected to affect each segment. This illustrates at a glance the important characteristics of the expected emerging segments of LCCU users, effectively showing who the users of LCCU are and why they use it. The * indicates the user only variables.

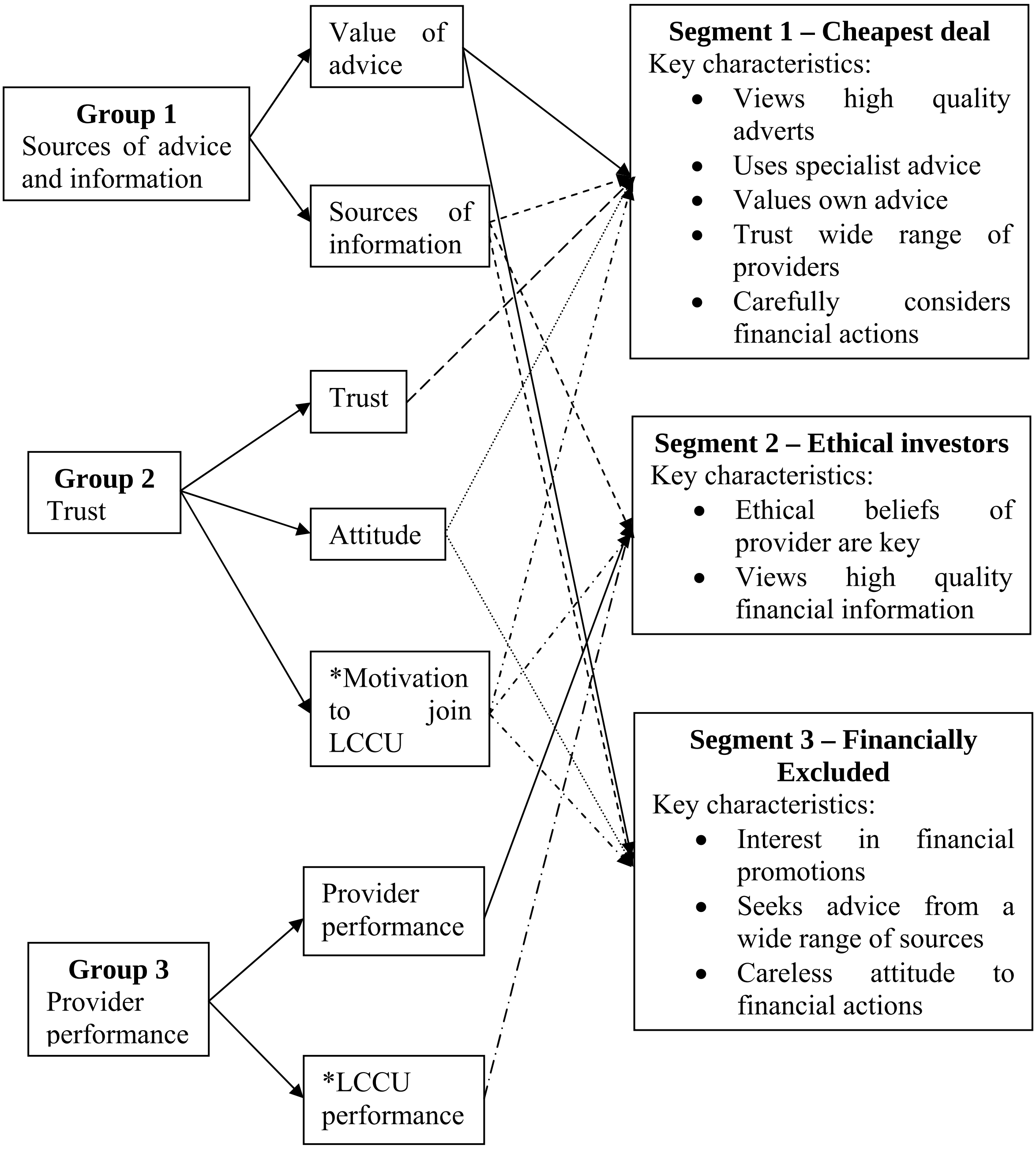

Figure 22: Expected Emerging Factors by Variable Groupings

The different styles of lines used in Figure 22 are simply used to make the diagram easier to understand. This illustrates the complexity of the component parts of each segment. Following the lines to the segment then permits an insight into how the variable is expected to affect the segment, for example whether it is expected to have a positive or a negative impact.

The expected findings from within each segment and also the presence of the associated variables have been derived from two key sources of information: firstly by reviewing the previous literature (in Chapters 2, 3 and 4) and secondly through the depth study of LCCU in

Chapter 5. This then leads to the development of the research questions in Chapter 6. Analysis has then been conducted in the form of qualitative analysis in Chapter 8 and descriptive analysis in Chapter 9. This additional multivariate analysis (specifically factor analysis and regression analysis) will provide a greater insight into who uses credit unions and why, with a specific focus on LCCU. This flow of information, from the inputting into the expectation of findings to the types of analysis undertaken to confirm these findings is outlined below in Figure 23 and a brief summary of the various stages present is illustrated.

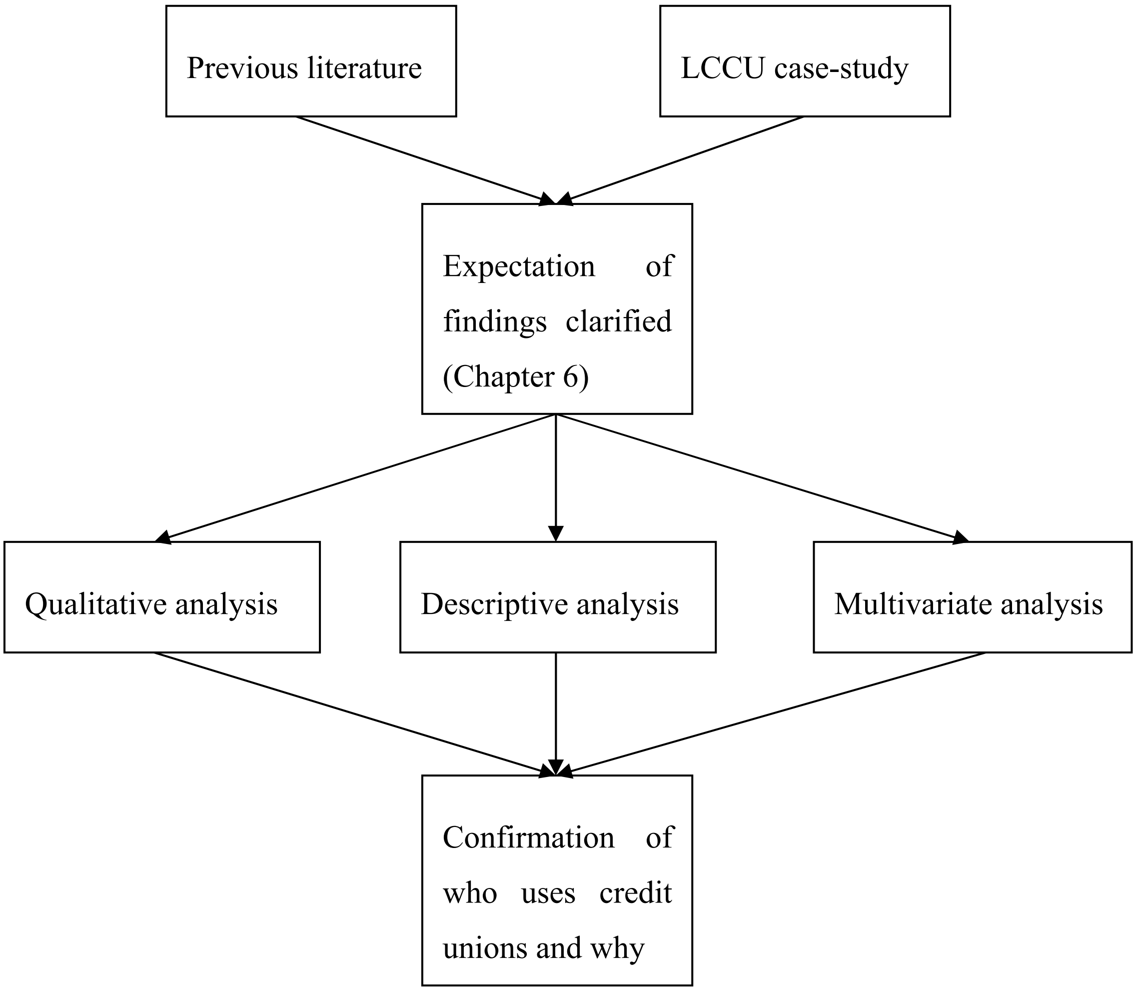

Figure 23: Steps of Analysis to Answer Research Questions

Having conducted the qualitative and descriptive analysis, the final step of this research is the multivariate analysis, and this will be evidence through the factor analysis in this Chapter and the regression analysis in Chapter 11.

Each of the variables and the overall grouping of the variables that will be used in the factor analysis will now be examined in more detail.

10.4 Structure of Factor Analysis

Section 6.2 presents the components emerging from the three expected segments of users and these findings are illustrated in Figure 22. Section 6.2 suggests that the LCCU membership comprises of three key segments: those users seeking the best deals on their financial services; ethical investors; and the financially excluded. Based on the data available, the expected characteristics of each segment are also presented in section 6.2 and will be tested using data from the user (Appendix 14.1) and combined questionnaires. For simplicity the variables have been grouped together and this is detailed further in section 10.1 and in Figure 22. Each group of variables will now be analysed and the results will be compared and contrasted with the expected findings.

10.4.1 Sources of Information and Advice

These variables review firstly, the sources of advice and secondly, the sources of information that customers rely upon when making financial service-related decisions.

10.4.1.1 Value of Advice

This question examines the sources of trusted financial advice that an individual might use/have access to when making financial decisions. Understanding the value that users place on the advice sought about financial services and products will provide a greater understanding as to the users of credit unions and their reasons for use.

The analysis from the user-only dataset will highlight marketing avenues for LCCU in relation to the provision of advice and this could be used to gain a competitive advantage, however, it could also be used more strategically as a tool to recruit new users by finding out and capitalising on their preferred routes of advice. It could also be used to assist other credit unions by applying these findings to each unique situation.

The expected findings when analysing the value of advice from different segments of LCCU are explored in section 6.2:

1) Those using LCCU because it offers the best financial deals will trust in their own advice;

2) Those using LCCU because of its ethical nature will rely on the advice provided in high quality publications and therefore do not look to others for advice;

3) Those using LCCU because they are financially excluded will take advice from a wide range of sources but will not be reliant on the advice of financial specialists.

These expectations are illustrated in Figure 22. From reviewing the expected value placed on different sources of advice by the three segments it is predicted that there will be two factors emerging from the responses – high value placed in the personal advice of the respondents and a high value placed in a wide range of different sources.

Various sources of advice were suggested to respondents in question 28 of the user questionnaire presented in Appendix 14.1 and 27 of the non-user questionnaire and these independent variables are personal advice; advice from the respondent's spouse or partner; advice from their children, parents and other family; advice from a Financial Advisor; and advice from staff within the financial services provider. Respondents were asked to rate each source on a Likert scale of 1-7 with 7 being the highest level of importance.

The value placed in different sources of financial advice was also posed to the focus groups and their responses are included in section 8.4.1.

10.4.1.2 Sources of Information

This question compares the value that respondents place on sources of information that can be used when deciding where to purchase financial products. Gaining a greater understanding of this will ensure that LCCU will be able to advertise to its target audience in the correct places to achieve the maximum effectiveness from its advertising budget. These findings will also be useful to other credit unions as they can tailor the outcomes to their target membership base.

The expected findings are detailed in section 6.2 confirm that:

1) Those seeking the best financial rates would take notice of sources of information portraying high quality advertisements and specialist information;

2) Those who are ethically minded want to be assured of the ethical stance taken by the financial services provider and they appreciate sources of information that are high quality and therefore factually accurate;

3) Those who are financially excluded are interested in securing finance and therefore would be expected to take more notice of financial promotions including those that are potentially gimmicky.

From the expected findings from each segment (also illustrated in Figure 22), it is predicted that there will be two factors emerging from this data – firstly, one focusing on high quality and specialist advertisements, and the second one, more gimmicky and eye-catching.

A variety of sources of information were suggested to respondents through question 29 of the user questionnaire and question 28 of the non-user questionnaire including: recommendations from family members or friends; posters; TV adverts; billboard advertising; internet advertisements; newspaper and magazine articles/adverts, e-mail advertisements and updates; financial service branch staff; experts, newsletters from existing providers, flyers, e-mails and text messages.

Respondents were asked to rate the importance of each source on a Likert scale of 1-7, with 7 being very high value. This was also discussed in the qualitative focus groups and these are explored in section 8.4.2.

10.4.2 Trust

The levels of trust that respondents have will now be reviewed by considering the trust that is placed in a range of financial service providers; attitude to financial services; and, for credit union users only, the motivations behind them joining LCCU. This will illustrate the perceived position that LCCU holds within the financial services arena.

10.4.2.1 Trust in Financial Providers

Levels of trust were reviewed to outline the trust that respondents have in different types of financial services providers. Understanding these levels of trust will demonstrate not only the levels of trust placed in LCCU by users but will also show the levels of trust that they place in other providers.

Based on the expectations of the three different LCCU segments detailed in section 6.2 and illustrated in Figure 22:

1) Those respondents who are prepared to shop around for the best deal are likely to place high levels of trust in a wide range of financial services providers including the non-traditional ones;

2) Those respondents who are ethically minded are likely to place the ethical stance above all else when choosing a provider and therefore it would be expected that they would place high levels of trust in any provider on an individual basis depending on their ethical stance;

3) Those respondents who are financially excluded are likely to be wary of mainstream financial services and are expected to have low levels of trust in all financial service

providers with the exception of the doorstep lenders and the credit union (those respondents who are users).

The factor analysis of the trust variable is expected to provide two factors: one placing high levels of trust in a wide range of providers; the second with low levels of trust in providers with the exception of doorstep lenders and credit unions (specifically in the user-only analysis).

Levels of trust will be assessed using question 30 of the user questionnaire and question 29 of the non-user survey and will review a range of providers from traditional (banks, building societies, former building societies, insurance companies, credit card companies, independent financial advisors) to more modern (retailers with financial services, internet banks) as well as credit unions and doorstep lenders. Findings from the qualitative study are outlined in section 8.4.3.

The frequency data will provide a comparison between users and non-users of the credit union. Factor analysis will then provide an insight into whether credit union users are more likely to trust different types of financial services providers than the combined dataset and this will result in a greater insight into the trust placed in competitors.

Respondents were asked to rate each type of organisation using a Likert scale of 1-7, with 7 being the highest level of trust.

10.4.3 Attitude

Respondents were asked about their attitude to financial services. Again this was to provide a more detailed understanding as to who the credit union user is and why. Having a greater understanding about the attitude of a user of LCCU would demonstrate how they think and treat the financial services industry. This shows what appeals to them and how much consideration they give to purchase decisions.

Of the three hypothesised segments presented in section 6.2 and Figure 22, the following findings are expected:

1) The users who shop around for the best rate are expected to have a considered and planned attitude to financial services as they make calculated decisions based on the cost or returns offered by a product;

2) Users who are ethically minded are likely to carefully consider where they place their money or borrow from and this will be primarily on an ethical basis and will not necessary be financially motivated;

3) The financially excluded segments are expected to be relatively disinterested in financial services and it is potentially this attitude that has resulted in their financial exclusion.

The expected factors emerging from these variables are firstly a careful attitude towards financial services – displaying decisions that are carefully considered, and secondly an attitude that is careless demonstrating little consideration.

Question 47 of the user questionnaire and question 50 of the non-user questionnaire presented the attitudes that respondents were asked to rate as being: Life is for living, the long term can wait; I carefully plan my finances; I find financial services boring; I often make decisions based on gut feel; I am a bargain hunter; and I find some financial products and services difficult to understand. Respondents were asked to rate their attitude on a Likert scale of 1-10, with 1 being definitely disagree and 10 being definitely agree. A scale of 1-10 was used in this instance as it gave a wider variety of scope for attitude responses and did not allow respondents to remain neutral.

10.4.1 Motivations for Joining LCCU

This section is clearly only applicable to users of LCCU and investigated the reasons respondents had for joining it. Practically the responses to this question could provide LCCU with valuable information in the recruitment of new customers as they will gain an insight into what really makes customers want to join the credit union. It will also provide a greater understanding as to why the current users joined and therefore what they want or need LCCU to provide for them.

The motivations for joining are potentially the crux of the three groups outlined in section 6.2. It is expected that there will be three factors emerging from this variable that will be matched to key reasons for joining and using LCCU. The first model for users joining LCCU is expected to highlight their interest in the best financial rates on savings and/or loan products. The second is interested in the ethical approach and stance of the financial services provider and the third model is the financially excluded. It is hypothesised that those who are unable to access finance services elsewhere would join a credit union for this purpose.

This question was number 36 of the user questionnaire and additional information gleaned from the two focus groups is detailed in section 8.4.4.

Various options were provided and respondents were asked to rate on a Likert scale of 1-7 as to how important each option was for them, with 7 being very important. Options were: the return on savings; the easy ways offered to save; low rate loans on offer; the ethical beliefs of the organisation; a way to support a local organisation; the staff; the branch layout/decor; the opening hours; difficulty of getting credit elsewhere; the other services offered; and the ease of access to pay-in points.

10.4.2 Provider Performance

These variables review the perceived performance of financial services providers. Both the user-only and the combined sample provided responses on their most used financial services provider's performance. Users were also asked about their perceived performance of LCCU.

10.4.2.1 Financial Services Provider Performance

Respondents were asked to rate performance of the financial services provider that they use the most. On a practical level this will explore what customers actually want out of their financial service provider and once LCCU fully understands this it will enable them to provide a better service to their members and to work to perform well in areas where such performance is appreciated. Getting this mix right would lead to a strong customer-centric approach and potentially offer an avenue of competitive advantage as it will also show what is valued from other providers. This will enable LCCU to understand the value placed in different performance indicators across the financial services marketplace.

The expected findings are detailed in section 6.2 and Figure 22 demonstrates that:

1) Those respondents who prefer to shop around for the best rate are primarily interested in the return on savings or the rate of interest on a loan;

2) Respondents who are ethically minded focus on the ethical stance of the financial services provider over and above all else;

3) Respondents who are financially excluded are primarily interested in access to finance and are happy with their provider providing they can borrow money when required.

It is therefore expected that three factors will emerge from this respondent dataset – firstly a high factor ratings of the rates of interest / dividends, secondly a high rating on the ethical nature of the provider and thirdly the ease of access to credit.

Question 33 of the user questionnaire and question 31 of the non-user questionnaire shaped these findings. Qualitative findings are outlined in section 8.4.6.

A Likert scale with ratings of 1-7 (with 7 indicating a very good performance) was used. Respondents were asked to rate a range of fundamental performance indicators including: the opening hours; product range; value for money; staff; the advice provided; branch decor/layout; the other services on offer; ease of access to the branch; availability of information about the product and the organisation; the competitiveness and the ethical beliefs of the organisation.

10.4.2.2 LCCU Current Performance

This section is also applicable to users-only as respondents were asked to rate how well they believed LCCU to perform in fundamental areas. This will clearly present the levels of perceived performance so that the strategic vision of LCCU can encompass these issues. This will assist in understanding the users of LCCU and their financial requirements better and this in turn will lead to more efficient and effective marketing strategies being employed.

From the three hypothesised segments of LCCU detailed in section 6.2 and Figure 22, the following findings would be expected:

1) The group motivated by interest and returns would be expected to rate the return on savings and the low cost loans highly as at the time the research was conducted they were users of LCCU and it follows that if they were motivated to join for the rates they must still find them appealing if their membership still resides with LCCU;

2) The group motivated by the ethical stance taken and offered by LCCU would be expected to rate the ethical beliefs of the organisation highly as this is their primary focus and motivator for joining;

3) The group comprising of the financially excluded are expected to rate variables including the practical matters such as the additional services offered, the opening hours and the access to pay-in points that they have.

Again as with section 10.4.2.1 it would be expected that there are three factors emerging: one for each of the different segments.

These results are a response to question 38 of the user questionnaire and again a Likert scale was used with a 1-7 rating, with 1 being very low and 7 being very high. This also formed part of the focus group discussions and the findings from this research are detailed in section 8.4.5.

Respondents were asked to rate a variety of performance indicators including: the return on savings; the low cost loans; the friendly service; the ethical beliefs; the other services on offer;

the locations of pay-in points; the branch decor/layout; the opening hours; and the ease of access to pay-in points.

10.5 Models Summary of Different Scores

The expectation is that there will be three models emerging from the dataset that each identifies the variations on factor scores of users at LCCU. These factor scores can then be used for segmentation analysis using regression in Chapter 11. As these findings are expected to highlight that LCCU is not primarily for the financially excluded as is frequently alluded to, the data, where possible will then be compared to the combined dataset to demonstrate the robustness of the findings. The expected components are detailed in section 6.2 and also in Figure 22 which summarised them at a high level. Each of the models will now be developed in turn to provide more detail of the expected factors emerging from the dataset.

Figure 24 details the expected findings of model 1 – those who prefer to shop around to find the cheapest rate (either interest or dividend rates on savings or the interest rates on loans.

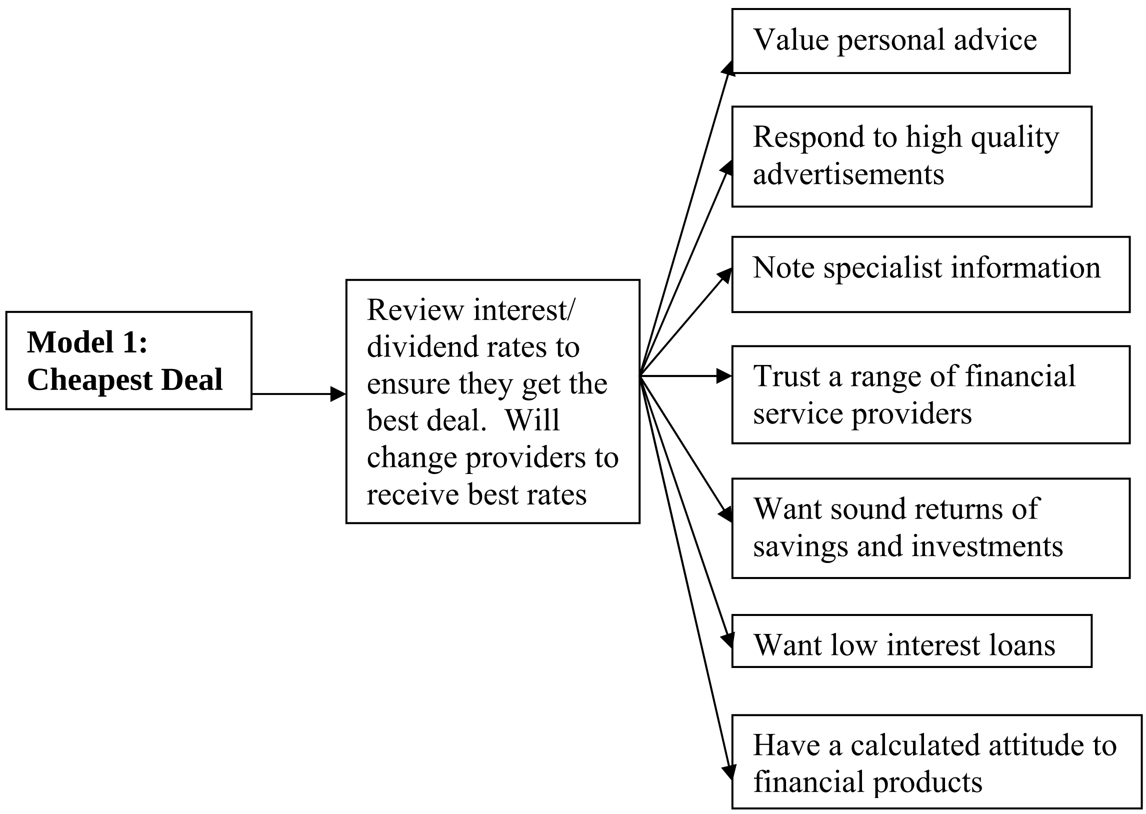

Figure 24: Expected Components of Model 1

Respondents scoring highly on these variables are expected to place high importance on interest / dividend rates as such place high levels of trust in a range of providers – they are not afraid to try the alternative providers as long as they get the best rates on their savings or loans. Respondents scoring highly on this score glean information from high quality advertisements and specialist information and they are confident with their own decisions. They do not make careless investments – everything is carefully considered.

Figure 25 details the expected findings of segment 2 – the ethical investors.

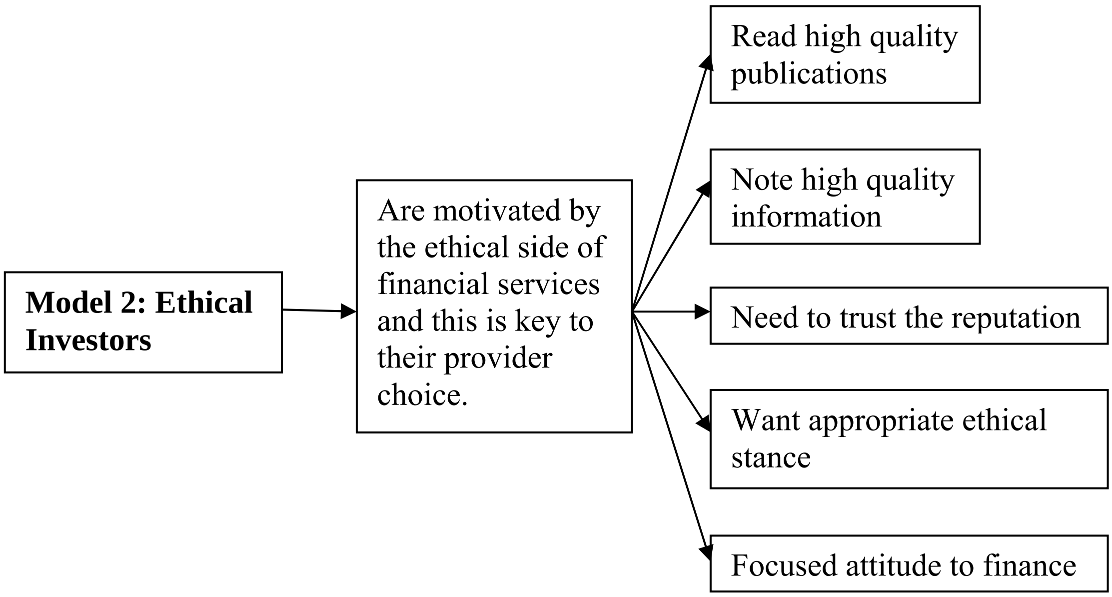

Figure 25: Expected Components of Model 2

Respondents scoring highly on these variables hold their ethical beliefs above all other variables when dealing with financial services. They take note of high quality publications and information and would choose to use providers who act ethically. They maintain a focused attitude to finance and would move their financial affairs elsewhere should the ethical stance change or not be aligned to their beliefs.

Figure 26 details the expected findings of the final model – the financially excluded.

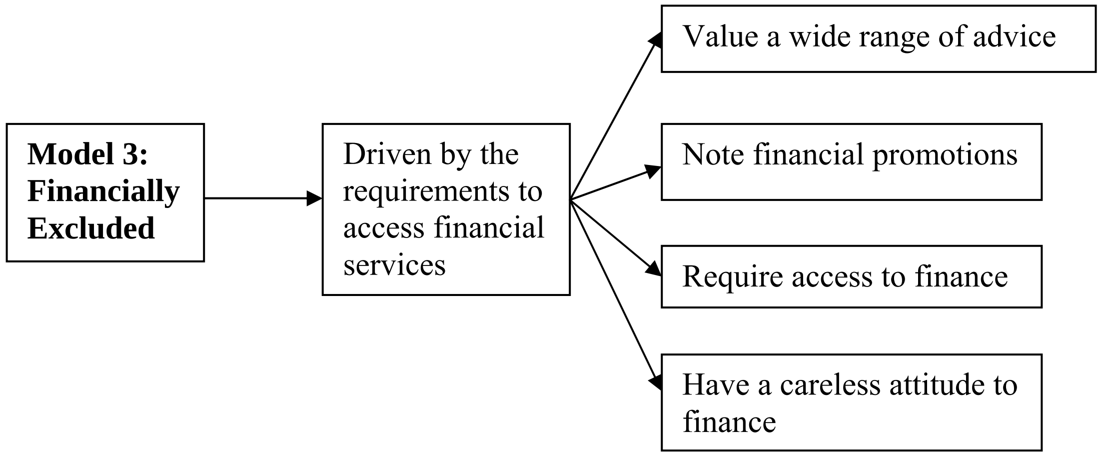

Figure 26: Expected Components of Model 3

The expectations of this model are that respondents scoring highly on these variables value the access they gain to finance over and above all other reasons for joining or using a financial services provider. They take note of a wide range of advice and promotions as this may be their opportunity to access credit. The financially excluded segment will also most likely have a careless attitude to finance, as this is potentially why they are financially excluded.

The presence and contents of each of these models will be explored and confirmed through the detailed analysis below. The frequency data for both the users and the non-users will be compared and evaluated. This will then be followed by the user factor analysis as this will assist in answering the two key research questions outlined in section 1.5. This will then be followed by factor analysis on the combined dataset as a robustness check.

10.6 Analysis of Sources of Advice and Information for Users

Factor analysis will now be conducted on the user-only data with the first variable set – the sources of advice and sources of information. Emerging factors will then be considered.

10.6.1 Value of Advice

10.6.1.1 Frequency Data

Table 48 shows the frequency data for users and non-users as a percentage as well as the total percentage of responses from the sample, the percentage of missing responses from the sample, the mean and the standard deviation.

		%									Mean	St Dev
		1	2	3	4	5	6	7	Total	Missing		
Personal	U	2.8	1.0	2.2	6.1	12.2	13.3	44.2	81.7	18.3	5.94	1.509
	NU	2.0	2.0	4.9	6.8	11.7	11.7	43.9	82.9	17.1	5.84	1.575
Spouse/ Partner	U	3.1	2.1	2.3	5.1	10.5	12.1	24.5	59.8	40.2	5.55	1.713
	NU	2.0	3.4	2.4	7.3	10.2	10.2	23.4	59.0	41.0	5.45	1.708
Children	U	16.7	4.5	3.2	4.5	3.0	2.6	1.5	36.0	64.0	2.62	1.902
	NU	11.7	3.9	2.9	3.9	4.4	2.0	1.5	30.2	69.8	2.90	1.948
Parents	U	10.4	3.0	4.3	6.7	7.3	4.8	6.5	42.9	57.1	3.88	2.126
	NU	9.3	7.3	4.9	4.9	9.8	12.7	7.3	56.1	43.9	4.17	2.087
Other Family	U	12.1	3.5	4.7	8.3	6.8	4.5	4.5	44.3	55.7	3.57	2.041
	NU	13.2	5.9	8.3	9.3	8.8	3.9	4.9	54.1	45.9	3.48	1.949
Financial Advisor	U	6.5	1.9	3.3	6.9	9.8	10.5	13.4	52.3	47.7	4.85	1.977
	NU	4.4	2.4	6.3	9.3	5.9	12.2	16.1	56.6	43.4	4.96	1.904
Staff	U	15.6	8.8	9.6	10.2	5.9	2.4	2.0	54.5	45.5	2.95	1.706
	NU	16.6	8.3	12.2	16.1	5.4	4.4	2.0	64.9	35.1	3.10	1.683

Table 48: User and Non-User Frequency Data

There do not appear to be any major differences in this data or inconsistencies that may indicate errors between users and non-users. The data from each set of respondents mirror each other and the means and standard deviations are consistent and relatively similar in most of the frequencies. Response rates between users and non-users, notably regarding advice sought from parents, other family and staff, differ substantially and this difference was also noted in the percentage of missing responses. Using the mean scores as a simple tool it appears that personal advice and advice from a spouse/partner are the most important sources of advice for users and non-users whereas advice from children and (branch) staff rate badly in both groups.

10.6.1.2 Factor Analysis

When factor analysis was conducted on the user-only data, three patterns can be identified emerging from this data and these can be seen in more detail in Table 49.

Component	Initial Eigenvalues		Extraction Sums of Squared Loadings		Rotation Sums of Squared Loadings	
	Total	% of Variance	Total	% of Variance	Total	% of Variance
1	1.974	28.196	1.974	28.196	1.684	24.058
2	1.269	18.128	1.269	18.128	1.29	18.428
3	1.01	14.429	1.01	14.429	1.279	18.266

Table 49: Total Variance Explained User Data

Table 49 illustrates that there are three components emerging from this dataset following varimax rotation, resulting in these three factors explaining 60% of the variance of responses. The first component explains almost 25% of variance in responses, with the remaining factors accounting for an equal percentage of explanation.

Table 50 shows the composition of each factor and this allows names to be assigned to each category so that a more accurate description of each component can be presented.

	Component		
	1	2	3
Own advice	-.032	-.060	.631
Spouse/partner advice	-.022	.062	.620
Children's' advice	.396	-.123	-.008
Parents' advice	.466	-.037	-.002
Other family members advice	.501	-.044	-.055
Financial Advisor	-.020	.578	-.048
Staff	-.159	.695	.052

Table 50: Component Score Coefficient Matrix for User Data

Component 1, accounting for almost 25% of the variance of responses, is loaded to advice-seekers within the family with the composition of component one indicating a grouping of variables around seeking advice from the wider family rather than the spouse / partner or specialist advisors. This factor grouping appears to be most aligned to the expected variables of model 3 – the financially excluded.

Component 2 accounts for almost 20% of the variance of responses. This illustrates a linking of variables that are highly loaded towards the advice from specialists, giving importance to the advice of a financial advisor or branch staff. This indicates a deep trust in financial service specialists and would be most closely aligned with models 1 and 2.

Component 3 also accounts for almost 20% of the variance of responses. This component highly loads a narrow span of advice sought – personal advice or that of a spouse / partner. The variables used within this component indicate private individuals, relying heavily on their partner / spouse for advice about financial services. This factor would be most closely aligned with model 1.

10.6.2 Sources of Information

10.6.2.1 Frequency Data

The frequency data for the sources of trusted information in product search are demonstrated in Table 51.

		%										
		1	2	3	4	5	6	7	Total	Miss	Mean	St Dev
Family/ friend	U	4.3	2.8	6.4	15.8	19.2	18.2	26.4	93.1	6.90	5.18	1.66
	NU	5.9	5.4	8.8	14.6	17.6	20.5	21.0	93.7	6.30	4.90	1.78
Posters	U	22.6	16.3	17.2	16.9	6.9	2.2	1.6	83.8	16.2	2.79	1.52
	NU	23.9	18.5	17.6	17.6	6.3	2.0	0.5	86.3	13.7	2.67	1.42
TV adverts	U	27.4	15.3	18	14.7	5.8	2.2	1.3	84.7	15.3	2.62	1.50
	NU	29.8	15.1	23.4	11.7	2.4	2.9	1.0	86.3	13.7	2.47	1.42
Billboards	U	33.0	17.2	16.8	10.3	3.2	1.4	0.7	82.6	17.4	2.28	1.36
	NU	39.0	17.1	16.6	9.8	1.5	1.5	1.0	86.3	13.7	2.14	1.34
Internet ads	U	39.6	14.8	13.4	8.1	3.7	1.4	1.3	82.4	17.6	2.16	1.45
	NU	44.4	16.1	15.1	6.8	2.4	1.5	0.5	86.8	13.2	2.00	1.29
Paper/ Mag ads	U	24.9	14.5	18.8	14.5	8.2	2.4	1.7	84.9	15.1	2.77	1.56
	NU	21.5	19.0	21.5	13.7	5.9	3.4	1.5	86.3	13.7	2.76	1.49
E-mail ads/ updates	U	41.1	14.7	11.5	8.8	2.9	1.2	0.7	81.0	19.0	2.06	1.37
	NU	41.5	16.6	12.2	10.2	2.4	2.0	0	84.9	15.1	2.07	1.32
Branch staff	U	9.9	8.0	15	20.8	17.5	8.8	6.6	86.6	13.4	3.93	1.69
	NU	15.1	8.3	18.5	23.9	16.1	3.9	2.0	87.8	12.2	3.42	1.54
Expert opinion	U	6.1	1.3	5.3	12.4	17.6	21.8	24.2	88.8	11.2	5.21	1.71
	NU	8.3	2.0	6.3	11.2	21.0	23.4	16.1	88.3	11.7	4.92	1.77
Paper/Mag articles	U	17.7	9.4	14.1	19.3	13.0	9.1	2.9	85.4	14.6	3.46	1.75
	NU	12.2	11.7	15.6	20.5	16.6	6.8	2.9	86.3	13.7	3.58	1.63
Provider Newsletter	U	13.4	9.1	14.5	19.2	14.7	8.5	4.5	83.8	16.2	3.67	1.73
	NU	13.2	17.6	14.6	22.4	11.2	3.4	2.9	85.4	14.6	3.27	1.57
Flyers	U	36.2	16.9	13.2	10.1	3.8	1.4	1.0	82.6	17.4	2.23	1.42
	NU	40.5	19.0	15.6	7.8	1.5	1.0	0	85.4	14.6	1.99	1.17
Text message	U	58.9	10.2	6.7	3.9	1.3	0.4	0.7	82.1	17.9	1.57	1.11
	NU	66.3	9.8	4.4	2.9	0	0.5	0	83.9	16.1	1.35	0.81
Letters	U	27.5	14.0	14.2	12.8	8.5	4.2	3.3	84.5	15.5	2.84	1.75
	NU	29.8	18.0	17.6	12.2	5.9	1.5	1.0	85.9	14.1	2.47	1.44

Table 51: User and Non-User Frequency Data

Whilst the results above generally mirror the user and non-use data, there are several noticeable differences between users and non-users, notably: users are more likely to trust recommendations from family or friends; users are more likely to trust information from branch staff; users have very high trust in expert opinion; users rate newsletters from their existing provider more highly than non-users; users trust letters more highly than non-users. This provides evidence indicating the importance of LCCU and the loyalty that it creates amongst users. The higher ratings of trust in information from branch staff and expert opinion may make users more receptive to LCCU products and services as a level of trust has already been established. In addition, the importance of customer communication is also highlighted and this could form a vital tool in a future marketing strategy. Whilst this is not conclusive evidence, it indicates that LCCU's localised strategy, supported by the overall credit union philosophies particularly regarding the community focus, appears to be building user loyalty.

Using the mean of the frequency across both groups, the value of text messages, billboards and flyers rates the most poorly with information from family and friends and expert opinion being the most highly rated across both groups.

10.6.2.2 Factor Analysis

Table 52 presents two loaded components emerging from the rotated user factor analysis explaining almost 55% of the variance in responses, with the first factor emerging to explain nearly 40% alone.

Component	Initial Eigenvalues		Extraction Sums of Squared Loadings		Rotation Sums of Squared Loadings	
	Total	% of Variance	Total	% of Variance	Total	% of Variance
1	6.166	44.041	6.166	44.041	5.333	38.093
2	1.316	9.401	1.316	9.401	2.149	15.349

Table 52: Total Variance Explained – User Data

Table 53 demonstrates the structure of each of the two components. The variables linked under component 1 are the different media forms that can be studied or perused. This includes posters, billboard adverts, internet adverts and flyers, however, the loadings are not particularly high on any media choice.

The use of such media would allow users to search and draw conclusions at their leisure. They are not interested in conversational advice. This mindset is more representative of the employee-based focus group, discussed further in Chapter 8 however it is also true of model 3, the financially excluded group who would take note of a financial promotion if it results in them being able to access finance.

The second component comprises of variables presenting a biased opinion, including recommendations, branch staff, expert opinion and newspaper/magazine articles.

This grouping of variables would indicate a more tailored approach, shying away from mass media style of advertising. This is more representative of the findings from the community-based focus group, with more details provided in Chapter 8. This is also typical of the ethically focused group portrayed through model 2 and to some extent model 1 due to their reliance on high quality information.

	Component	
	1	2
Value of family/friend recommendations	-.088	.289
Value of posters	.149	-.039
Value of TV adverts	.172	-.065
Value of billboards	.192	-.098
Value of internet adverts	.179	-.094
Value of magazine/newspaper ads	.149	-.028
Value of e-mail adverts/updates	.159	-.059
Value of branch staff	-.089	.401
Value of expert opinion	-.173	.516
Value of newspaper/magazine articles	.049	.119
Value of newsletter from existing provider	-.014	.278
Value of flyers	.143	-.021
Value of text messages	.155	-.101
Value of letters	.062	.126

Table 53: Component Score Coefficient Matrix User Data

10.7 Analysis of Trust in Financial Service Providers

This section reviews the levels of trust placed in financial service providers. Firstly, the variable of trust in various providers is reviewed, then secondly, attitude to dealing with financial services and financial decisions and thirdly, the motivations behind joining LCCU will be analysed.

10.7.1 Trust

10.7.1.1 Frequency Data

Table 54 presents the frequency data for trust for both users and non-users.

		%										
		1	2	3	4	5	6	7	Total	Miss	Mean	St Dev
Big 4 Banks	U	11.8	8.5	16.0	22.6	17.4	8.6	7.8	92.6	7.4	3.89	1.73
	NU	5.9	6.8	12.7	20.0	23.4	15.1	8.8	92.7	7.3	4.39	1.62
Former Building Societies	U	10.0	9.0	16.2	22.7	16.6	8.5	5.2	88.2	11.8	3.83	1.64
	NU	6.3	6.3	12.2	22.4	20.5	17.1	7.8	92.7	7.3	4.37	1.62
Building Societies	U	7.9	6.8	15.7	21.8	16.1	9.9	5.7	84.0	16.0	4.00	1.62
	NU	4.4	6.3	13.2	21.5	22.9	15.1	9.3	92.7	7.3	4.45	1.57
Retailers with Financial Services	U	17.3	13.4	18.0	20.9	10.5	4.0	2.8	87.0	13.0	3.20	1.60
	NU	14.6	15.6	15.6	21.0	17.1	5.9	2.0	91.7	8.3	3.39	1.60
Internet Banks	U	20.6	14.4	16.9	17.1	8.8	2.9	2.0	82.8	17.2	2.95	1.58
	NU	22.9	17.6	7.8	20.5	15.6	5.4	1.0	90.7	9.3	3.07	1.69
Insurance Companies	U	18.3	16.7	20.9	18.6	7.8	4.1	2.0	88.3	11.7	3.01	1.54
	NU	14.1	11.2	16.6	24.9	16.1	7.3	2	92.2	7.8	3.51	1.58
Credit Card Companies	U	28.2	18.6	17.8	14.2	6.0	2.3	1.9	89.1	10.9	2.62	1.53
	NU	25.9	17.6	17.6	17.1	9.3	2.9	1.0	91.2	8.8	2.77	1.53
Ind Financial Advisors	U	11.7	9.2	15.7	20.7	13.8	11.2	6.3	88.6	11.4	3.84	1.75
	NU	9.3	5.4	17.6	22.4	15.1	13.7	7.8	91.2	8.8	4.11	1.70
Doorstep Lenders	U	62.1	9.4	6.7	4.8	2.7	1.0	0.7	87.5	12.5	1.66	1.25
	NU	62.4	12.7	9.8	3.4	1.0	0.5	0.5	90.2	9.8	1.57	1.05
Credit Unions	U	2.7	1.3	4.6	13.7	18.0	24.9	31.0	96.3	3.7	5.51	1.48
	NU	32.7	7.3	12.7	16.1	5.9	5.4	5.9	85.9	14.1	2.94	1.93

Table 54: User and Non-User Frequency Data

The mean scores between users and non-users are fairly well mirrored with the exception of the contrast in the scores over trust in credit unions with users demonstrating much higher levels of trust than non-users. This however is not unexpected due to the source of the user sample. Credit union users also place slightly higher levels of trust in doorstep lenders which may indicate the presence of a higher proportion of sub-prime consumers, however they are less likely to trust other key providers including banks; former building societies; building societies; insurance companies and independent financial advisors which may be viewed as a challenge to the more traditional styles of financial services.

10.7.1.2 Factor Analysis – User Data

Table 55 illustrates that there are two key components emerging from the user data explaining the variance of almost 60% of responses.

Component	Initial Eigenvalues		Extraction Sums of Squared Loadings		Rotation Sums of Squared Loadings	
	Total	% of Variance	Total	% of Variance	Total	% of Variance
1	4.811	48.11	4.811	48.11	3.106	31.06
2	1.153	11.53	1.153	11.53	2.858	28.58

Table 55: Total Variance Explained - User Data

Table 56 details the variables comprising of these two factors. The first group links the alternative types of financial service provider, with a high loading on doorstep lenders. It also includes internet banks, retailers with financial services and credit card companies. There is no linking of these variables to a high level of trust in credit unions.

This is most representative of model 1 – those willing to shop around for the best rates. The links to doorstep lenders however may indicate links to model 3 – the financially excluded.

The second component indicates a relatively high loading with credit unions and there are also links with traditional providers including the big 4 banks, buildings societies and former buildings societies.

	Component	
	1	2
Trust in the big 4 banks	-.023	.254
Trust in former building societies	-.045	.294
Trust in building societies	-.075	.309
Trust in retailers with financial services	.195	.039
Trust in internet banks	.248	-.036
Trust in insurance companies	.227	-.004
Trust in credit card companies	.275	-.075
Trust in independent financial advisors	.010	.168
Trust in doorstep lenders	.445	-.335
Trust in credit unions	-.287	.407

Table 56: Component Score Coefficient Matrix - User Data

10.7.2 Attitude

10.7.2.1 Frequency Data

Table 57 shows the frequency data for attitude to finances.

		%										Mean	St Dev
		1	2	3	4	5	6	7	8	9	10		
Life for Living	U	10.5	4.4	6.9	8.8	15.3	13.7	10.8	9.7	3.5	11.2	5.6	2.70
	NU	9.3	6.3	11.2	6.8	15.1	10.7	14.1	11.2	1.0		4.9	2.27
Carefully Plan	U	3.3	1.9	5.2	7.9	13.4	11.8	11.8	13.4	8.2	19.9	6.77	2.50
	NU	6.3	2.4	3.9	9.3	14.6	11.2	6.3	11.2	12.7		5.75	2.40
Boring	U	11.6	5.9	9.5	9.8	15.0	12.2	8.4	7.1	5.7	8.4	5.23	2.72
	NU	8.3	7.8	11.2	7.8	12.2	11.7	5.4	10.7	8.8		5.03	2.51
Gut-Feel Decision	U	17.1	6.2	11.0	9.1	12.0	9.8	9.1	8.2	4.8	6.9	4.88	2.83
	NU	17.6	13.7	10.2	6.3	11.2	12.2	9.3	8.3	2.9		4.23	2.49
Bargain Hunter	U	5.0	1.9	4.7	4.6	9.4	8.5	10.5	11.6	11.9	28	7.21	2.69
	NU	4.9	2.4	4.4	6.8	11.7	10.7	11.2	9.8	13.7		5.99	2.34
Difficult to Understand	U	5.4	2.4	3.6	4.5	9.2	9.3	7.9	13.1	12.0	28.6	7.24	2.72
	NU	8.8	3.4	3.4	4.9	5.9	9.3	13.2	13.7	10.2		5.83	2.60

Table 57: Frequency Data

There are a much larger percentage of users who have replied than non-users and the users, in contrast to the non-users, made full use of the 1-10 scale. Overall, the data is fairly well mirrored between users and non-users. According to the mean results, users are more likely to believe that life is for living now and also be greater bargain hunters, as well as finding financial products and services more difficult to understand than non-users.

For users, variables, including attitudes of bargain hunters and finding products difficult to understand, achieved the larger percentages of support in the higher scoring points than the other variables. The importance of decisions being made on gut feeling ranked poorly across all respondents.

10.7.2.2 Factor Analysis

Table 58 illustrates that two factors emerge from the user data, explaining almost 50% of the variance of responses. Both the components are almost equally split.

	Initial Eigenvalues		Extraction Sums of Squared Loadings		Rotation Sums of Squared Loadings	
Component	Total	% of Variance	Total	% of Variance	Total	% of Variance
1	1.61	26.9	1.61	26.9	1.61	26.8
2	1.35	22.5	1.35	22.5	1.36	22.6

Table 58: Total Variance Explained - User Data

A closer examination of Table 59 reveals that the first factor consists of carefree type variables- for example, that life is for living now and that financial services are boring. Making financial decisions based on gut feeling and finding some financial products and services difficult to understand are also relatively highly loaded.

Grouping variables in this way would be consistent with the type of person who potentially would not place a large emphasis on saving and may make frequent frivolous purchases and this is typical of model 3 users – the financially excluded.

The second factor consists of careful type variables. This includes carefully planning finances and bargain hunters. To some extent there also is a link to finding some financial services and products difficult to understand, however not boring.

This group of variables would indicate a saver and a planner, who carefully considerers purchases and large expenses. This would be representative of model 1 and 2 users – those who are willing to shop around to find suitable or appropriate products for their financial requirements.

	Component	
	1	2
Life for living now	.363	-.046
Carefully plan finances	-.256	.529
Find financial services boring	.376	.078
Often make decisions on gut feel	.441	-.080
Bargain hunter	.066	.570
Find some financial products difficult to understand	.292	.344

Table 59: Component Score Coefficient Matrix - User Data

10.7.3 Motivational Factors

10.7.3.1 Frequency Data

Table 60 shows the frequency data for users to identify their motivational factors behind joining the credit union.

	%									Mean	St Dev
	1	2	3	4	5	6	7	Total	Missing		
Good Return on Savings	3.6	3.6	6.5	13	15.2	14.4	38.7	95.0	5.0	5.43	1.72
Easy Way to Save	1.1	0.7	1.6	3.9	7.6	19.0	63.3	97.2	2.8	6.36	1.14
Low Rate Loans	5.3	3.0	4.0	7.1	8.5	15.7	51.7	95.3	4.7	5.78	1.77
Ethical Beliefs	10.0	4.3	5.3	12.0	11.3	13.4	34.7	91.0	9.0	5.08	2.06
Local Organisation	5.0	3.1	5.0	10.0	14.2	19.0	36.5	92.7	7.3	5.46	1.75
Easy to Get Credit	57.2	6.1	5.4	5.6	3.6	3.1	8.6	89.6	10.4	2.29	2.05
Other Services	19.2	6.8	10.7	16.7	11.6	10.2	16.0	91.2	8.8	3.98	2.11
Collection Point Support	29.9	8.1	7.1	14.5	8.1	6.3	13.9	87.9	12.1	3.42	2.23
Staff	6.0	3.0	6.7	14.1	14.1	19.0	31.2	94.1	5.9	5.22	1.80
Pay-In Locations	25.0	8.2	7.3	14.8	8.2	8.3	18.9	90.9	9.1	3.81	2.29
Branch Decor/Layout	36.0	12.2	11.3	13.3	7.6	3.5	5.9	89.8	10.2	2.76	1.89
Convenient Opening Hours	16.9	5.3	8.5	16.5	13.0	12.7	19.5	92.3	7.7	4.29	2.11
Access to Pay-In Points	24.8	6.9	7.8	13.9	9.5	8.6	19.4	90.9	9.1	3.88	2.29

Table 60: Frequency Data

The highest-rated reason for joining the credit union is the easy way provided to save and this was closely followed by the low-rate loans. Other factors of high importance include the good return on savings; the ethical beliefs of the organisation; the support for a local organisation; and the staff. Motivating factors of less importance include an easy way to get credit; support for the collection point; the pay-in locations and the branch decor/layout.

10.7.3.2 Factor Analysis

Table 61 illustrates that there are three components emerging from this data explaining 62% of the variance of responses. The first component explains around twice the variance of either of the other components.

Component	Initial Eigenvalues		Extraction Sums of Squared Loadings		Rotation Sums of Squared Loadings	
	Total	% of Variance	Total	% of Variance	Total	% of Variance
1	5.414	41.65	5.414	41.65	4.147	31.90
2	1.427	10.98	1.427	10.98	2.177	16.75
3	1.228	9.45	1.228	9.45	1.745	13.43

Table 61: Total Variance Explained

The characteristics of each component are shown in Table 62. The first component is strongly loaded towards the easy way to get credit; supporting a collection point; the pay-in point locations and ease of access; and the branch decor/layout. There are also some links with the convenient opening hours. These linked variables are associated with use of LCCU as an every-day banking facility. This type of usage is not consistent with those users whose transactions are mostly conducted by payroll deduction as much of the need for contact is eliminated by this technology. This would be representative of model 3, the financially excluded who requires daily banking facilities in person.

The second component links variables consisting of the rates offered on savings and loans, and the ease of saving. This component would be more indicative of those using LCCU for its core products – the savings and loans. This could represent the employed individuals possibly making use of the payroll deduction facilities – not relying on access for day-to-day banking, rather for use as an additional account. This potentially could be representative of model 1 – those who seek the best rate for their saving or borrowing.

Finally, the third component has strong loadings between the ethical beliefs of the organisation and the support offered to a local organisation. As there are no strong links on any other variables, it is thought that this factor would signify the ethically- minded customers – they can choose where they want their money to be invested and are not particularly concerned about the return on savings or the practicalities of branch life; however, they will support an organisation for its beliefs and ethics. This is representative of model 2 – those supporting an ethical stance.

	Component		
	1	2	3
Good return on savings	-.095	.443	-.101
Easy way to save	-.163	.518	-.088
Low rate loans	-.067	.285	.074
Ethical beliefs	-.081	-.108	.596
Supporting local organisation	-.085	-.022	.541
Easier to get credit	.219	-.143	-.074
Other services offered	.136	.067	-.013
Collection point support	.209	-.108	.048
Staff	.049	.181	.047
Pay-in point locations	.244	-.089	-.058
Branch decor and layout	.215	-.090	.002
Convenient opening hours	.161	.073	-.089
Ease of access to pay-in points	.230	-.47	-.064

Table 62: Component Score Coefficient Matrix

10.8 Financial Services Provider Performance

The third variable grouping examines the factors emerging from perceived provider performance. For users, this included their most used performance provider and LCCU.

10.8.1 Provider Performance

Table 63 shows the frequency data for users and non-users in their rating of different aspects of their most used financial services provider.

		%										
		1	2	3	4	5	6	7	Total	Miss	Mean	St Dev
Convenient Opening Hours	U	2.8	3.0	5.8	13.7	17.9	17.8	27.0	88.0	12.0	5.30	1.61
	NU	3.4	7.3	9.8	20.5	18.5	15.6	17.6	92.7	7.3	4.73	1.68
Product Range	U	1.7	1.5	4.6	16.3	20.9	21.5	18.0	84.3	15.7	5.24	1.39
	NU	1.5	2.0	8.3	24.9	22.0	20.5	11.7	90.7	9.3	4.90	1.35
Value for Money	U	2.7	3.1	6.8	14.8	17.6	17.6	23.5	86.1	13.9	5.19	1.60
	NU	3.9	3.9	10.2	22	22.9	16.1	11.2	90.2	9.8	4.65	1.53
Staff	U	1.5	1.7	5.5	12.6	18.5	20.8	26.4	87.0	13.0	5.45	1.45
	NU	2.0	2.9	13.7	16.1	22.4	17.1	17.1	91.2	8.8	4.90	1.53
Advice	U	1.9	2.1	5.5	14.8	18.7	20.0	22.1	85.2	14.8	5.29	1.49
	NU	2.4	3.9	10.7	22.4	22.9	15.6	13.2	91.2	8.8	4.74	1.49
Branch Layout/ Decor	U	8.5	6.0	11.2	19.0	16.3	11.3	8.0	80.4	19.6	4.18	1.74
	NU	7.8	6.3	16.1	26.3	13.7	9.3	6.8	86.3	13.7	4.01	1.62
Other Services	U	4.6	3.4	8.5	20.6	19.5	14.7	11.1	82.4	17.6	4.64	1.59
	NU	3.9	10.2	11.7	26.8	16.1	10.2	7.8	86.8	13.2	4.19	1.57
Ease of Access	U	6.0	4.8	6.5	12.7	15.4	16.9	19.7	82.0	18.0	4.90	1.83
	NU	8.8	10.2	9.8	14.1	17.1	12.2	15.1	87.3	12.7	4.35	1.92
Product Information	U	2.1	2.6	6.9	17.3	20.6	17.2	16.9	83.6	16.4	5.04	1.49
	NU	2.4	4.4	9.8	26.3	22.9	12.7	11.2	89.8	10.2	4.63	1.45
Info About Org	U	3.9	5.6	8.8	17.7	17.9	14.4	15.0	83.3	16.7	4.72	1.68
	NU	4.4	8.3	12.2	23.9	18.0	11.2	10.2	88.3	11.7	4.33	1.62
Competitive	U	3.3	3.3	7.2	18.5	18.6	15.3	16.6	82.9	17.1	4.91	1.60
	NU	5.4	5.4	8.8	20.5	24.9	14.6	9.8	89.3	10.7	4.54	1.59
Ethical Beliefs	U	11.7	7.8	9.6	16.3	10.3	9.7	16.1	81.5	18.5	4.22	2.03
	NU	12.2	10.7	14.1	23.9	9.8	8.3	8.8	87.8	12.2	3.78	1.81

Table 63: User and Non-User Frequency Data

From the table above it can be noted that there are differences in the importance placed in various elements of service. The items rating most highly by both users and non-users include convenient opening hours; the product range; the value for money; the staff; the advice offered; and the product information. All the mean scores were average or above average (4 or above) with the exception of the importance placed on ethical beliefs with a mean score of 4.22 for users and 3.78 for non-users. Convenient opening hours has the highest percentage of 7 ratings by both groups in contrast to branch decor/layout which has the lowest percentage of 7 ratings by both.

The following differences were identified, with users rating the following features slightly higher than non-users: convenient opening hours; value for money, with the highest rating of 7 being almost double that of non-users; the value of advice; the branch decor and layout (holding slightly more importance); the other services offered (potentially services such as bill-paying accounts, money advice etc); the ease of access; the product information; and the ethical beliefs of the organisation. Users consistently rated each category with a higher mean than non-users.

Table 64 shows that there is only one component emerging accounting for nearly 54% of the variance of responses and therefore there are no factors present to analyse.

Component	Initial Eigenvalues		Extraction Sums of Squared Loadings	
	Total	% of Variance	Total	% of Variance
1	6.439	53.661	6.439	53.661

Table 64: Total Variance Explained - User Data

10.8.2 Credit Union Current Performance

Table 65 shows the frequency data of respondents when asked about the performance in different areas of the LCCU.

	%									Mean	St Dev
	1	2	3	4	5	6	7	Total	Miss		
Good Return	2.6	2.3	5.3	13.2	18	18.3	31.4	91.2	8.8	5.44	1.57
Low Cost Loans	1.4	1.8	2.6	6.8	9.8	20.1	45.8	88.3	11.7	6.0	1.39
Friendly Service	1.0	0.7	2.2	6.9	11.1	25.7	46.5	94.1	5.9	6.08	1.22
Ethical Beliefs	3.6	1.6	3.0	11.4	10.8	18.3	31.7	80.5	19.5	5.56	1.64
Other Services	1.3	1.3	4.4	17.6	17.8	20.0	19.7	82.0	18.0	5.29	1.39
Location of Pay-In Points	5.2	4.5	6.3	15.4	12.4	12.9	18.3	75.1	24.9	4.83	1.82
Branch Decor/ Layout	5.8	3.6	9.5	16.8	13.7	12.0	12.5	73.8	26.2	4.55	1.76
Opening Hours	4.2	4.2	7.7	15.7	16.8	16.2	18.6	83.4	16.6	4.91	1.70
Ease Pay-In Point Access	5.7	3.6	6.7	13.8	11.5	12.5	18.3	16.3	88.3	11.7	2.08

Table 65: Frequency Data

The elements of credit union performance rated most highly by credit union users are the friendly service and the low-cost loans and these are closely followed by the good return and ethical beliefs. The performance variables rated least important include the ease of access to and location of pay-in points; and the branch decor/layout. This would indicate, in line with expectations, that the minor and peripheral types of performance are not valued as highly as the core credit union values.

10.8.2.1 Factor Analysis

Table 66 shows that two factors emerge from this data, explaining almost 60% of the variance of responses with the first factor a slightly higher percentage than the second.

Component	Initial Eigenvalues		Extraction Sums of Squared Loadings		Rotation Sums of Squared Loadings	
	Total	% of Variance	Total	% of Variance	Total	% of Variance
1	4.124	45.824	4.124	45.824	3.085	34.276
2	1.169	12.99	1.169	12.99	2.208	24.538

Table 66: Total Variance Explained

These findings are shown in more detail in Table 67. The first component links variables related to the use of day-to-day banking facilities, for example; the location and ease of access to pay-in points; branch opening hours; and decor and layout and this is in line with expectations of the financially excluded – model 3. Component 2 groups the variables of a good return on savings, low cost loans; and friendly service. This appears to be representative of the rate conscious users presented in model 1.

	Component	
	1	2
Good return on savings	-.128	.418
Low cost loans	-.179	.463
Friendly service	-.103	.408
Ethical beliefs	.085	.110
Other services offered	.133	.122
Location of pay-in points	.328	-.121
Branch decor and layout	.290	-.098
Convenience of opening hours	.265	-.053
Ease of access to pay-in points	.335	-.173

Table 67: Component Score Coefficient Matrix

10.9 Combined Data Study

Following the review of the user only data in the sections above these following sections will review the combined dataset of users and non-users for robustness checks. It would be expected that due to the wide-ranging common bond covering the Leeds Metropolitan District, LCCU would contain a relatively mirrored collection of users to non-users and therefore there are not expected to be many key differences between the user and combined datasets.

The final section to this Chapter will take the same format as for the user only data however the frequencies have already been considered and therefore each heading will follow immediately with the factor analysis. The grouping of variables is also the same as above and therefore a repeated explanation is not given.

10.9.1 Sources of Information and Advice - Combined Data

10.9.1.1 Value of Advice

Table 68 shows the extracted components from the combined dataset regarding sources of advice sought.

	Initial Eigenvalues		Extraction Sums of Squared Loadings		Rotation Sums of Squared Loadings	
Component	**Total**	**% of Variance**	**Total**	**% of Variance**	**Total**	**% of Variance**
1	2.978	42.537	2.978	42.537	2.808	40.113
2	1.118	15.978	1.118	15.978	1.288	18.402

Table 68: Total Variance Explained Combined Data

In contrast to the user only data, only two components have been extracted from the rotated data, explaining almost 60% of the variance of responses. The total variance of responses as a whole accounted for across both datasets is very similar and closer examination of the percentage of total variance in the combined dataset reveals that the first factor accounts for over 40% of the variance, almost the combined total of the first two components of the user only data.

Table 69 illustrates the elements of each component. Component 1 does not exhibit particularly high loadings but shows a level of value placed in the advice of parents; children; other family members; financial advisors; and staff. This component is similar to a combination of components 1 and 2 from the user only data and appears most representative of the financially excluded model. The financially excluded are expected to be prepared to seek a wide range of advice and disseminate their findings before a final decision is made.

Component 2 links variables demonstrating the advice of individuals who are close to the respondent and is strongly loaded to the respondent's own advice and that of their spouse / partner – deemed as very trusted sources. This component has similar characteristics to component 3 in the user-only data. This is most aligned to model 1, the group who seek advice about the best rates for their savings and borrowings.

	Component	
	1	2
Own advice	-0.156	0.737
Spouse/partner	0.004	0.537
Children's' advice	0.254	0.022
Parents' advice	0.291	-0.060
Other family members' advice	0.307	-0.061
Financial Advisor	0.252	-0.054
Staff	0.235	-0.015

Table 69: Component Score Coefficient Matrix Combined Data

The key contrast between the users and the combined group is that there are only two components within the combined group, as opposed to three within the user-only group. The two factors within the combined group are similar to two of the user-only factors but do not directly mirror each other. The second component of the user-only group places an emphasis on seeking the advice of financial services staff, including financial advisors and staff of their financial services provider. As this loading is not specifically included in the combined group, this may be an indicator of the levels of trust that users place in their credit union as they clearly value the input from such sources. Whilst the question does not directly question the importance placed in advice from staff within the credit union it may be inferred that if respondents use the credit union and give high regard for advice from staff of their financial services provider and financial advisers then this confidence is present in the credit union as demonstrated through their use of it.

10.9.2 Sources of Information

Table 70 illustrates the two extracted components from the combined dataset.

Component	Initial Eigenvalues		Extraction Sums of Squared Loadings		Rotation Sums of Squared Loadings	
	Total	% of Variance	Total	% of Variance	Total	% of Variance
1	6.344	45.316	6.344	45.316	5.358	38.274
2	1.278	9.129	1.278	9.129	2.264	16.171

Table 70: Total Variance Explained Combined Data

As with the user-only data there are two components emerging from this data and the cumulative percentage explained by the variance of responses for each factor is very similar to the user-only data.

As a dataset these two components account for almost 55% of responses. The characteristics of both of these components are mirrored by the two components from the user-only data. Table 71 provides the breakdown of component and this demonstrates that both components exhibit the loadings of a similar strength to the user-only factors.

	Component	
	1	2
Value of family/friend recommendations	-0.114	0.330
Value of posters	0.147	-0.029
Value of TV adverts	0.170	-0.059
Value of billboards	0.194	-0.102
Value of internet adverts	0.190	-0.115
Value of magazine/newspaper ads	0.145	-0.022
Value of e-mail adverts/updates	0.171	-0.081
Value of branch staff	-0.089	0.379
Value of expert opinion	-0.178	0.507
Value of newspaper/magazine articles	0.038	0.131
Value of newsletter from existing provider	-0.018	0.272
Value of flyers	0.140	-0.011
Value of text messages	0.163	-0.114
Value of letters	0.063	0.112

Table 71: Component Score Coefficient Matrix Combined Data

10.9.3 Trust in Financial Service Providers – Combined Data

This section reviews the level of trust that the combined dataset place in different types of financial service provider. This will be reviewed by examining trust and attitude to financial services.

10.9.3.1 Trust

Table 72 illustrates that for the combined data there are also two components, again in line with the user-only data and together they explain almost 60% of the variance of responses. In addition the percentage of variance of each component is very similar as the same components in the user-only dataset.

Component	Initial Eigenvalues		Extraction Sums of Squared Loadings		Rotation Sums of Squared Loadings	
	Total	% of Variance	Total	% of Variance	Total	% of Variance
1	4.884	48.84	4.884	48.84	3.069	30.686
2	1.056	10.56	1.056	10.56	2.871	28.709

Table 72: Total Variance Explained - Combined Data

Table 73 shows that the elements of each component again in keeping with the patterns exhibited by the user-only data show two key strands of variables – those illustrating trust in the alternative providers including the doorstep lenders (and again not much trust is demonstrated in credit unions) and those variables demonstrating high levels of trust in the traditional providers. The content of these two components are closely mirrored to the user-only components.

	Component	
	1	2
Trust in the big 4 banks	-0.062	0.292
Trust in former building societies	-0.097	0.342
Trust in building societies	-0.121	0.353
Trust in retailers with financial services	0.188	0.045
Trust in internet banks	0.260	-0.047
Trust in insurance companies	0.232	-0.008
Trust in credit card companies	0.290	-0.087
Trust in independent financial advisors	0.010	0.169
Trust in doorstep lenders	0.499	-0.383
Trust in credit unions	-0.199	0.286

Table 73: Component Score Coefficient Matrix - Combined Data

10.9.3.2 Attitude

Table 74 shows very similar information to that of just the user-data. There are two factors emerging from the dataset explaining just over 50% of the variance of responses. The factors are also fairly evenly weighted.

Component	Initial Eigenvalues		Extraction Sums of Squared Loadings		Rotation Sums of Squared Loadings	
	Total	% of Variance	Total	% of Variance	Total	% of Variance
1	1.68	27.9	1.68	27.9	1.66	27.7
2	1.34	22.3	1.34	22.3	1.35	22.5

Table 74: Total Variance Explained - Combined Data

Table 75 again mirrors the user data almost exactly. The first factor consists of respondents with a carefree attitude and the second demonstrates those with a careful attitude to finances.

	Component	
	1	2
Life for living now	0.351	-0.040
Carefully plan finances	-0.205	0.575
Find financial services boring	0.377	0.023
Often make decisions on gut feel	0.428	-0.108
Bargain hunter	0.096	0.566
Find some financial products difficult to understand	0.320	0.277

Table 75: Component Score Coefficient Matrix - Combined Data

10.9.4 Provider Performance

Finally, this section analyses the perceived performance of the most used financial services provider from the combined group.

In contrast to the one component emerging from the user data, Table 76 demonstrates the emergence of two components, accounting for over 62% of the variance of responses and using the rotational factor analysis this is split equally between each of the factors.

Component	Initial Eigenvalues		Extraction Sums of Squared Loadings		Rotation Sums of Squared Loadings	
	Total	% of Variance	Total	% of Variance	Total	% of Variance
1	6.466	53.88	6.466	53.88	3.814	31.782
2	1.02	8.5	1.02	8.5	3.672	30.598

Table 76: Total Variance Explained - Combined Data

A closer view of Table 77 reveals the characteristics of each component.

	Component	
	1	2
Convenient opening hours	0.284	-0.155
Product range	0.200	-0.033
Value for money	0.352	-0.194
Staff	0.328	-0.167
Quality of advice provided	0.302	-0.131
Branch layout/decor	-0.277	0.422
Other services on offer	-0.076	0.254
Ease of access to branch	-0.132	0.272
Product information availability	-0.002	0.185
Information about organisation	-0.054	0.230
Competitiveness of the organisation	0.048	0.125
Ethical beliefs of the organisation	-0.091	0.226

Table 77: Component Score Coefficient Matrix - Combined Data

These segments do not appear to be very well differentiated and it is difficult to draw meaningful conclusions from this data. Initially component 1 appears to err towards individuals using the branch on a day-to-day basis but then it does not exhibit characteristics that would be expected to be important to branch users such as the branch decor/layout and the ease of access to the branch.

The difference in the number of components presented proves that the inclusion of non-user data with the user data does affect the outcome in this instance and shows that the perception of performance of a main financial services provider may depend on whether they are users or non-users of credit unions.

10.10 Factor Names

Now that the factor analysis has been conducted, the summary of findings is presented in Table 78. This provides the number of factors emerging out of each variable on both the user and combined dataset. Names have then been given to each factor, incorporating the findings from each Component Score Coefficient Matrix.

	Number of Factors	**User**	**Combined**
Sources of Advice			
Value of Advice	Factor 1	Advice Seekers	Advice Seekers
	Factor 2	Private Individuals	Private Individuals
	Factor 3	Very Trusted Sources	N/A
Sources of Information	Factor 1	Seekers	Seekers
	Factor 2	Targeted	Targeted
Trust			
Trust	Factor 1	Alternatives	Alternatives
	Factor 2	Traditionalists	Traditionalists
Attitude	Factor 1	Carefree	Carefree
	Factor 2	Careful	Careful
Motivational Factors	Factor 1	Daily Users	N/A
	Factor 2	Core Users	N/A
	Factor 3	Ethical Users	N/A
Provider Performance			
CU Current Performance	Factor 1	Daily Users	N/A
	Factor 2	Core Users	N/A
Provider Performance	Factor 1	Only 1 factor	Practical Users
	Factor 2		Thorough Researchers

Table 78: Factor Names

With the majority of variables having the same elements comprising of each factor it appears that the sample of respondents from the user survey are mostly well matched to the combined data, demonstrating the robustness of the user-only dataset. There are however two key differences: firstly, with regards to the value of advice sought, the user-only dataset illustrated the presence of three factors compared to two on the combined dataset. When the components were viewed, however, it showed that very trusted sources and private individuals together are directly linked to private individuals on the combined dataset. Secondly, the provider performance found only one factor within the user dataset compared to two in the combined dataset, however, these factors were difficult to interpret and potentially there was not a clear definition between the two factors.

The emerging factors can then be compared to the expected factors outlined in section 10.4. All of the expected factors from within each of the modelled segments can be identified in this data. This indicates that the data used to predict these results – the literature review and the background provided on LCCU, has assisted in the development of a robust framework as to who the users of LCCU are. These expected findings have also been supported by the qualitative analysis in Chapter 8 and the descriptive analysis in Chapter 9. Whilst the factor analysis indicates the presence of these factors, it does not indicate what percentage of users each segment accounts for. It is also not clear, for example, when two factors emerge that have application across all three modelled segments, what proportion of responses is attributable to each segment.

10.11 Factor Scores Analysis

The Component Score Coefficient Matrix has been displayed when reporting the findings in each of the factor analyses presented above. This matrix is used to calculate factor scores and the simplest method of attaining factor scores in SPSS is using the Regression method. This adjusts factor loadings to account for the initial correlations between variables balancing variance in the variables with the difference in units of measurement (Field, 2009). Factor scores are allocated on an individual basis and can be used to give each person a score for each factor. This provides the opportunity for additional analysis or to segment individuals into those with high or low scores across a specified factor.

T-testing will be used in this analysis to compare the factor scores for users with non-users to identify the presence of any statistical significance in this data. This will provide the opportunity for direct comparison with the non-users as they have been individually scored and will therefore provide greater insight into this group.

To ensure accuracy, the factor scores for users and non-users will only be compared when there are the same number of factors emerging from the user-only and the combined dataset. This will result in the value of advice and provider performance variables being eliminated. Incidentally, as all the results emerged from the initial SPSS output before being aligned to selecting those with a consistent number of factors, it is confirmed that all the factors removed were not deemed significant. In addition, user data clearly cannot be compared to non-users when it is exclusive to users only, for example, the motivations to join LCCU and the perceived performance of LCCU, and therefore these variables are not included either.

Table 79 presents the remaining factors for comparison and they are badged under the grouping of variables that have been used throughout this Chapter. The data was run using SPSS and Levene's Test for Equality of Variances was used to assess whether the data should be interpreted with equal variances assumed or not assumed. Table 79 shows the significance scores of Levene's test. If there was a significant outcome (<0.05) then equal variances were not assumed and this has been incorporated into the table.

	Status	**Mean**	**Levene's Test For Equality of Variances (Significance)**	**Significance (2-tailed)**
Sources of Information and Advice				
Source of Information Searchers	User	.0071666	0.041	0.422
	Non-User	-.0470900		
Source of Information Trusted Sources	User	.0346244	0.896	0.000
	Non-User	-.2275079		
Trust				
Trust Alternatives	User	-.0413175	0.796	0.000
	Non-User	.2714861		
Trust Traditional	User	.0084702	0.881	0.388
	Non-User	-.0556555		
Attitude to Finance Carefree	User	.0380515	0.389	0.000
	Non-User	-.2500264		
Attitude to Finance Careful	User	.0645491	0.000	0.000
	Non-User	-.4241346		

Table 79: T-Tests on Factor Analysis

Out of the three variables included for comparison in this table (sources of information; trust in financial service providers; and attitudes to finance and financial services) only two factors are not statistically significant (>0.05) – sources of information for searchers who like to survey a range of information prior to making a decision; and those trusting in traditional financial service providers such as banks and building societies. All the other factors are highly significant, each with a significance level of 0.000. This indicates that there are statistical significances present between users and non-users across those searching for information within trusted sources only; those trusting alternative financial service providers; and attitude to finance and financial services.

When examining the comparison between trusted sources of information, the mean factor score is positive for users and negative for non-users (0.007 and -0.047 respectively). This indicates that users scored higher on average than the non-users did on this factor. The significance level of 0.000 indicates that this is a statistically significant difference. This means that the user group was statistically more likely to use only trusted sources of information when searching for more details about financial products or services. These sources incorporated more biased opinions, including recommendations from family or friends; branch staff; expert opinion; and newspaper / magazine articles.

With regards to trust in alternative providers, the t-test indicates that non-users have a positive mean result, compared to a negative one for users therefore showing that the factor scores of non-users were on average higher than those of users (-0.041 for users and 0.271 for non-users). This demonstrates that non-users scored more highly on these variables (incorporating doorstep lenders; credit card companies; insurance companies; and internet banks) than users did. Doorstep lenders provide evidence of the presence of the financially excluded as due to the high levels of interest charged they are generally used by those who cannot access credit elsewhere. If, as is expected, users who are financially excluded have joined LCCU and are therefore able to access credit at lower rates of interest thus reducing the need for and levels of trust in doorstep lenders.

When reviewing the t-tests for a carefree attitude to finance, this data shows that the mean scores for users are positive in contrast to a negative response for non-users (0.038 and -0.250 respectively). This is statistically significant to 0.000. This indicates that the average factor scores are higher on this factor for users than non-users, indicating that this grouping of carefree variables is statistically more likely to consist of users. In addition this is the same pattern on the factor of a careful attitude to finance with users having an average factor score of 0.065 and non-users -0.424 again with a significance of 0.000. This also shows that users are statistically more likely to have a careful attitude towards financial services and products. The factor scores from these two factors do not contradict each other however - they merely show that users had a higher mean score across the scores on each one. As each of these factors – a careful and a carefree attitude to finance and financial services – relates to 2 different sets of variations of responses and is linked to different segments of the user population, this data indicates that there is more of a contrast between these two segments of users and non-users and that LCCU does contain more concentrated samples of each of these segments within their membership base than is typical in the wider population. This could indicate that there is a higher concentration of the financially excluded in the user data compared to the non-user data and this therefore makes the carefree segment strong and there could also be a higher concentration of those who prefer to shop around for the best rates, therefore strengthening the scores for the careful factor.

10.12 Conclusion

The overall research questions to answer within this analysis are regarding the users of LCCU and their purpose for usage. This has the ultimate purpose of providing analysis and conclusions that can be used tailored to specific needs of other credit unions, particularly within the UK, to enhance their understanding of the credit union customer both in terms of their profile and their reasons for usage. One of the analytical techniques used to assist in the answering of these research questions is factor analysis.

Initially, this Chapter outlined the approach to be taken using factor analysis as both an exploratory and confirmatory tool as whilst it was expected that the confirmatory analysis would prove the hypotheses presented in section 6.2, it was also thought that it would highlight any additional factors emerging which may assist in answering the research questions.

Three models were presented from the hypotheses outlined in section 6.2 with respondents scoring highly on the factor scores on the following groupings: seeking the best rate of interest / return; users due to the ethical stance offered and promoted; and users who are financially excluded. To analyse why the credit union was used there were seven different areas: the value of advice from different sources; sources of information about financial products or providers; trust in different financial institutions; provider performance; motivations for joining LCCU; perceived LCCU performance; and attitude to finance. Figure 22 presented the expected findings from the dataset and showed where factors were expected to emerge and this was examined in more detail in Figure 24, Figure 25 and Figure 26.

User data was tested against the combined user and non-user data to highlight any differences in the number of factors emerging from the data within each category. Whilst it would have been ideal to compare the user data directly to non-user this was not practical due to the sample sizes within each category and therefore the user comparison against the combined dataset was to check the robustness of the data as it was expected that whilst there would be three emerging segments from the user-only dataset, this would be in close alignment with the combined dataset and with the general population of Leeds. Generally this data was deemed robust, however, two variables – the value of advice and perceived provider performance- had different numbers of factors emerging. Values of advice had two factors for users which were very closely aligned to one of the combined factors and was therefore very similar, however, users-only had one factor emerging from perceived provider performance. The two factors emerging from the combined dataset in relation to provider performance were difficult to interpret and not deemed particularly useful in aiding understanding of the data.

Whilst two of the variables reviewed were only applicable to the user dataset, three of the other variables had the same number of segments in both the user and combined datasets: the sources of information about financial services and providers; trust in different financial service providers; and attitude to finance. On a broad level this would indicate that there were no key differences present between explanation of the percentage of variance of responses between the user and combined set. In contrast, however, the addition of the non-users to the user data highlighted the reduction of a factor - trusted sources - in the value of advice area, potentially highlighting the importance of the ethically-minded model to the current user base. In addition, the inclusion of the non-users presented two factors emerging from the provider performance area, whereas reviewing user data alone did not result in the identification of any factors.

Whilst each of the areas, with the exception of provider performance, resulted in factors being attributed to two or three of the presented groups, the area of motivations for joining LCCU provides perhaps the clearest picture of the groups of variables explaining the variance of responses indicating who the users of LCCU are and why they use it. Emerging from this data are the three models hypothesised about in section 6.2: the customers looking for the best return; the ethically minded; and the financially excluded. This is supported by the findings from the additional factor analysis. Therefore in answer to the research questions, at this stage of the analysis there appears to be the presence of three different segments of customers: those seeking the best deal; the ethically minded and the financially excluded.

The survey was structured in the same way as the focus groups and provided an insight into: trust and confidence (Mintel (2002_3), Mintel (2002_2), Barber and Odean (2001) and Estes and Hosseini (1998)); perceived performance (Ennew et al., (1995), Harrison (2000, 2002)); motivations for joining LCCU (Mintel (2005), Boucher et al., (1993)); attitude relating to LCCU and credit unions (Lee and Kelly (2004) and Jones (2005)); and insight into financial promotions (Rickard and Jackson (2000)).

The findings of the presence of these three segments confirm the expectations presented in section 6.2 and also support the findings from the qualitative research considered in Chapter 8. Each of the three segments exhibits unique characteristics in keeping with their specific motivations for using LCCU. The segment most interested in the best rates aligns to the employee-based focus group and there are characteristics of the community based groups in the ethical and the financially excluded segments.

The potential outcomes of each of these segments can be explored using the Engel-Kollat-Blackwell model of the decision making process (Engel et al., 1995). LCCU's strongest area of influence is over the inputs that are received by the financial services consumer and understanding the financial services customer well will ensure that these inputs are appropriately targeted and directed for maximum impact (Rickard and Jackson, 2000 and Harrison and Ansell, 2002) and financial knowledge is key (Harrison, 2002). Many of the variables shaping the decision-making process as defined by the model are present in the characteristics of each of the three segments of users that have been highlighted by the factor analysis, for example cultural variables, age, gender and input from family members or other closely associated groups.

The analysis of the factor scores indicated that there are statistical significances between users and non-users and with the exception of putting trust in alternative providers the mean scores were higher for users than non-users. The factor scores indicated that there potentially was a higher concentration of the financially excluded and those shopping around for the best rates within LCCU than within the non-user population. Overall the factor scores do indicate the presence of statistical significances across several factors between LCCU users and non-users.

As the presence of three modelling groups of users has been confirmed, this foundation of factor analysis will next be built upon by addition multivariate analysis in the form of regression. This will be conducted in Chapter 11 to develop these findings further and to understand how key each of these segments is to the LCCU membership base. In addition, understanding more about the users of LCCU will provide a clearer insight not only into who uses LCCU but also why it is used.

11 Regression

11.1 Introduction

In the next stage of the analysis, various methods of multivariate analysis are used in order to model variations in the dependent variables. The factor analysis reported in Chapter 10 provides inputs into the estimated regression models where factor scores are used as dependent and independent variables in various model specifications of interest. The purpose of using regression is to provide a more in-depth analysis to inform the research questions outlined in section 1.5. Firstly, the credit union respondent scores will be modelled on the three main factors derived in Chapter 10 as dependent variables in order to relate the individual characteristics of the respondents to their score on these factor scales. In the second piece of analysis, data from the users and non-users combined will be used to model the characteristics, attitudes and orientations of respondents that differ between credit union members and non-members. The dependent variable in this case is a binary variable, credit union member (1) or non-member (0).

Depending on the nature of the dependent variable under investigation, least squares regression or logistic regression could be used. The latter is used to model probabilities or propensities in a multivariate context – in this situation the data will be used to predict the likely characteristics of the membership of credit union (1= user, 0= non-user). This allows profiling in more detail the characteristics of users / non-users based on combinations of individual characteristics and attitudes.

Prior to reporting the model specifications and estimated results, this Chapter will review the main features of the logistic regression technique and its advantages in this study. The origins, uses, purposes and recent developments in logistic modelling will be discussed before examining the outputs and the diagnostic tests that are used to confirm the accuracy of the model specifications. The direct applications of its use within this thesis will be examined and the methodology for each set of tests will be outlined prior to beginning the analysis of the estimated models.

This Chapter will then aim to produce and discuss models that identify which variables (respondent characteristics) significantly contribute to the prediction of membership at LCCU. This will be achieved by performing a logistic regression analysis on the data from the case-study credit union using three key areas of analysis related to three research questions models. The final estimated ‘propensity models’ could have relevance in other credit unions that wish to understand the characteristics of likely credit union members, particularly those of a similar regime to the case-study credit union, across the UK and potentially across a wider context.

The rest of the chapter proceeds as follows. First an outline is provided of the multivariate methods employed with a focus on logistic regression. Next is a discussion of the applicability of these methods to the data under consideration. The model specifications are then reported along with the estimated results and discussion before providing conclusions. We first focus on the responses of the credit union membership to our questionnaire and model the characteristics of the users who score highest on three different factor scores measuring attitudes to financial services choices. Here the factor scores are dependent variables. We then incorporate data on non-users who responded to the questionnaire in order to profile the likely characteristics of individuals who have the highest propensity to join a credit union. Some of the composite variables derived from factor analysis are used as independent variables in this analysis.

11.2 What is Regression?

Regression analysis can be described as being used to:

> *"fit a model to the data and use it to predict values of the dependent variable from one or more independent variables"* (Field, 2009: 198)

Field highlights the usefulness of the tool as being able to extend simple relationships and answer more complex questions. This description is supported by Sykes (2009) who confirmed that regression investigates the relationship existing between variables by predicting the score of one variable based on the scores of other variables (Brace et al., 2009, Hinton et al., 2004).

As a more sophisticated tool than correlation, regression identifies not only the source variable but also the direction of causality (Field, 2009, Fisher, 1925, Hinton et al, 2004, Tabachnick and Fidel, 1989, Sykes, 1993). It ranges from a simple tool to a much more complex one (Fisher, 1925, Brace et al., 2009, Pallant, 2001).

Regression should be used when exploring linear relationships between predictor and criterion variables. The criterion variable is generally on a continuous scale (or dichotomous dependent for logistic regression) and the predictor variable is measured by a ratio, interval or ordinal scale (Brace, 2009).

11.2.1 Types of Regression

There are two key types of regression, each with a different role and purpose (Sykes, 1993) and each will be considered for suitability in this work.

Firstly, simple regression quantifies the effect of using one predictor variable to predict an outcome variable. This however does not take note of any other variables (Field, 2009, Jain, 2008, Hinton et al., 2004). A line of best fit can then be drawn (Tabachnick and Fidell, 1989).

As only one predictor variable is used to predict the outcome then this will not be complex enough to provide the adequate depth required to the study and therefore simple regression will not be used.

Multiple regression is a more complex tool than simple regression as it allows more than one variable to be taken into consideration to permit the additional effects to be acknowledged as some variables will contribute more than others (Sykes, 1993, Hinton et al., 2004). This is supported by other researchers including Field (2009), Pallant (2001) and Tabachnick and Fidell (1989) who confirm that multiple regression considers more than one independent variable and illustrates how well each one predicts the dependent variable whilst controlling for other independent variables. It makes use of a line of best fit to assess the goodness of fit of the model (Hinton et al., 2004).

Multiple regression addresses not only which variable is the best predictor, based on many variables as predictors, but also how well each variable addresses the outcome and whether a predictor variable can still predict when the effects are controlled (Pallant, 2001, Allison, 1999).

Field (2009) and Pallant (2001) highlight the three main methods of multiple regression:

a) Forced entry/standard/simultaneous – all predictor variables are entered simultaneously and then each is evaluated for its predictive power over and above the others;
b) Hierarchical multiple regression – predictor variables are entered in the order specified by the researcher;
c) Stepwise – predictors are entered based on mathematical criterion.

When using regression analysis, several assumptions must be acknowledged. Firstly, size is an important consideration and it is suggested that a predictor should have at least 15 subjects (Stevens, 1996). Secondly, the relationship between the independent variables must be considered. Highly-correlated variables and variables comprising of a combination of other variables are not helpful (Pallant, 2001, Field, 2009). In addition, outliers should be eliminated (Pallant, 2001) as they can skew the data and produce a poor quality model. Pallant also confirms that assumptions need to be satisfied regarding multicollinearity and singularity; outliers; normality, linearity, homoscedasticity, independence of residuals.

It appears that a form of multiple regression will be suitable for use within this research due to its ability to consider more than one independent variable as this is what is required for the modelling within this research. It is expected that a forced entry approach will be used in this research so that all the predictor variables can be entered and considered at the same time.

11.3 Logistic Regression

Logistic regression is a form of multiple regression, permitting the analysis of a number of predictor variables. It offers a flexible means of analysing the association between binary outcomes (probabilities) and the independent variables (Kleinbaum, 1994, Tabachnick and Fidell 1996, Marshall, 1998, Kirkwood and Sterne 2003).

Field (2000: 163) cites that logistic regression "*is multiple regression but with an outcome variable that is a categorical dichotomy and predictor variables that are continuous or categorical*". This definition illustrates why logistic regression will be suitable for this analysis. As the outcome variable will confirm whether the individual is a user of LCCU or not, this is a categorical variable and the predictor variables are expected to be a mixture of continuous data provided from the factor scores in Chapter 10 and demographic variables which are generally categorical and are discussed using descriptive analysis in Chapter 9.

Logistic regression has a wide range of uses and Cramer (2002) cites its origins as being in the 19th century when it was invented for demographic and scientific purposes. In the 21st century, Cramer (2002) concludes that logistic regression, as a propensity modelling technique, is now used in many fields, including marketing; new product development; science (especially Chemistry); the medical and pharmaceutical industry; economics; and market research. Field (2009) highlights the importance of logistic regression due to its lifesaving implications because of its ability to predict, for example medical outcomes. The uses of logistic regression fit well with this research and therefore it is deemed an appropriate statistical technique to use in this situation.

11.3.1 Interpreting Logistic Regression

There are several different tools that can be used in the interpretation and measurement of fit, of logistic regression including the log likelihood and log likelihood chi-square; logit coefficients; marginal effects and independent variable significance.

The log likelihood statistic uses the observed and predicted values to assess the accuracy of the model fit (Field, 2009, Tabachnick and Fidell, 2007). Large log-likelihoods indicate that there are a large number of observations that are unexplained by the model and therefore it is not very effective. The difference between the log likelihood statistics of the newly created model and the constant will produce a chi-square of the difference between the two (Kleinbaum, 1994). This can then be used to calculate the significance of this value. Several iterations may be performed (Weisber, 2005). A statistically significant result (with a chi-square value of less than 0.05) demonstrates that overall the model is predicting the result better with the variables than with just the constant (Field, 2000) and therefore that the introduction of the variables has been helpful to interpretation.

Pampel (2000) concludes that logistic regression moves the interpretation of coefficients from changes in probabilities to less intuitive changes in logged odds. Whilst there may be a loss of interpretability with the logistic coefficients, this will be balanced by the gain in parsimony. Logistic regression coefficients show how the change in the predicted odds of experiencing an event or exhibiting a characteristic for a unit will change due to the independent variables. Pampel cites three interpretations of logistic regression coefficients (2000: 19), the first directly using the coefficients from the estimates of the logistic regression, the second from transforming coefficients affecting the odds rather than the logged odds of the dependent variable, and the third interpretation strategy relates to translating the effects on logged odds or odds into the effects on probabilities.

A new development in logistic regression software (e.g. Stata v11) is the calculation of the 'average marginal effect' of an independent variable. The estimated logit coefficients for individual variables are not easy to interpret since they are part of a non-linear equation predicting the overall probability. The sign of the coefficient gives an indication of *the direction* that an independent variable has on the overall probability but *does not indicate the magnitude of the effect.* The magnitude of the effect depends on the levels of all other variables in the model. The average marginal effect can be calculated for each independent variable and this can be interpreted more easily as being the average effect of the independent variable on determining the probability, given the level of other regressors in the model. For instance, in the case of a dummy variable, the estimated average marginal effect indicates the effect of changing the variable from 0 to 1 on the outcome probability, whilst controlling the level of all other independent variables. The effect is calculated for each observation in the data set and then averaged. Marginal effects are reported alongside logit coefficients.

The Wald statistic is also an important statistic in logistic regression. Using a chi-square distribution, it confirms whether the beta coefficient for a predicator is significantly different from 0. If it is significant, this indicates that the predictor is making a contribution to the prediction of the outcome (Field, 2000). It is one of the most commonly-used tools in logistic regression (Pawitan, 2000

A variable should be included in the model if it is identified as being significant (Polit, 1996). Significance indications that the parameters are not 0 and an alternative metric is the likelihood ratio test as this is best in a range of scenarios including small sample size or large parameters (Agresti, 1990).

11.4 Thesis Application

The use of regression in this study is twofold. Firstly it will provide further analysis about the users of LCCU and will build on the findings in section 10.7.3, using least squares regression to highlight the significant variables explaining variations in the three factor scores that emerged from the factor analysis: these factor scores were named, 'those who shop around to find the best deal'; the 'ethically minded' and the 'financially excluded'. The dependent variables here are the raw factor scores. Variations in these scores will be analysed using least squares regression:

$$Y = \alpha + \beta_1\chi_1 + \beta_2\chi_2 + \beta_3\chi_3 + \beta_4\chi_4 \ldots\ldots\ldots + e$$

Where Y is the dependent variable and $\beta_1\chi_1$ etc are the independent variables.

The second part of this Chapter will analyse the variables that are significant in predicting whether an individual is likely to be a user of LCCU (probability). This will examine key demographic variables highlighted in 4.4.2 and Chapter 9 to form the first model. A second model will be formed to analyse the factor scores emerging from Chapter 10 as independent variables and then a third model will be prepared that uses both demographic and attitudinal variables. This will be analysed using logistic regression where the natural log of the odds is:

$$L = 1n\ [p / (1\text{-}p) = \alpha + \beta_1\chi_1 + \beta_2\chi_2 + \beta_3\chi_3 + e$$

Where L = log odds, $\beta_1\chi_1$etc are the predictor variables and probability = (exp (L) / 1-exp (L).

The findings from this research could then be applied in a broader context across the UK to gain an insight into the national membership of UK credit unions.

11.4.1 Practicalities of Conducting Regression

Whilst there are several ways to conduct regression analysis as outlined in section 11.2.1, Field (2000) concludes that the actual method selected for logistic regression will be dependent on several factors and the key advantages of each of these two methods are demonstrated in Table 80.

Forced Entry Method	Stepwise Method
Can be used to test theories Give replicable results	Useful when no previous research Useful when causality is of no interest Used to find a model to fit the data

Table 80: Advantages of methods of regression (Field, 2000: 170)

11.5 User Analysis

Section 6.2 hypothesised that there will be three types of users : those interested in the best rates for loans and savings; those who are ethically minded and use this to steer their financial service provider usage; and those who are financially excluded and therefore take credit from whichever provider offers it. This was confirmed by the factor analysis in section 10.4.1 with these same three factor scores emerging as the key motivating factors for joining LCCU. The factor analysis confirmed presence of these three possible segments as a motivation for joining LCCU will be used as a base for this part of the regression analysis.

The first factor score places the emphasis on the levels of interest or returns on the core credit union savings and loans products. Respondents scoring high on this scale indicate that they use the credit union as an additional financial services provider rather than their main provider and whilst they are primarily interested in core products, they also value other variables including the additional services offered; the staff and the convenient opening hours. Ultimately these respondents are keen to use their savings to realise a good return and to ensure that their borrowing is repaid at the low rates.

The second factor score identifies respondents with strong ethical beliefs. They rate the ethical beliefs of the organisation very highly as well as the support that they can offer to a local organisation and the ethical stance an organisation takes would be the critical factor in deciding which financial services provider to use.

The third factor score measures the extent of financially excluded, and typically comprises responses indicating the use of the credit union as a day-to-day financial services provider. This score indicates that the respondents are not selective between different financial service providers – access to credit is the key reason for them joining, however once they are users they are interested in the daily facilities including supporting local collection points; the locations of pay points; ease of access; branch and decor and easy ways to get credit.

Whilst the factor analysis presented in Chapter 10 identified the three likely segments amongst members as motivations to join LCCU, it simply identified their presence based on the variables provided when considering the motivations to join. It did not highlight any of the characteristics of the individuals comprising this segment. The use of regression in this Chapter is to further develop on the foundations provided by the factor analysis to recognise the components of each segment and to understand which model is the best predictor of LCCU usage.

Understanding more about the characteristics of these three user likely segments will provide a stronger insight into exactly who the users of LCCU are. This can then be radiated out to other credit unions within the UK where this case-study example can be used to glean information about member-attitudes that can be tailored and applied to other individual UK credit un

The independent variables for use in each of these models were selected to provide a range of demographic variables reflecting the characteristics of the respondents. Some of the variables have been combined from the original questionnaire responses (see Appendix 14.1) for ease of interpretation, for example, under "Couple" are married and co-habiting respondents. In addition, dummy variables have been created for the subgroups of age and income levels because they are categorical variables with more than two responses, several of which need to be included for comparison in the analysis. Use of dummy variables will permit the development of a model inclusive of a wide range of characteristics. Table 81 provides details of the constructed independent variables, the name used for the variable in the regression reporting and the components included within each name.

Variable	Variable Name	Variable Components
Gender	Male	Male = 1, Female = 0
Ethnicity	White	White = 1, Non-white = 0
Age	16-29 30-44 45-59	16-29= 1, other ages = 0 30-44 = 1, other ages = 0 45-59 = 1, other ages = 0
Qualifications	Low	None/GCSE/Vocational/ONC = 1, other higher qualifications = 0
Employment status	Employed	Full-time/Part-time/Self-employed = 1, not working (unemployed/home-maker/student/retired) = 0
Marital status	Couple	Married/Co-habiting = 1, not living as a couple (single/widowed/divorced) = 0
Council Tax Band	Council tax band B	B = 1, all other council tax bands = 0
Religion	Christian religion	Christian = 1, all other religions = 0
No. Children	Children <2	1-2 children, 0 and 3+ children = 0
Property Status	Living in rented accommodation	Rented = 1, other property status = 0
Income	Household income < £15,000 Household income £15,000-£39,000	<£15,000 = 1, £15,000+ = 0 £15,000-£39,000 = 1, other income = 0

Table 81: Variable Contents

11.5.1 Expected Findings

Based on the previous research and the earlier analysis, the likely findings are presented below, detailing the expected significant variables contributing to factor score and whether they will have a positive or negative significance is shown in Figure 27.

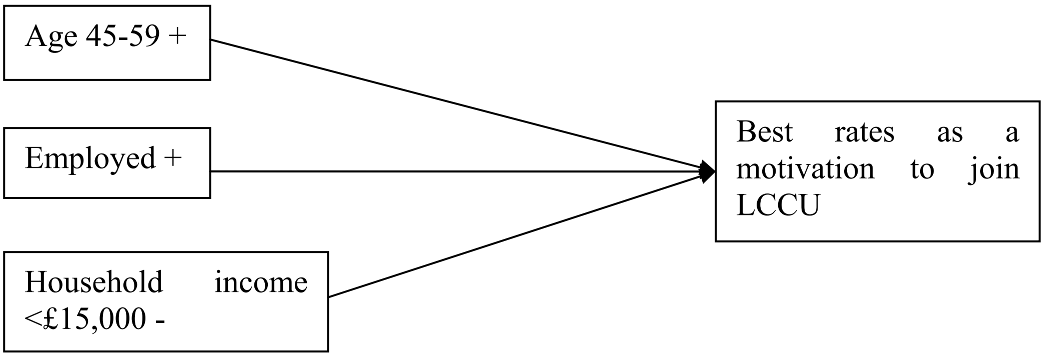

Figure 27: Expected Significant Variables for Best Rates

Figure 27 illustrates that the age group of 45-59 and the employed variables are expected to have a positive significant impact on this score of those joining to achieve the best rates on savings and loans. Household income of less than £15,000 is expected to have a negative significance within this group as individuals within this variable are not expected to have much disposable income to save and would be more likely to require loans. The expected signs can be shown as:

$$\text{Best rates} = \alpha + \overset{+}{\beta\ \text{age 45-59}} + \overset{+}{\beta\ \text{employed}} + \overset{-}{\beta\ \text{income less than £15,000}} + e$$

Where α incorporates the constant variables of: gender; ethnicity; qualifications; marital status; council tax band; religion; and children. β is the coefficient of the variable and e is the difference between the predicted and observed value of the dependent variable – best rates as a motivator for joining.

Figure 28 demonstrates that the employed variable is expected to have a positive significance on those who were motivated to join LCCU for ethical reasons. They are not expected to have a low income or qualifications and therefore this has a negative significance as they are thought to not be too interested in the returns and interest rates provided the ethical stance is aligned.

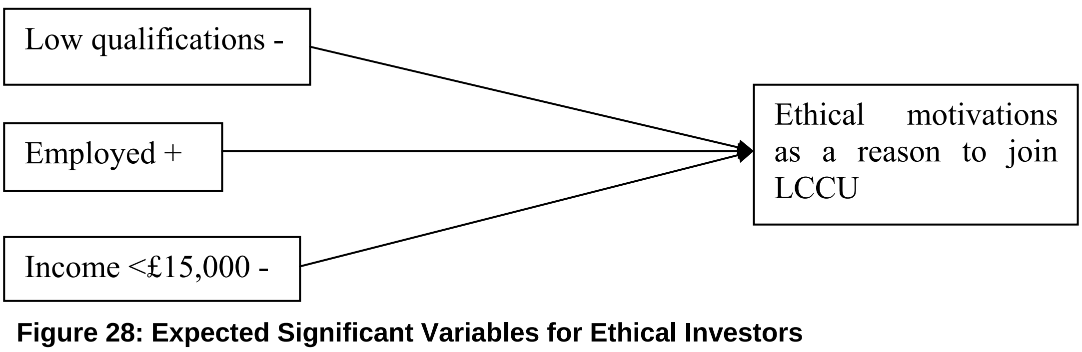

Figure 28: Expected Significant Variables for Ethical Investors

The expected significances and directions of this can be shown as:

-　　　+　　　-

Ethical stance = α + β qualifications + β employed + β income less than £15,000 + e

Where α incorporates the constant variables of gender; ethnicity; age; marital status; council tax band; religion; and children. β is the coefficient of the variable and e is the difference between the predicted and observed value of the dependent variable – the ethical stance as a motivator for joining.

Figure 29 below shows the expected significances from those joining LCCU due to their financially excluded status.

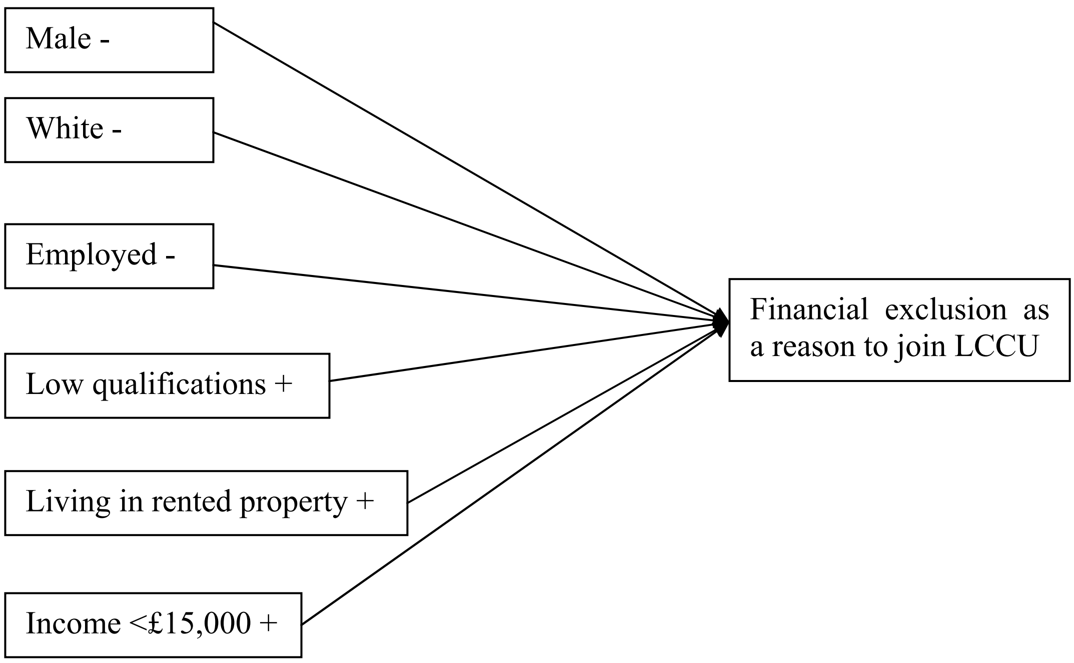

Figure 29: Expected Significant Variables for the Financially Excluded

Figure 29 highlights the expected findings from the financially excluded segment. From the previous research including that of the FSA (2000), it is expected that there will be positive significances on females and those from ethnic minorities. It is also expected that there will be high unemployment and low incomes typical amongst this group and therefore there will be a negative significance for employment with a positive significance for a household income of under £15,000. It is also expected that there will be positive significances associated with low qualification levels and living in rented accommodation. The expected significances and directions of this significance are shown as:

$$\text{Financially excluded} = \alpha + \overset{-}{\beta\ \text{gender}} + \overset{-}{\beta\ \text{ethnicity}} + \overset{-}{\beta\ \text{employment}} + \overset{+}{\beta\ \text{qualifications}} +$$

$$\overset{+}{\beta\ \text{property status}} + \overset{-}{\beta\ \text{income less than £15,000}} + e$$

Where α incorporates the constant variables of: age; marital status; council tax band; religion; and children. β is the coefficient of the variable and e is the difference between the predicted and observed value of the dependent variable – financial exclusion as a motivator for joining.

11.5.2 Best Rates / Cheapest Deal

As this score measures the extent to which respondents have been motivated to join LCCU because of its rates offered on savings and loans, it may be expected that it is not their main financial services provider as they can access credit and mainstream financial services elsewhere – more that it is used for borrowing or for saving reasonable sums to make it necessary for them to shop around for the best deal. The coefficient results for this group of users are shown in Table 82.

Variable	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	T	Significance
(Constant)	0.131	0.209		0.626	0.531
Male	-0.390	0.059	-0.180	-6.588	0.000
White	0.027	0.084	0.009	0.319	0.750
Age 16-29	-0.183	0.142	-0.047	-1.288	0.198
Age 30-44	-0.069	0.108	-0.034	-0.632	0.527
Age 45-59	-0.044	0.106	-0.022	-0.412	0.681
Low Qualifications	0.234	0.062	0.107	3.740	0.000
Employed	-0.093	0.097	-0.029	-0.959	0.338
Couple	0.017	0.062	0.008	0.280	0.779
Children <2	-0.053	0.133	-0.011	-0.399	0.690
Council tax band B	-0.003	0.071	-0.001	-0.038	0.970
Christian religion	0.016	0.057	0.008	0.285	0.776
Living in rented accommodation	-0.091	0.068	-0.040	-1.345	0.179
Household income less than £15000	-0.070	0.082	-0.028	-0.858	0.391
Household income £15000 & £39000	0.133	0.069	0.057	1.911	0.056

Table 82: Best Rate User Coefficients

Reviewing the B column of unstandardised coefficients presents the relationship of each predictor variable to the outcome (membership of the segment). Field (2009) clarifies that this shows to what degree each predictor variable affects the outcome if all other predictor variables are held constant. Several of the variables in Table 82 are significant (both with a significance of 0.000) and they are shown in Table 83. Respondents scoring high on the scale measuring best rate/cheap deal are more likely to be female with low qualifications.

Variable	Impact	Results
Male (=1)	-	Core users are most likely to be female
Low Qualifications	+	Core users are most likely to have low qualifications.

Table 83: Best Rate Users Significant Variables

This is contrary to expectations as it was thought that there would be significances from the age group 45-59, the employed and those with an income over £15,000. Section 9.2.1 has already established that there is an over-representation of females within LCCU and so potentially it is seen as a place to save or borrow by women (who are known for their more risk adverse approach to finances) to use as an additional account alongside their core financial services provider.

Model	Sum of Squares	df	Mean Square	F	Significance.
Regression	70.789	14	5.056	5.278	0.000[a]
Residual	1237.657	1292	.958		
Total	1308.446	1306			

Table 84: Best Rate Users ANOVA

In Table 84, whilst the F ratio is not huge (5.278) it is over the critical value and still highly significant (0.000). The segment of users who joined LCCU as a means to access good rates of interest and dividends on their loans and savings is therefore a real and significant group.

11.5.3 Ethical Users

As is highlighted in Figure 28 it is thought that this model will house a positive significance towards the employed variable and a negative significance towards those with a household income of less than £15,000. This is because the high scorers on this factor are expected to be able to access mainstream financial services and, due to their ethical beliefs, are not particularly interested in the interest rates on offer because the most important reason for joining LCCU was for the alignment of the ethical stance, through helping others and supporting local community-based causes.

Table 85 outlines the coefficients of the model using the factor scores of respondents who use LCCU because of its ethical nature and beliefs.

Variable	Unstandardized Coefficients		Standardized Coefficients		
	B	Std. Error	Beta	t	Significance
(Constant)	0.457	0.210		2.178	0.030
Male	-0.108	0.059	-0.050	-1.812	0.070
White	-0.151	0.085	-0.050	-1.784	0.075
Age 16-29	-0.646	0.142	-0.167	-4.541	0.000
Age 30-44	-0.287	0.109	-0.143	-2.641	0.008
Age 45-59	-0.100	0.107	-0.050	-.938	0.349
Low Qualifications	-0.223	0.063	-0.102	-3.551	0.000
Employed	-0.003	0.097	-0.001	-.033	0.973
Couple	0.042	0.062	0.020	.665	0.506
Children <2	0.026	0.133	0.005	.197	0.844
Council tax band B	-0.144	0.071	-0.056	-2.033	0.042
Christian religion	-0.083	0.057	-0.040	-1.472	0.141
Living in rented accommodation	0.119	0.068	0.053	1.749	0.081
Household income less than £15000	-0.008	0.082	-0.003	-.093	0.926
Household income £15000 & £39000	-0.015	0.070	-0.007	-.218	0.827

Table 85: Ethical User Coefficients

When the insignificant variables have been removed, the resulting significant variables are shown in Table 86. The largest coefficient is for the age group 16 – 29 (-0.646) indicating that younger users joined LCCU because of its ethical stance, i.e. the age group 16-29.

Variable	Impact	Results
Age 16-29	-	This group is less likely to contain individuals aged between 16 and 29.
Age 30-44	-	This group is less likely to contain individuals aged between 30 and 44.
Low qualifications	-	This group is less likely to contain those with low qualification
Council tax band B	-	This group is less likely to contain those with a council tax band B property.

Table 86: Significant Variables

Table 86 builds the image of an older group of individuals (middle-aged and above) who are well-educated and who live in expensive properties – potentially the more affluent who, for example, are not too concerned about the return that their money will yield, or the rate of interest that they are paying back on their loan. The expectations cited in Figure 28 included a positive significance to the employed and a negative significance to those with a household income of less than £15,000 as well as higher qualifications, because this segment was expected to have money to invest ethically and not need to get the best return on it. Although the significant variables are different to what was expected, emerging variables portray a similar type of person. Table 87 show ANOVA results for factor scores relating to LCCU ethical users.

Model	Sum of Squares	df	Mean Square	F	Significance
Regression	52.148	14	3.725	3.863	0.000[a]
Residual	1245.906	1292	.964		
Total	1298.054	1306			

Table 87: Ethical Users ANOVA

Whilst this F ratio is not particularly high the significance level of 0.000 indicates that this result has not occurred by chance and that the significances found within this segment are present.

11.5.4 Financially Excluded

It is expected that one of the key groups of LCCU users will be the financially excluded, who need to use it for their daily financially transactions and who rely on it for their access to credit. Figure 29 showed that the expected variables to demonstrate significances are male (negative); white (negative); income of less than £15,000 (positive); low qualifications (positive); living in rented accommodation (positive); and employment (negative).

Variable	Unstandardized Coefficients		Standardized Coefficients	t	Significance
	B	Std. Error	Beta		
(Constant)	-0.125	0.190		-0.658	0.511
Male	-0.108	0.054	-0.050	-2.021	0.043
White	-0.377	0.077	-0.125	-4.920	0.000
Age 16-29	0.009	0.129	0.002	0.073	0.942
Age 30-44	0.063	0.098	0.031	0.636	0.525
Age 45-59	0.030	0.097	0.015	0.309	0.757
Low Qualifications	0.441	0.057	0.203	7.786	0.000
Employed	-0.131	0.088	-0.041	-1.489	0.137
Couple	0.068	0.056	0.033	1.201	0.230
Children <2	-0.073	0.120	-0.015	-0.609	0.543
Council tax band B	0.061	0.064	0.024	0.949	0.343
Christian religion	0.069	0.051	0.034	1.355	0.176
Living in rented accommodation	0.455	0.061	0.202	7.411	0.000
Household income less than £15000	0.284	0.074	0.112	3.826	0.000
Household income £15000 & £39000	0.306	0.063	0.133	4.869	0.000

Table 88: Financially Excluded Users Coefficients

Table 88 shows the coefficients and significances of each key variable. There are several variables emerging as significant and they have been extracted and put into Table 89.

Variable	Impact	Results
Male (=1)	-	Group members are more likely to be female
White (=1)	-	Members are more likely to be from ethnic minorities
Low qualifications	+	Members are more likely to have low qualifications
Rented accommodation	+	Members are more likely to live in rented accommodation
Income <£15,000	+	Members are more likely to have a household income of less than £15,000
Income £15,000-£39,000	+	Members are more likely to have a household income of between £15,000 and £39,000

Table 89: Financially Excluded Significant Variables

This is building a picture that is relatively in line with the expectations presented in Figure 29, displaying characteristics of the financially excluded, including the likelihood of them being female, from ethnic minorities (FSA, 2000) and with relatively low incomes (Lee and Kelly 2004, Palmer et al., 2004). It also shows the positive significance with rented accommodation. Another key financial exclusion indicator is unemployment (FSA 2000, Lee and Kelly 2004) and it is surprising that this has not been identified as being significant in this model.

Table 90 illustrates the significance contained within this model.

Model	Sum of Squares	df	Mean Square	F	Significance
Regression	271.258	14	19.376	24.602	0.000[a]
Residual	1017.524	1292	.788		
Total	1288.782	1306			

Table 90: Financially Excluded Segment

A statistically significant result (with a chi-square value of less than 0.05) demonstrates that overall the model is predicting the result better with the variables than with just the constant (Field 2000, Kleinbaum 1994, Weisber 2005) and therefore the introduction of the variables has been helpful to interpretation.

In this ANOVA the F ratio is highly significant and this indicates that there is a <0.000 chance that an F ratio this high would occur by chance alone. This demonstrates that there is a significant and specific group of users who use LCCU as a day-to-day financial services provider. Typically this group is probably financially excluded as they probably struggle to access credit elsewhere, hence their usage of LCCU.

11.6 Analysing User v Non-User

Whilst the first stage of this study has conducted regression analysis on the three segments of users as highlighted by the factor analysis in section 10.4.1, the second stage of the regression analysis is outlined in section 11.6 incorporates data on users and non-users of the credit union and will highlight the predictor variables indicating the type of individual with the highest propensity to join a credit union.

As discussed earlier, logistic regression can be used as a propensity analysis to identify the characteristics and attitudes of respondents that are likely to favour credit unions. The overall aim being to predict a discrete outcome (Hayhoe et al., 1999) (user-non-user); a key aim is to identify the dominant variables influencing choice (Gan et al., 2006); to aid understanding of the key differences between two groups of who are either motivated to join LCCU or not by a specified variable (Rugimbana and Iverson, 1994). The results will potentially provide an important, practical tool for marketing LCCU.

11.6.1 Variable Consideration

As the whole sample comprises of both users and non-users of LCCU, the categorical dependent (outcome) variable is whether the individual is a user of LCCU or not. Three models will be set up to assess, firstly, the strength of demographic characteristics as predictors; secondly, the strength of attitudinal factors and thirdly. a model that covers a combination of both demographic and attitudinal variables. This will provide an insight into the best fitting model showing the demographics and attitudinal characteristics typical of individuals with a high propensity to join a credit union.

Much of the investigation into this technique will focus on the reported coefficients which will show the change in the predicted odds of exhibiting the characteristics of membership of the LCCU due to the independent variables and the average marginal effect of the characteristics (independent variables).

This diagnostic statistic from the logistic regression analysis will then be used to identify how good the model is at predicting the motivating factor for joining and will also identify the model that is the most predictive model out of the three estimated models.

11.6.2 Method of Conducting Logistic Regression

When conducting this research, the forced entry method will be used based on prior expectations. This places all the variables in the model in one block and forces them through and then estimates are calculated on each block. This is appropriate for testing hypotheses.

The research is conducted using Stata, the statistical package, because it is perhaps the most advanced choice for discrete outcome modelling. For instance, it is the only package that generates average marginal effects as an output option and is well suited to handling survey data (Williams, 2004, Lee and Ji, 2009). Stata is also acknowledged to have a much wider range of commands to manipulate the data than packages such as SPSS (Tarling, 2009). The analysis of marginal effects can also be conducted which will be a useful tool to aid the understanding of this data as this will provide a good approximation to the amount of change in Y that will be produced by a change in X.

11.6.3 Model Structure

As outlined in section 11.1, this part of the analysis will be split into three sections. Firstly, there will be analysis of the demographic variables; secondly, the attitudinal variables; and thirdly, the combination of the two. Each section of the model will now be considered.

11.6.3.1 Demographic Variables

The demographic variables are the same as were used for the earlier part of the regression analysis and are discussed in section 11.5 and presented in Table 81.

The independent variables for this section are therefore gender; ethnicity; age; qualifications; employment status; marital status; children; council tax band; religion; property status; and household income. These independent variables were identified as key in the financial services segmentation process and section 4.4.2 explores this in more detail.

From the identification and analytical development of the three strands of LCCU users, expected significant variables can be presented based on users representing those searching for the best rates, the ethical investors and the financially excluded. This section incorporates the findings from the descriptive analysis in Chapter 9. Expected significant variables and whether they will be positive or negative are presented in Figure 30.

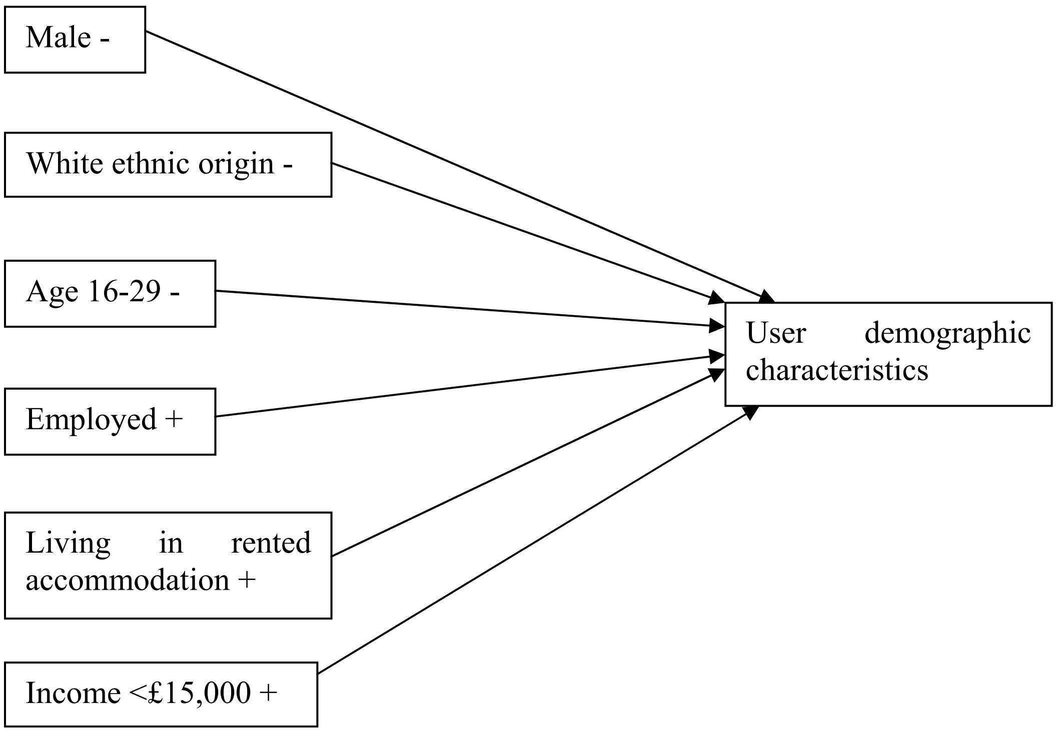

Figure 30: Expected User Characteristics

The dependent (output) variable is whether the respondent is a user or non-user of LCCU. These expected significant variables can also be shown in equation format:

- - - + +

$$L = 1n\,[p / (1-p) = \alpha + \beta\ \text{Gender} + \beta\ \text{Ethnicity} + \beta\ \text{Age 16-29} + \beta\ \text{Employed} + \beta\ \text{Property status}$$

+

$$+\ \beta\ \text{Income less than £15,000} + e$$

Where L = log odds, $\beta_1\chi_1$etc are the predictor variables and probability = (exp (L) / 1-exp (L).

In addition to the expected variables the same ones were analysed as were used in the first part of this chapter using Stata and the results are presented in Table 91.

Variables	Coefficient (SE)	Average Marginal Effect (SE)
Gender (Male)	-0.3768**	-0.0359**
	(0.1789)	(0.0176)
Ethnicity (White=1)	-3.4763***	-0.1306***
	(1.0149)	(0.0108)
Age 16-29	-1.0490***	-0.1246***
	(0.3373)	(0.0493)
Age 30-44	0.3690	0.0336
	(0.3018)	(0.0272)
Age 45-59	0.7745***	0.0688***
	(0.2947)	(0.0255)
Low Qualifications	0.5184**	0.0442**
	(0.2198)	(0.0173)
Employed	1.6140***	0.2083***
	(0.2451)	(0.0389)
Married/Co-habiting	0.3544*	0.0336*
	(0.1953)	(0.0190)
Children	0.6867**	0.0756**
	(0.3490)	(0.0448)
Council Tax Band B	0.7325***	0.0575***
	(0.2818)	(0.0185)
Religion (Christian)	-0.0145	-0.0013
	(0.1797)	(0.0165)
Rented Property Status	0.6373***	0.0528***
	(0.2440)	(0.0180)
Income (< £15,000)	0.7852***	0.0619***
	(0.2891)	(0.0193)
Income (£15,000-£39,000)	0.2694	0.0256
	(0.2036)	(0.0200)
Constant	2.3373**	
	(1.1200)	

Table 91: Demographic Variables

* 0.1 ** 0.05 ***0.01

This table shows the coefficient and the standard error of the coefficient as well as the average marginal effect and the standard error of this. In addition the log likelihood and chi-square are also reported. Significance levels are indicated by a star * system. The average marginal effect matches the levels of significance of the coefficients.

From the coefficients shown in Table 91, several variables can be discounted and removed as they are not significant and therefore do not impact on the predictability of the model. These factors are: age 30 – 44, religion (Christian) and income (£15,000-£39,000). These variables will now be removed for ease of interpretation of the model.

The presence of the stars indicate varying levels of significance presence, with *** indicating the highest level of significance. The higher the level of significance the more important the variable is for predicting membership of the LCCU.

Table 92 details the variables indicating statistically significant variables as dictated by the presence of 1 or more stars, towards credit union usage.

Factor	Impact	Result
Ethnicity (White)	-***	Whites are less likely to join than other ethnic groups
Age 16-29	-***	Those aged 16-29 are less likely to join that other age groups
Age 45-59	+***	Those aged 45-59 are more likely to join that those in other age groups
Employed	+***	Those in employment are more likely to join
Council tax band B	+***	Those living in a council tax band B property are more likely to join
Rented property	+***	Those living in rented accommodation are more likely to join
Income <£15,000	+***	Those with an income of less than £15,000 are more likely to join
Gender (Male)	-**	Users are more likely to be female
Low Qualifications	+**	Users are most likely to have low qualifications
<2 Children	+**	Users are likely to have two or less children
Married / co-habiting	+*	Users are more likely to be a couple living together

Table 92: Model 1 Significant Variables

This builds up the profile of users whose demographic characteristics are significant factors for them being users of the LCCU. As expected in Figure 30, gender, ethnicity, age, employment status, living in rented accommodation and income were all deemed significant. In addition the council tax band of the property was significant, potentially due to the influence of the ethical users; the level of qualifications, children and the marital status of the respondent were also highlighted.

This has now led to a profile being built of demographic variables that would make an individual more likely to be a user of the LCCU. In terms of demographic variables, users are more likely to be from an ethnic minority, middle aged, employed, living in a rental, low council tax band property, have an income of less than £15,000, female, have low qualifications, have two or less children and be part of a couple.

11.6.4 Attitudinal Characteristics

The second model presents the significant variables from the factor scores of attitudinal variables to build the profiling of credit union users from a different perspective. More information about the factor scores used in this analysis can be found in Chapter 10. There are several variables incorporated in this model. 'Advice seekers' are individuals who value the opinions of many before making a financial decision or choice. Factor scores are also provided for the 'ways in which information was sought' as this resulted in those performing a wide search through available information and those with a specific, targeted search. The levels of 'trust in different types of financial services providers' were also examined and in this analysis trust in alternative sources of financial services, for example, the credit card companies, insurance companies etc. was included.

There were three factors emerging when respondents considered the type of advice that they valued, however as both users and non-users agreed on the presence of advice seekers and therefore this factor score has been included. Provider performance has not been included because there was only one factor emerging for users whereas there were two in the combined dataset and therefore this is not an equal comparison

The factor scores under investigation are ones which could affect the tactical plans of the credit union, for example, considering who customers respond to advice from, how they prefer to hear about financial promotions, attitude to the range of financial services providers etc.

Of the factors that have been included, it is believed each one will exhibit some level of significance in this analysis. This is because whilst there are going to be some demographic variables that are matched in both users and non-users, the credit union is a niche operation that is expected to attract individuals with a different attitude to those who are content with accessing mainstream financial services and therefore the attitude factors are expected to impact significantly. This can be shown as the equation:

$$+ \qquad\qquad + \qquad\qquad +$$

$$L = 1n\ [p / (1\text{-}p) = \alpha + \beta\ \text{Advice Seeker} + \beta\ \text{Information Seeker} + \beta\ \text{Targeted Information} + \beta$$

$$-$$

$$\text{Trust Alternatives Employed} + e$$

Where L = log odds, $\beta_1\chi_1$etc are the predictor variables and probability = (exp (L) / 1-exp (L).

The results of the logistic regression on the factor scores are shown in Table 93.

Attitude to Financial Services	Coefficient (SE)	Average Marginal Effect (SE)
Advice Seeker	0.3239***	0.0340***
	(0.0793)	(0.0083)
Information Seeker	0.3788***	0.0398***
	(0.0935)	(0.0098)
Targeted Information	0.4463***	0.0469***
	(0.0789)	(0.0082)
Trust Alternative Sources of FS	-0.4697***	-0.0493***
	(0.0817)	(0.0085)
Constant	2.0956***	
	(0.0876)	

Table 93: Model 2 Significant Variables

All of these factor scores are highly statistically significant as expected, when analysed using logistic regression and they are all highly predictive as well as a key measuring tool. The average marginal effect mirrors the coefficient both in terms of levels of significance and size reported.

The profile of users includes those who seek a wide range of advice before making financial decisions or choices; those performing an information search both broadly and in a targeted manner; and specific advice. The factor score relating to trust in alternative sources of information reported a negative coefficient that would indicate that users of the credit union put their trust in more traditional financial services providers. In terms of the average marginal effect, the levels of trust in alterative providers has the largest average marginal effect, with nearly -5%. Reviewing the positively ranked variables, users are slightly more likely to seek targeted sources of information, however, all the results are clustered together and as all are equally significant, all should be regarded as key in the user profiling.

11.6.4.1 Combination Model

Model 3 is a compilation of the data from models 1 and 2. It is thought that by combining the demographic and attitudinal variables, the model will be more accurate at predicting whether an individual will be a user of the LCCU. It is expected that significant variables will be the same as in the previous two models. The same process will now be applied to model 3.

Table 94 shows the output for model 3.

Variables	Coefficient (SE)	Ave. Marginal Effect (SE)
Gender (Male=1)	-0.2158	-0.0181
	(0.1897)	(0.0162)
Ethnicity (White=1)	-3.2698***	-0.1246***
	(1.0213)	(0.0120)
Age 16-29	-1.3732***	-0.1503***
	(0.3747)	(0.0507)
Age 30-44	0.3638	0.0297
	(0.3342)	(0.0271)
Age 45-59	0.6792**	0.0543**
	(0.3240)	(0.0252)
Qualifications Low (=1)	0.5256**	0.0406**
	(0.2358)	(0.0169)
Employed (=1)	1.6660***	0.1870***
	(0.2656)	(0.0360)
Married/Co-habit (=1)	0.4927**	0.0421**
	(0.2095)	(0.0185)
Children <=2 (=1)	0.5452	0.0510
	(0.3815)	(0.0400)
Council Tax Band B (=1)	0.9430***	0.0650***
	(0.3028)	(0.0170)
Religion (Christian=1)	-0.0731	-0.0060
	(0.1908)	(0.0156)
Home-owner (Rented=1)	0.7056***	0.0524***
	(0.2597)	(0.0172)
Income (< £15k =1)	0.7789**	0.0560**
	(0.3139)	(0.0194)
Income (£15-£39k =1)	0.3017	0.0257
	(0.2139)	(0.0187)
Advice Seeker	0.4354***	0.0359***
	(0.0934)	(0.0076)
Information Seeker	0.3074***	0.0253***
	(0.1075)	(0.0088)
Targeted Information	0.5025***	0.0414***
	(0.0958)	(0.0077)
Trust Alternative Sources of FS	-0.4784***	-0.0394***
	(0.0953)	(0.0077)
Specific Performance	0.2561***	0.0211***
	(0.0879)	(0.0072)
Constant	2.4182**	
	(1.1445)	

Table 94: Model 3 Significant Variables

* 0.1 ** 0.05 ***0.01

Examining the table above there are several variables that can be excluded on the grounds of their lack of statistical significance on the coefficients – that of gender, age between 30-44 and those with an income between £15,000 and £39,000. This would indicate that when analysed with a larger range of variables, these factors fade in their levels of significance.

As the results in Table 94 are essentially the same as the results in Table 91 and Table 93 (models 1 and 2), then the comments regarding the differing levels of significance will be equally applicable in this situation. The slight differentiations between models can be explained due to the small variation in the number of data points as the attitudinal was marginally higher than that of the demographic characteristics. As with models 1 and 2 the average marginal effects and the coefficients mirror each other approximately in terms of proportional size and the level of significance.

11.6.5 Model Comparisons

	N	Log Likelihood	Chi-Square
Model 1	1489	-462.990	179.882
Model 2	1552	-550.907	109.788
Model 3	1489	-413.570	278.723

Table 95: Model Comparisons

Slight differences in n are due to the small variation in the number of responses received between the demographic and attitudinal variables.

The higher the value of the log likelihood the more unexplained observations present. This therefore means that the higher the value of the log likelihood the poorer the model is at predicting the outcome. When comparing the log likelihood of the three models above, as expected model 3 is the best predictor of credit union membership with a log likelihood of -413.570 compared to -462.990 (model 1) and -550.907 (model 2). This was expected as model 3 used a combination of demographic and attitudinal variables and this therefore made it better at predicting as more variables were considered.

The poorest predicting model is model 2 which only looked at attitudinal factors. This may be because of the reasons for individuals harbouring certain attitudes towards financial services and they may also be affected by change.

This test reports on the likelihood ratio of the chi-square test when applied to the model. It is used to compare the values against what is expected to occur by chance and the log likelihood ratio test is calculated by multiplying the difference between two values of -2. This test follows a chi-square distribution with the degrees of freedom being the difference between the number of parameters in the two models. The bigger the chi-square, the bigger the difference.

Again as expected the chi-square in model 3 is substantially higher than that of models 1 and 2 and this also shows that this model is more predictive than the other two models. The least predictive is model 2.

11.7 Financial Exclusion

Modelling of respondents scoring highly on the financially exclusion related variables is presented in section 11.5.4, however it can also be analysed using binary variables as outlined in Table 81 and using logistic regression to confirm the validity of the regression on factor scores.

As an additional piece of analysis, one of the questions in the user survey asked respondents to rate various motivators for joining the LCCU. These motivators included a place to get a good return on savings, to support for a local collection point, to the friendly/knowledgeable staff. One of the variables related to the importance that a respondent would place in the difficulty to get credit elsewhere as a motivator for joining the LCCU. This model uses the user-only data.

In the survey, respondents were asked to rate their level of interest on a scale of 1 – 7 with 1 being not important and 7 being very important. Those included within this financial excluded model rated the importance of the difficulty to get credit elsewhere as a joining motivator as 4, 5, 6 or 7 on the Likert scale – 4-7 on the Likert scale is 1 on the dependent available, 1-3 is 0.

The same variables were used in this model as were incorporated in the earlier model 1. The coefficient and average marginal effect for this financial exclusion model are shown in Table 96.

Variables	Coefficient (SE)	Average Marginal Effect (SE)
Gender (Male =1)	-0.0760	-0.0134
	(0.1477)	(0.0259)
Ethnicity (White=1)	-0.8143***	-0.1567***
	(0.1935)	(0.0391)
Age 16-29	0.2936	0.0537
	(0.3395)	(0.0640)
Age 30-44	0.2493	0.0441
	(0.2571)	(0.0455)
Age 45-59	0.1530	0.0271
	(0.2518)	(0.0445)
Low Qualifications	0.5118***	0.0946***
	(0.1459)	(0.0278)
Employed (=1)	-0.1371	-0.0247
	(0.2250)	(0.0412)
Married/Cohabiting (=1)	0.1669	0.0291
	(0.1501)	(0.0258)
Children <2 (=1)	-0.1676	-0.0302
	(0.3093)	(0.0569)
Council Tax Band B (=1)	0.1815	0.0325
	(0.1672)	(0.0304)
Christian (=1)	0.1189	0.0209
	(0.1399)	(0.0245)
Rented (=1)	0.9718***	0.1933***
	(0.1509)	(0.0320)
Income <£15k (=1)	0.7532***	0.1467***
	(0.1834)	(0.0381)
Income £15-£39K (=1)	0.3108*	0.0540*
	(0.1870)	(0.0319)
No. Financial Companies Used	-0.2767***	-0.0488***
	(0.0539)	(0.0092)
Constant	-0.4455	
	(0.5037)	
N	1283	
log_likelihood	-680.673	
LR_chi_square	232.461	
r2_pvalue	0.1459	

Table 96: Financial Exclusion Model

The variables in Table 97 are rated as highly significant, with a significance of 0.01 or greater (depicted by ***).

Variable	Impact	Results
Ethnicity (White=1)	-	Whites are less likely to be interested in the Credit Union as a solution for access to credit.
Low qualifications	+	Respondents with low qualifications are more likely to see the Credit Union as a solution to credit access.
Rented accommodation	+	Respondents living in rented accommodation are more likely to have joined the Credit Union to access credit.
Income <£15,000	+	Respondents with an income of less than £15,000 are more likely to be interested in the Credit Union as a way to access credit that cannot be accessed elsewhere.
Number of Financial Companies Used	-	Respondents who are interested in the Credit Union as a means to access credit that is otherwise difficult elsewhere are more likely to use fewer financial companies.

Table 97: Significant Financially Excluded Variables

The average marginal effects are mirrored in the levels of significance. These variables portray and support the typical image of the financially excluded, with the group comprising of ethnic minorities; low qualified individuals; living in rented accommodation with incomes of less than £15,000; and using few financial companies.

Income between £15,000 and £39,000 is highlighted as being significant and this supports the findings of the variables with a significance of 0.01 or greater.

These findings match the model in section 11.5.4 with the exception of the male variable. This indicates that the models are robust as they support and mirror each other.

This model demonstrates that there is a segment of users within the LCCU who were interested in joining the Credit Union because they found it difficult to get credit elsewhere. Their difficulty in accessing credit indicates that they are probably financially excluded, or on the outskirts of financial exclusion. The characteristics resulting from this group are comparable with those identified by researchers including Palmer et al. (2004), the FSA (2000), and HM Treasury (1998).

As is identified from the model statistics the log likelihood is -680.073. This indicates that there is still a large number of unexplained observations present in the model, higher than is present in the earlier models 1, 2 and 3. The chi-square value however is 232.461 which is greater than the chi-square results for models 1 and 2. As the same variables were used in section 11.5.4, with the additional inclusion of the number of financial services companies used in the financially excluded model, it can be inferred that this model is a stronger predictor of this particular group than model1.

11.8 Conclusion

This Chapter began by reviewing the different forms of regression available to use in analysis. It was then highlighted that multiple and logistic regression could both be incorporated into this study and the reasons for this were discussed.

It was established that multiple regression would be suitable to analyse the factor scores of users resulting from findings of the motivation to join LCCU. This was categorised into dthree models - those who joined because LCCU offered the best rates, those who joined for the ethical stance and those who joined because they were financially excluded and were unable to access credit elsewhere. Multiple regression reviewed each model to identify whether the user joined for that specific motivating factor.

From this analysis, several significant variables emerged: those searching for the best rates were significantly female and had low qualifications; those who were ethically minded were significantly aged 45 or over, had qualifications to A-level standard or above and did not live in a property in council tax band B; and those who were financially excluded were significantly likely to be female, from an ethnic minority, have low qualifications, live in rented property and have a household income of up to £39,000.

Logistic regression was then used to identify significant characteristics of users when compared to non-users. Three models were developed, the first analysing demographic characteristics only, the second reviewed attitude characteristics and the third reviewed a combination of both demographic and attitude characteristics. The third model, the combination model, was deemed the best at defining the characteristics of users over non-users. Statistically significant variables of users include those from ethnic minorities; those aged 45-59; those with low qualifications; those married or cohabiting; those living in council tax band B properties; and those living in rented property. In addition all the attitude variables were significant.

Finally, further analysis was conducted on the financially excluded users using logistic regression. This confirmed the findings of the earlier financial exclusion model and highlighted the significance of ethnic minorities; low qualifications; living in rented property; a low income and the use of fewer financial service providers.

Expectations for the characteristics of each of these segments of this aspect of customer behaviour were formed based on previous research and also a working knowledge of LCCU, for example, the characteristics of the financially excluded group were based on research including FSA (2000) and Mintel (2002_2), however, not all the expected characteristics were present and therefore this research refined the evidence and shaped it specifically to these conclusions. Understanding these segments makes the Engel-Kollat-Blackwell model of decision-making (Engel et al., 1995) easier to apply because they are typical of the variables affecting the decision-making process. Whilst they cannot be directly changed by LCCU, the inputs can be, for example, through the marketing tools and techniques used and they can be better focused and targeted due to the customer knowledge that can be understood and applied from this model (Rickard and Jackson, 2000 and Harrison and Ansell 2002).

Regression analysis concludes the analytical section of this document and the conclusions will now be drawn together in the next Chapter.

12 Conclusion

12.1 Introduction

This concluding Chapter will firstly consider how and why the PhD evolved, by reviewing the KTP project that identified the knowledge gap in the available literature and how this developed into the basis for this thesis.

This Chapter then draws together the key findings from each stage of the analysis and uses them to provide an answer to the research questions relating to the users and usage of UK credit unions with a case-study example of LCCU. Each method of analysis will be considered.

There will then be a review as to what the findings actually mean, both for the PhD thesis as a piece of research and also for LCCU as a business. The effects of the study on LCCU will also be considered.

Finally, this Chapter will conclude with a discussion of the limitations and benefits of this study, specifically in this situation of the KTP associations.

12.2 PhD Development

In 2003 the researcher began a two year KTP aiming to develop and research new possible products and a marketing strategy for LCCU with a particular focus on social responsibility and facilitating the growth of affordable financial services for niche markets in Leeds. Whilst this role was based at LCCU, it was conducted in conjunction with the University of Leeds, with LCCU providing the host environment for the introduction of strategic change and the University facilitating this through academic support and expertise. A successful outcome to the KTP would establish LCCU (one of the largest credit unions in the UK) as a market leader in its field with a suitable product portfolio for its enhanced target audience.

Prior to the KTP beginning, LCCU offered a basic range of savings products that were not targeted to specific segments based on product design but were designed to be exactly the same product, just badged differently so that users could keep money separate, for example if they were saving for Christmas or a holiday. There was also one basic loan product and several other peripheral products such as a budget account for paying bills, a basic saving account for children and insurance services offered through an external provider. There were also only two branches offering services to anyone living or working in the Leeds Metropolitan District as well as volunteer-run community collection points.

Before any new products could be introduced or a marketing strategy developed, it was crucial to understand who the customers of LCCU were and what they used it for. Prior to the KTP there had not been a detailed survey of the membership base to the extent that data could be gleaned for segmentation purposes and for the development of a marketing strategy to bring about strategic change. Understanding who the users were and why they used LCCU was clearly the first stage in this KTP process. A review of the available literature then followed and as this was conducted it became apparent that there was a general lack of literature available about the membership base of this niche financial services provider, particularly within the UK. A research gap was found to exist and it appeared that the findings of the KTP would become the foundations to filling this gap thus providing the opportunity for the basis of a PhD thesis. The broad research questions were therefore presented as “Who uses credit unions and why are they used?". Answering these would fulfil the overall research title of “To understand the current user profile of LCCU and examine the reasons for usage” using LCCU as a case-study. This was developed into a number of sub-questions so as to fully explore the different avenues leading to the overall answers and LCCU, due to the unique data access available, was used as a case-study to gain the depth of data required to answer these questions. The sub-questions are outlined in more detail in Chapter 6.

12.3 Expected Findings

Prior to beginning the research there was a detailed search of the available literature in Chapter 4. This confirmed that there was a gap existing specifically with regards the users of UK credit unions and the purposes of their use. Whilst there was little information directly related to the users and their reasons for use of UK credit unions, there was however data relating to the users of wider financial services. Clearly this data was not specific enough to close the knowledge gap, however, it did assist in providing expectations as to what may be discovered in this research and this assisted in the development of the sub-questions outlined in Chapter 6.

This literature specifically focused on the previous research of key segmentation variables including gender; age and stage within the family lifecycle; culture and ethnicity; residential area; product ownership; and financial exclusion. This provided an understanding as to the type of financial services that different variables would use, for example, the level of acceptable risk that is typical to each gender or the types of products that specific age segments want to purchase. Types of behaviours were also reviewed to gain an understanding as to why financial service providers are used.

In addition, expectations were also set through research specifically related to the credit union movement in Chapters 2 and 3, including the history and origins; the structure and governance it adhered to; the product offering; the development and reasons for success of credit unions internationally; the target market and the common bond. The common bond is outlined in more detail in section 2.3.1 and this is a unique feature of credit unions as this regulation defines the target audience of each specific credit union, for example LCCU can only accept users who live or work in the Leeds Metropolitan District. From the literature it became apparent that there is recognition that change is needed to enable UK credit unions survive and face the future as a credible, attractive financial services provider. It is argued that the UK credit union model needs to shift away from small, volunteer-run and community-based groups, established to alleviate poverty and for social goals towards a more professional, business-like operation with commercial standards and practices and with a focus on financial inclusion (Jones, 2006, 2008). This will encourage strategic growth and a real challenge to mainstream providers. Due to its size, at the beginning of this research LCCU had already started to move towards this (potentially controversial) ideal with its core of paid staff providing support to volunteers; its database (albeit somewhat limited in functions) and telephony systems; its payroll deduction facilities and its daily opening hours. This had further developed by the end of the KTP project with the launch of several market-orientated new products; the opening of eight new branches across the city; the employment of seven more staff; a reduction of the volunteer-run points accepting cash (using them more as points for information); and a revised and improved database.

As the common bond makes LCCU's target market unique, LCCU was also examined in more detail in Chapter 5. This outlined its individual history and development; key competitors; the target market; the product offering and the expected future for LCCU. Whilst every credit union is unique, it was believed that if detailed answers were provided as to who uses LCCU and why, this could be used by other credit unions and tailored to their own unique situations, thus providing them with guidance as to their membership base without them having to conduct research to the same extent as this study. They potentially could test a small section of their own membership and if findings are similar to this study then they could adapt the findings to meet their needs.

The variables studied, including demographic and attitude-based, provided the basis for specific expectations to be developed about LCCU. Previous research, expectations and focus groups assisted in the development of a survey for distribution to all adult users of LCCU. A very similar version of this survey was then sent to a sample of non-users. This was then analysed using several different techniques to answer the overall research questions of "Who uses credit unions and why"?

12.4 Key Research Findings

There were four different techniques used for the analysis and answering of the research questions: qualitative; descriptive; factor; and regression analysis. Within this conclusion the key findings of each will be discussed so that answers can be provided to the research questions.

12.4.1 Qualitative Analysis

Two focus groups were held in the early stages of this research – one with council employees, who were long established users of LCCU and one with members of one of LCCU's community collection points. The groups were initially used to test the understanding of the language used in the survey and once it was deemed suitable and understandable, key variables were introduced and discussed within the groups. More detail about the focus groups is included in Chapter 8.

Out of the two groups there appeared to be three strands emerging, in support of the three segmented expected in section 6.2: those who were interested in the best rates; the ethically minded; and the financially excluded.

The employee-based group were keen to compare prices and to shop around, for example, when purchasing car insurance, something which the community-based group shyed away from, preferring to consult close, trusted sources for advice about finance. They were wary about trusting anyone and particularly mentioned distrust of financial advisers. In contrast the community group did exhibit high levels of trust in LCCU and favourably compared them to banks. This trust was evident throughout the focus group.

The different strands of users became most apparent when the groups were discussing their motivations to join LCCU. The community-based group discussed the alignment of LCCU's ethical stance and their issues with other financial service providers who did not operate with the same degree of ethics. When asked about the introduction of new accounts they were very keen for them to be fair to all and not just favour those who had the most money. There was also a strong influence of the financially excluded within the community-based group, as access to credit was cited as a motivational factor, despite the fact that the individual requiring credit was not employed. In contrast the employee-based group appeared keen to maintain their stance of attaining the best deal and confirmed that the rate of interest and the reputation of the provider would be key to their usage.

In keeping with Jones' (2006, 2008) ideals of the new model of the credit union, the employee-based group who have used LCCU from its origins believed that in recent years there had been a shift towards becoming a more professional outlet, however, this had resulted in some of the valued personal touch being lost. In contrast the community-based group rated LCCU highly on the personal service offered, however, their specific model of credit union servicing is still based within the old model of thinking as their collection point was primarily served by volunteers within a local church and it was operated during one of their luncheon clubs, which was a cafe-style of lunch meeting, run by church members.

There was also contrast in the attitude to finance of both groups, for example, when considering the effects of debt, the community-based group believed that the spiral of debt was not something that should be encouraged by LCCU and that this was a difficult, hard position for individuals to get out of. The employee-based group approached it from a different angle, however, and felt that it was unfair of LCCU to lend where the individual may not be able to pay it back as this affected the other users of LCCU by their dividends being reduced to cover the costs of these bad debts.

The focus groups clearly identified the three expected segments of users. Firstly there was the employee-based group who were keen to shop around and take advice from a variety of sources to ensure that they got the best financial deal, rating the interest rate and reputation of the provider as key motivations to join. This was expected as the whole group were employed by one of the more potentially stable employers within the city – Leeds City Council. They therefore had regular incomes and appeared to use LCCU as an additional provider for their savings and loans, rather than their main provider. Their attitude implied that they had choice over the providers they wanted to use.

There was also a section of the community-based group that was very ethically focused. They were keen on social responsibility and financial fairness, trusting LCCU over the traditional providers due to their reputation of not overcharging. Some of this focus group consisted of the volunteers who ran the luncheon club, whereas others were attendees. Both sets of people therefore did not work full-time, and so potentially those who supported the ethical stance had some finance with which to invest ethically.

Finally, also within the community-based group, was the financially excluded segment. This strand valued access to credit as a key joining motivator, however contrary to expectation they were quite wary about wider sources of advertising.

Following these focus groups the survey was finalised and distributed to users and non-users of LCCU.

12.4.2 Descriptive Analysis

The survey was analysed using three techniques of quantitative analysis – descriptive, factor and regression. The descriptive analysis consisted of frequency comparisons between users and non-users, followed by chi-square testing to highlight the presence of any statistical significances between the two groups. In addition there was also comparative work performed using the user survey responses, the user database and the census data from 2001. This analysis is explored in more detail in Chapter 9.

Conducting the descriptive analysis permitted the answering of the sub-questions presented in section 6.1 to build a basic picture of who uses credit unions.

Contrary to expectations gender was not a significant variable with regards credit union membership, however there was an over-representation of females which was expected. Age was declared a significant variable and this was confirmed across each age group. In addition there was a higher representation of users when compared to census data of those aged between 30 and 60.

To assess financial exclusion several indicators were defined using the literature: employment status; the number of adults in the household; the number of adults employed in the household; marital status; presence of children in the household; property status; income; council tax band of the property; qualifications levels; and the number of financial service providers used. It was stressed that when assessing the presence of financial exclusion, these factors should not be viewed in isolation as this may give a misrepresentation of the situation. Financial exclusion should be considered using all the variables as a whole.

Of these, key statistical significances between users and non-users were found on the following variables: employment status, with users being significantly more likely to be employed full-time than non-users; users being more likely to have at least one adult within the household employed; users being more likely be married or divorced; users being more likely to live in rented accommodation; users more likely to have a household income of between £15,000 and £39,000 than non-users; users being less likely to be educated at degree level.

In addition, whilst the religion data showed no significances, the ethnicity data was inconclusive due the non-user responses.

Thus it appears that there are indicators of financial exclusion present, specifically that users are more likely to live in rented accommodation, less likely to be educated at degree level and potentially may be on a low income; there are also other factors that suggest the opposite including the significance of full-time employment; the likelihood of at least one adult in the household working; and the potential for a higher income within the significant bracket.

These findings however confirm that whilst there appears to be evidence of financial exclusion there is also evidence of the opposite. This suggests that, in agreement with the qualitative analysis, there are several different strands of users present. One group is financially excluded, however other groups are not and therefore this needs to be taken into consideration when planned and developing a marketing strategy for these users.

12.4.3 Factor Analysis

Following the descriptive analysis, factor analysis was then conducted and is shown in more detail in Chapter 10. Based on the survey, three key areas of study were identified: sources of advice; trust; and provider performance. They incorporated the following variables assessed in relation to financial services and products: value of advice; sources of information; trust; attitude; motivations to join LCCU (users only); most used provider performance; and LCCU's performance (users only). The data was analysed in a user-only context before the combined sample of users and non-users was analysed to provide a robustness check for the user only data.

Generally the two groups were well matched in terms of the emerging factors and the size of the variation of responses accounted for, with several exceptions. When analysing the value of advice, three factors emerged from the user-only data contrasted with two from the combined sample. A closer examination identified that two of the users' factors were very closely aligned with the second factor emerging from the combined sample. In addition, only one factor emerged from the user data covering provider performance and therefore this was not suitable for further factor analysis.

The user-only analysis on motivations to join LCCU gave the greatest insight to answering the research question of "Why are credit unions used"? From this emerged three factors: those looking for the best rate on their savings and loans; the ethical investors; and the financially excluded. This is in keeping with the findings from the qualitative analysis.

This emerging confirmation of three strands of users was in line with the expectations set out in section 6.2 and it also demonstrates that the credit union does not need to appeal to one group of people when developing new products and services – there are users who value this service for a variety of reasons. Therefore the marketing strategy needed to carefully consider the future of LCCU. If numerical growth was adequate then appealing to each of these groups on a long-term basis would develop each segment and this would serve to ensure that, providing the ethical stance was strong, savings would come in and could go out in loans. There would be a fine balance to retain the correct mix of users however as good rates would bring those who research for the best deal, however when the rates are not as competitive there would be no loyalty. The ethically- minded and the financially excluded are perhaps more constant in their usage in that they are not as interested in saving money – the ethically-minded want to know what their money is doing and where it is invested, whereas the financially excluded want to be able to access credit. Once they join LCCU and can access credit it is likely that they would be a constant user.

12.4.4 Regression

Following the factor analysis, regression analysis was conducted. More details of this are shown in Chapter 11. The regression analysis was conducted in two parts. The first part used the factor scores regarding the motivation to join LCCU to analyse each strand (best rates, ethically minded and financially excluded) using multiple regression in more detail. Each strand was analysed using the key variables identified in the previous literature and also in Chapter 6 to highlight the significant variables emerging to typify the users of each strand.

The significances for those looking for the best rates were women and those with low / no qualifications. Those joining for ethical reasons were older, with higher qualifications and living in larger, more expensive houses. The financially excluded were identified as being more likely to be female; from ethnic minorities; have no or low qualifications; live in rented accommodation; and have an income of less than £15,000 or between £15,000 and £39,000. This supports the findings of the FSA (2000).

The second part of the analysis used logistic regression to focus on differences between users and non-users. In this demographic variables (as above) were also studied, however, this part introduced a second model to analyse attitude-related variables (based on the results of the factor analysis) and then a third model combined both sets of variables to produce an overall model. All the attitude variables were significant between users and non-users as were several of the key demographic variables including ethnicity; age; gender; qualification levels; income and employment status.

The result of the logistic regression was a model that was a significant predictor of credit union usage.

12.5 Objectives

The overarching objective of this research study was: ‘To understand the current user profile of Leeds City Credit Union and examine the reasons for usage’. It has been emphasised throughout this research that LCCU has been used as a case-study example of a UK based credit union because through the KTP the depth required for this level of analysis was achieved and therefore the results could be disseminated to other credit unions so that key learnings can be shared. This was developed into two overall research questions in section 1.5 considering firstly 'who uses credit unions?' and secondly, 'why are credit unions are used?' Chapter 6 then broke down the first question into a series of sub-questions which could then be answered with the results of this research and then also proposed the expected findings of three segments of users. It was thought that these segments would identify the groups of users and therefore highlight the reasons for their use of LCCU.

The first section of the objectives relates to the current user profile – who the users of credit unions (in this situation users of LCCU) are. Following the posing of the series of sub-questions the profile of LCCU users was built. Several variables were tested. It was identified that users are likely to exhibit an over-representation of females (however this will not be statistically significant). This was in keeping with research from the previous literature by Hayton et al., (2005); the Alternatives Federal Credit Union (2005), Fuller, (2000) and Boucher et al., (1993). In addition, the low risk ethos of the credit union and also the protection offered by the Financial Services Compensation Scheme (to provide the same security on savings as would be received by a mainstream UK bank or building society) all promote this style of organisation to women as previous research has illustrated that women prefer less risky financial services and are more conservative investors (Wang, 1994 and Eckel and Grossman, 2002).

Age was also considered as a potentially significant variable affecting who the users of credit unions are. It was confirmed that age was significant across all age groups, with over-representations of users against the census data in some areas and vice versa. In particular there was an over-representation of users identified who were aged between 30 and 59. This is in line with the expectations from the previous research in the literature. It was determined from this previous work that financial service customers have different financial needs and requirements depending on their stage in the financial lifecycle (Harrison, 2002). These findings were also reinforced by Lee and Kelly (2001, 2004), Boucher et al., (1993), Collard and Smith (2006), the Federal Reserve Survey of Consumer Finances (2001) and Hayton et al., 2005).

Financial exclusion was then examined as this was expected to be a key segment of credit union users. Key indicators for financial exclusion were used (Lee and Kelly, 2004 and FSA, 2000). Whilst significances could be highlighted on each individual variable, it is important to note that all the variables had to be reviewed together to establish an accurate understanding of any financial exclusion present at LCCU. Significances were identified by employment status with all variations of employment being significant with the exception of those employed part-time and homemakers. The number of adults in the house only became significant when there were 6 or more adults present. With regards to the number of adults employed this was only significant when no adults were employed and the percentage of non-user adults having no adult in the household employed was higher than users. Users were more likely to have one or two children. Interestingly, with regards to property status, the areas of significance related to renting and living with parents, with users being more likely to live in rented accommodation than non-users – a potential indicator of financial exclusion. Users were also more likely to live in lower value properties. Household income was significant with users being more likely than non-users to have an income of £15,000 to £39,000. With reference to the number of financial service providers used, this was relatively mirrored between users and non-users. The high percentage of non-users with 0 or 1 providers was mirrored by users with 1 provider (LCCU). Therefore in summary, whilst several of these variables do indicate the presence of financial exclusion, overall the majority of these variables are not significant and where they are, they typically show that LCCU is more financially inclusive than exclusive.

The second research question related to the reasons for usage of LCCU. To address this question three segments were proposed and the content of each were defined based on the key variables that have been explored in previous research. These variables were trust and confidence in different providers (Mintel (2002_3), Mintel (2002_2), Barber and Odean (2001), Estes and Hosseini (1988)). Secondly, the perceived performance of providers and satisfaction levels (Ennew et al., (1995), Harrison (2000, 2002)). Thirdly were the motivations for joining LCCU (Mintel (2005), Boucher et al.,(1993)). Fourthly was the attitude of respondents to credit unions as a financial provider (Lee and Kelly (2004), Jones (2004)) and fifthly, an insight into perceptions of financial promotions (Rickard and Jackson (2000)) will be gained to understand what different segments respond to and what motivates them to purchase.

As has been discussed throughout this Chapter, this research has identified as expected, using factor analysis, the presence of three segments of credit union users: those looking for the best rates; the ethically minded; and the financially excluded. These strands have emerged throughout the data analysis and therefore clarify why credit unions are used. This in turn supports who the users of LCCU are because the individuals using LCCU and their reasons for usage are linked. The regression analysis then used the segments identified by the factor analysis to identify the key characteristics of each of these groups and the results of this are highlighted in Chapter 11 and section 12.4.4. In addition, this section also compared the demographic and attitudinal variables between users and non-users. Thus this has built an insight into who the users of LCCU are and why they use it.

This has provided answers to the overall research questions initially outlined in section 1.5. These questions were broken down into sub-questions presented in Chapter 6 which have also been addressed, providing a comprehensive understanding and clarification as to who uses credit unions and why they are used. This understanding of each of the segments present within LCCU will ensure that both new and existing products and services can be positioned and targeted correctly, to ensure that the needs of users are met and also that LCCU achieves its desired results. This will also have an impact on the future marketing strategy to new customers and may assist in defining new segments to ensure that a suitable balance of users is maintained.

12.6 What the Findings Mean?

The findings from this thesis serve two key purposes. Firstly, they fill a gap in the literature regarding the users and usage of credit unions. These findings can now be used in further research; to assist the research work of others as this area has been studied in more detail; or simply to support other credit unions on a practical scale. As has already been confirmed, while each credit union is unique and has its own common bond and user profile, there will be key similarities that can be gained from the application of this research on different situations. Another credit union may need to conduct a small scale sample of their membership base to gain an understanding of specifically who uses their credit union, however, this research could be tailored to their own uses and directly applied to their unique situation. For example, if a credit union knew from a small sample survey and from personal experience that their credit union primarily consisted of the financially excluded then the research within this study on the financially excluded would be applicable in terms of understanding the characteristics of this profile and more details about their requirements.

Secondly, this research has been used to satisfy the requirements of the KTP project – where the key objective was to research and develop a new product range and a marketing strategy to bring about strategic change through the implementing of this marketing strategy at LCCU. The project and marketing plan also needed to have a strong emphasis on social responsibility and encourage the growth of affordable financial services for niche markets in Leeds, for example, the financially excluded. Developing such a strategy had the goal of making LCCU (one of the largest credit unions in the UK) a market leader in its field, as well as expanding its product portfolio, enabling it to provide a broader range of financial services to a wider audience within the city.

Following the KTP programme the team (myself as the candidate), and the KTP supporters from LCCU and the University of Leeds were presented with an award for the Best Application of Management and Social Science by the Economic and Social Research Council. This award was granted based on the work done throughout the KTP programme in bringing about strategic change within the business.

12.7 Theoretical Contribution

A core piece of theory within this research is that of the consumer decision-making process as detailed in the Engel-Kollat-Blackwell model (Engel et al., 1995). Using the findings from this research, a version of this model can be adapted to show the decision-making process and its development within this niche area of financial services.

The model uses four main headings: input; information processing; decision process; and variables influencing the decision process. Figure 31 illustrates how these headings can be used to define the findings at LCCU. Understanding the consumer decision-making process with specific reference to LCCU will have a theoretical contribution as it assists in the bridging of a research gap in the available literature.

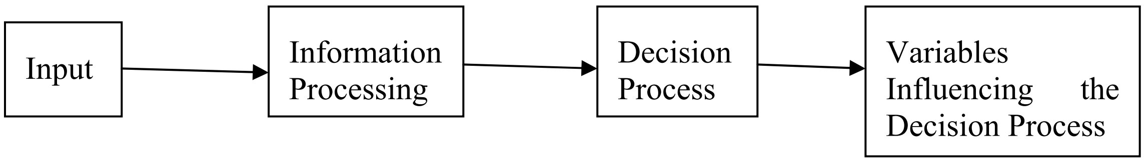

Figure 31: Decision Making Process (Engel et al., 1995)

From this research, key inputs that LCCU can influence are the product offering and the marketing used. Using a marketing strategy that is developed from the findings of this research has led to the development and introduction of new accounts including a Credit Union Current Account and the Handiloan for the financially excluded, the Loyalty and Premier and ISA savings accounts for those who shop around for the best deal and the whole product range including Child Trust Funds for those who are ethically minded. The product offering has to appeal to the decision-maker, otherwise the process ends here. In addition the other key area of influence by LCCU is the marketing conducted. Following the research from the focus groups and also the factor analysis, forms of promotions have been identified that specially appeal to the segments within LCCU, for example, recommendation by family and friends and information including newsletters coming directly from LCCU. By understanding the segments that LCCU wish to target, the ways of targeting can be conducted in a way that is both efficient and effective.

The second stage of the decision-making process is that of information processing. Whilst this is independent and conducted by the customer, they may use this stage to search for more information about the product or service and therefore to ensure that adequate information is available is key. The increase in the number of LCCU branches has assisted with this section of the process as individuals have a greater opportunity to ask for more information. This may also be a time for the customer to recall previous experience or to ask friends or family for more information about their past experiences.

During the actual decision-making process, the customer will evaluate the competitors by the information that they have available. They will again recall past experiences, and should the decision be favourable towards LCCU, then this experience will be evaluated and stored so that this information can be passed on to others. There is only a very limited amount of specific influence that LCCU can have over the information processing and decision process other than to be aware that every interaction with a customer could be used in recall of past experiences.

Finally, within the model there are the variables that can influence the decision-making process. In this research these have been the characteristics, for example, of the financial excluded group including the attitudes to borrowing and accessing credit. It will also include deep set ethical beliefs, family influences and other demographic characteristics. It is these variables that have shaped the three segments.

The Engel-Kollat-Blackwell model (Engel et al., (1993), whilst not being a new concept, can therefore be applied to a developing concept within the credit union world. Understanding who the users of LCCU and why they use it are key factors to understanding the purchase decisions made by users. This will greatly assist in the continued development of the marketing strategy and growth framework at LCCU.

12.8 Practical Contribution

As has been emphasised in this thesis, whilst this research was designed to close a gap in the literature relating to the users of credit unions with a case-study focus on LCCU, there was also a strong emphasis placed on the practical contribution that this work would have for LCCU. As the researcher was employed at LCCU throughout and following the undertaking of this work, the impacts could be identified and tracked over the course of several years.

This research resulted in two key areas of change, both of which satisfied the original objectives of the KTP project. These objectives are outlined in more detail in section 1.3. The first change was in relation to the product offering which resulted in strategic change within the organisation through the development of a marketing strategy and the second encouraged the growth of affordable financial services for niche markets in the Leeds Metropolitan District by making it easier for the public to access services.

Firstly, once the segments of users at LCCU were identified and understood, it was recognised that the one basic style of savings account and the one type of loan were not necessarily what the users actually needed or required. The product offering was therefore expanded to better suit the needs of the existing customer base. By 2007, several new savings accounts had been introduced including: Individual Savings Accounts (government regulated ISAs); Regular Savers; 60 Day Notice; Loyalty and Premier accounts. These new accounts introduced the notion of variable dividends, dependant on limited withdrawals, savings levels and varying levels of minimum balances. This was a first for LCCU as prior to this research being undertaken, all savings received the same dividend rate regardless of the amount saved and the frequency of withdrawals. These savings accounts were designed for those in employment who could afford to shop around for the best rates and also who were ethically minded and preferred to know where their money was being invested.

In addition, accounts were also developed specifically for the financially excluded segment and this led to the development of a revised and improved Christmas Club account which encouraged small, regular savings that were ‘locked-in’ until November to aid budgeting and saving for Christmas rather than the cycle of borrowing every year to fund the festive season. In addition, the Credit Union Current Account (CUCA) was launched in conjunction with a project led by ABCUL. This provided the financially excluded with a current account, something which this segment finds difficult to access. Lack of access to a current account can cause difficulties, for example, when looking for prospective employment, when applying for benefits and as a method of formal identification and therefore this had great appeal to the financially excluded segment. It offered facilities including access to money through the cash machine network, direct debits, standing orders and cheque book facilities.

The Handiloan was arguably the most successful product launched to the financially excluded segment following the result of the survey. This loan was offered at a higher rate of interest to the typical credit union loan to offset the increase in risk and was intended to be a direct competitor to the loans from the doorstep lenders and other loan sharks who charge extortionate rates of interest on small cash loans. Doorstep lenders lend small amounts (typically a couple of hundred pounds) and the loans are repaid in cash on a weekly basis. The personal contact between the lender and borrower is viewed as a key success factor as this ‘friendship’ leads to loyalty and additional lending, thus ensnaring them in a debt trap as the loan is frequently “topped-up”. The LCCU Handiloan was developed offering similar terms, with small cash repayments being made at the local branch and the key difference being a substantially lower rate of interest and access to LCCU's other accounts, designed to help the customer in a difficult financial situation but then to give them help and support to get out of their financial difficulties.

The second practical area of change resulting from this research was that LCCU became easier to access across the city, again appealing particularly to the financially excluded as a niche market. This greater coverage in Leeds has helped LCCU to establish itself as a serious contender as a financial services provider because it has become more accessible and has also achieved a more visible presence within the city. An additional eight branches were opened in council properties by 2007 and this was supported by expanded product offering, particularly the Handiloan and the increase in branches particularly encouraged the uptake of this product as it makes it easier for members to repay their loan in cash on a weekly basis. This also supported the establishment of loyalty and the personal touch that doorstep lenders held as their unique selling point. By the end of the KTP (2005) an additional seven staff had been recruited and this number continued to increase following the introduction of the eight new branches, to ensure that they were staffed to a suitable level. Sewards et al., (2005) cite these milestones as being responsible for a £5million increase in deposits during the programme and an increase in pre-tax profit of £87,000. The membership base increased to approximately 20,000 by 2007.

Key to these successes was gaining a better understanding the membership base and this was achieved as a direct result of the thorough analysis undertaken during this research. Whilst the KTP was under development, as a result of this understanding, a rebranding programme took place to correctly position LCCU to match its membership base. As well as slightly altering the logo to make it easier to read, cartoon-style characters were developed to acknowledge the different segments of users and to make the promotional literature, including application forms and branch posters, appear more inviting and appealing, as well as to freshen the image and move it away from being a "stuffy", complex financial services provider into something which would appeal to a wide audience. Figure 32 provides an example of the characters. A whole range was developed and they were widely received.

Figure 32: Developed LCCU Characters

12.9 Dissemination

As has been emphasised throughout this research, LCCU has been used as a case-study example of a UK credit union. Within the UK there are hundreds of other credit unions, each with their own, unique common bond. Therefore, whilst the findings from LCCU cannot be directly lifted and applied to other credit unions due to the unique nature of each individual organisation, the principles of the key findings can be taken and used to guide thinking, for example a small credit union may not have the resources to be able to conduct such detailed research however they may have a more detailed knowledge of its membership base already through the personal element that a smaller provider can achieve. Thus if they are aware that a large segment of its membership base were financially excluded, they could be guided as to the characteristics of the financially excluded segment at LCCU and also the products that were produced in response to this.

For this research to be used by other credit unions within the UK then appropriate dissemination was conducted. This was done in two key ways – formally and informally. The formal aspect of dissemination was achieved through presentations at conferences, including two presentations / workshop sessions at ABCUL conferences. These conferences were held twice yearly and were an opportunity for representatives from any ABCUL affiliated credit unions to attend a weekend conference. As well as a Key Note speaker, there would be three or four presentation / workshop style sessions. There would be a range of sessions available and individuals attended the sessions that they felt to be most relevant to their individual needs and circumstances. As an example at one of these conferences, the researcher led two separate sessions, attended by approximately 35-40 delegates in each session. A dissemination of the key methodology and findings of this research was presented and this included an opportunity for discussion as to how these findings could be used in the credit unions of the delegates. Finally, there was a time for questions. The researcher also led dissemination presentations about these findings to at a conference of the Yorkshire Chapter of Credit Unions. This was to a similar format as the ABCUL conference albeit on a smaller scale.

In addition to formal dissemination, an informal aspect was achieved by face-to-face discussions. As LCCU was one of the largest credit unions in the UK, and at the time of this research it was the largest live or work credit union in England, visitors from other credit unions would often visit to learn more about its growth and strategy for future development. This research and the subsequent marketing strategy was of great interest to these visitors as research into UK-based credit unions had not been conducted on this scale before, hence the identification of the gap in the literature.

12.10 Limitations of the Study

As outlined in section 1.2 this PhD was initially conceived as the identification of a gap in the available literature when conducting the KTP programme, therefore the pace of the data-gathering was dictated by the timescales of the KTP. Whilst the links to industry through the KTP were immensely beneficial in some ways, in others they were more of a hindrance.

The survey, including the costs of printing, distributing, mailing, recording the data and the prizes both for users and non-users was funded by LCCU and CUNA Mutual (their associated insurance provider). Without such support, this research could not have been collated and analysed to the extent that it has been. When the survey was sent to users, it was sent with LCCU literature which potentially massively increased the response rate due to the loyalty levels. Arguably these rates would not have been as high if the survey was simply sent by the University of Leeds. There was also the access to LCCU's membership database which provided another useful tool to assist in understanding the customer further. In addition there was the practical need to understand why the results of this research were so important and being present as an employee at LCCU whilst the rebranding, product development, product launches and branch openings were underway was an exciting time from a personal perspective.

On the other hand this opportunity also brought limitations with the key one being the pace at which the data was gathered. As the KTP was only 2 years long, the analysis needed to be fully conducted and analysed from an LCCU perspective within the first year. From a PhD perspective it would have been helpful to have had more time to analyse the literature, to work on the survey and to conduct a lengthier pilot study, as this part of the development was a little too rushed. In addition, focus groups with non-users would also have added to the research, however again this was something that timing and funding did not permit.

Another limitation on this research was the poor return of responses from non-users in comparison to users. The stark contrast in responses was due to the strength of loyalty they had to LCCU. Were this research simply being conducted for the sole purpose of PhD research and were there more funds available, further analysis of non-users would have proved potentially insightful.

A final limitation was the requirement of specific LCCU questions in the survey. Clearly as LCCU was funding this research it was justified in expecting the questions to be appropriate to its needs, however from a PhD perspective this used up valuable space on a relatively short questionnaire, for example, asking what products are currently used and which they would expect to use in the future were not used in this research, however, they were useful to LCCU. In addition, there was a substantial amount of questions, including, for example, amounts saved each month and purposes for loans, which again was specific to LCCU's business requirements.

After considering these limitations, however, they are outweighed by the benefits of the research being funded by LCCU and conducted as part of this research.

12.11 Future Research

This study has analysed the users of UK credit unions and their reasons for usage with a case-study focus on LCCU. Whilst this satisfies the gap in the literature that was identified as part of the KTP there is additional research that could be conducted.

In analysing the same research question as to the users and usage of credit unions, the next stage of this would be to review one or more credit unions with different common bonds, for example, LCCU has a live and work common bond so that anyone living or working in the Leeds Metropolitan District is eligible to join. Other credit unions have common bonds by place or employment, community group or association. Reviewing the users of credit unions with different common bonds would permit comparisons to be drawn and other credit unions wishing to use this research would not need to tailor it as much to their own situations.

Further research could also be conducted within LCCU. It is now seven years since the user and non-user surveys were distributed and therefore it would be useful to retest the group (particularly the users) to identify whether the membership base has been altered due to the introduction of the new accounts and branches as a result of the KTP and also since the direction of LCCU was uncertain as discussed in section 5.2.7.

Thus whilst the research question has been answered, this is not the limit to this research study and there is still potential for additional work.

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14 Appendices

14.1 Appendix 1 – User Questionnaire

Leeds City Credit Union
Established 1987

WIN A £500 HOLIDAY

Leeds City Credit Union Member Survey

Return by **Friday 18th June** to Leeds City Credit Union Ltd, FREEPOST LS6161, Leeds, LS2 3YY

Please tick relevant boxes/complete as appropriate.

A. About You

1. Your member number: ____________
(This is optional but must be included if you wish to be entered for the prize draw).

2. Your postcode: ____________

3. Your gender:
- ☐ Male
- ☐ Female

4. Your ethnicity:
- ☐ White British
- ☐ Indian
- ☐ White Irish
- ☐ Pakistani
- ☐ White Other
- ☐ Bangladeshi
- ☐ White & Black Caribbean
- ☐ Other Asian
- ☐ White & Black African
- ☐ Caribbean
- ☐ White & Asian
- ☐ African
- ☐ Other Mixed
- ☐ Other Black
- ☐ Chinese
- ☐ Other (Please specify): ____________

5. Your age:
- ☐ 16-17
- ☐ 18-19
- ☐ 20-24
- ☐ 25-29
- ☐ 30-44
- ☐ 45-59
- ☐ 60-64
- ☐ 65+

6. What is your highest qualification level?
- ☐ No qualifications
- ☐ CSE/GCSE
- ☐ Vocational (i.e. NVQ)
- ☐ ONC/OND
- ☐ A-Levels
- ☐ HNC/HND
- ☐ Bachelors Degree
- ☐ Masters Degree
- ☐ Professional Qualifications
- ☐ Doctorate
- ☐ Other (Please specify): ____________

7. What is your current employment status?
- ☐ Employed full-time
- ☐ Retired
- ☐ Employed part-time
- ☐ Homemaker
- ☐ Self-employed
- ☐ Student
- ☐ Unemployed
- ☐ Long-term sick
- ☐ Other (Please specify): ____________

8. If you do work, what type of job are you in?
If not please go to question 10.
- ☐ Manager/senior officials
- ☐ Professional occupations
- ☐ Associate professionals/technical occupations
- ☐ Administrative and secretarial occupations
- ☐ Skilled trades occupations
- ☐ Personal service occupations
- ☐ Sales and customer service occupations
- ☐ Process, plant and machine operatives
- ☐ Elementary occupations

9. Who do you work for? ____________

10. What is your marital status?
- ☐ Married
- ☐ Co-habiting
- ☐ Single
- ☐ Separated
- ☐ Divorced
- ☐ Widowed

11. What is your religion?
- ☐ Christian
- ☐ Jewish
- ☐ Hindu
- ☐ Other
- ☐ Muslim
- ☐ No religion
- ☐ Sikh
- ☐ Don't wish to say
- ☐ Buddhist

12. How many adults aged 16 or over (including you) currently live in your household?
- ☐ 1
- ☐ 2
- ☐ 3
- ☐ 4
- ☐ 5
- ☐ 6+

13. How many of the adults in your household aged 16 or over (including you) are currently employed?
- ☐ 0
- ☐ 1
- ☐ 2
- ☐ 3
- ☐ 4
- ☐ 5
- ☐ 6+

14. How many children aged under 16 currently live in your household?
- ☐ 0
- ☐ 1
- ☐ 2
- ☐ 3
- ☐ 4
- ☐ 5
- ☐ 6
- ☐ 7+

15. How old are the children living in your household?
____

16. How would you describe your main living accommodation?
- ☐ Rented
- ☐ Bought/mortgaged
- ☐ Living with parents
- ☐ Other (Please specify): ____________

B. Understanding Your Financial Needs

17. What is the approximate annual income of your household (including all earners)?
- ☐ Less than £10,000
- ☐ £10,000 - £14,999
- ☐ £15,000 - £19,999
- ☐ £20,000 - £24,999
- ☐ £25,000 - £29,999
- ☐ £30,000 - £39,999
- ☐ £40,000 - £49,999
- ☐ £50,000 - £59,999
- ☐ £60,000 - £69,999
- ☐ £70,000 - £79,999
- ☐ £80,000+

18. **What council tax band is your main living accommodation in?**
- ☐ Band A (up to £40,000)
- ☐ Band B (£40,001 - £52,000)
- ☐ Band C (£52,001 - £68,000)
- ☐ Band D (£68,001 - £88,000)
- ☐ Band E (£88,001 - £120,000)
- ☐ Band F (£120,001 - £160,000)
- ☐ Band G (£160,001 - £320,000)
- ☐ Band H (£320,001 and above)
- ☐ Unsure

19. **Which financial products do you or other members of your household currently hold? (Please tick as many as apply and include products held at Leeds City Credit Union)**
- ☐ Current account at a bank/building society
- ☐ Personal loan
- ☐ Loan finance (eg. Hire Purchase)
- ☐ Loan with a doorstep lender
- ☐ Stocks and shares
- ☐ An instant/easy access savings account
- ☐ A long-term savings account
- ☐ A regular monthly savings account
- ☐ Mortgage
- ☐ Private/AVC pension
- ☐ Company pension
- ☐ Home insurance
- ☐ Travel insurance
- ☐ Car insurance
- ☐ Health cover
- ☐ Overdraft
- ☐ Cash card/basic bank account
- ☐ Other (Please state

20. **How many loans have you or a member of your household taken out in the last 12 months? (Include loans from Leeds City Credit Union, banks, building societies, doorstep lenders and other forms of personal loans, hire purchase or interest free credit etc but not mortgages).**
- ☐ 0 (Please go to question 22)
- ☐ 1
- ☐ 2
- ☐ 3
- ☐ 4
- ☐ 5+

22. **On average, how much money do you and the other members of your household save each month (as a combined total)?**
- ☐ £0-£10 ☐ £11-£25
- ☐ £26-£50 ☐ £51-£100
- ☐ £101-£200 ☐ £201-£300
- ☐ £301-£400 ☐ £401-£500
- ☐ £500+

23. **What is the estimated value of the total savings of your household (including yours)?**
- ☐ £0-£499 ☐ £500-£999
- ☐ £1,000-£1,999 ☐ £2000-£3,999
- ☐ £4000-£5,999 ☐ £6,000-£10,000
- ☐ £10,000-£14,999 ☐ £15,000-£19,999
- ☐ £20,000-£29,999 ☐ £30,000+

24. **How many financial companies do you currently use (including Leeds City Credit Union)?**
- ☐ 1 ☐ 2
- ☐ 3 ☐ 4
- ☐ 5 ☐ 6+

25. **Do you have a credit card or store card?**
- ☐ Yes ☐ No (If not please go to question 28)

26. **To what extent do you pay the balance off in full on your credit card or store card by the payment date? (Please circle using a scale of 1-7. 1 = never, 7 = always)**

1 2 3 4 5 6 7

27. **If not paid in full, approximately how much is currently outstanding on your credit cards and store cards (combined total)?**

28. **Whose advice do you value the most when making financial decisions? (Please rate each of the following on a 1-7 scale. 1=no value, 7=very high value, N/A=not applicable)**

Yourself	1	2	3	4	5	6	7	N/A
Spouse/partner	1	2	3	4	5	6	7	N/A
Children	1	2	3	4	5	6	7	N/A
Parent/s	1	2	3	4	5	6	7	N/A
Other family members	1	2	3	4	5	6	7	N/A
Financial Advisor	1	2	3	4	5	6	7	N/A
Staff selling the product	1	2	3	4	5	6	7	N/A
Other	1	2	3	4	5	6	7	N/A

21. **Using the grid please indicate the purpose and approximate value of the loans mentioned in question 20. (Exclude mortgages).**

	£0 - 500	£501 - 1000	£1001 - 2000	£2001 - 3000	£3001 - 4999	£5000+
Car						
Holiday						
Christmas						
DIY						
Household Appliance						
Other (Please state purpose)						

29. How much do you/would you value the following forms of information when deciding where to buy financial products? (Please rate each of the following on a scale of 1-7. 1=no value, 7= very high value)

Family/friend recommendations	1 2 3 4 5 6 7
Posters in a branch/shop window	1 2 3 4 5 6 7
TV adverts	1 2 3 4 5 6 7
Billboard adverts	1 2 3 4 5 6 7
Internet adverts	1 2 3 4 5 6 7
Magazine/newspaper adverts	1 2 3 4 5 6 7
E-mail adverts/updates	1 2 3 4 5 6 7
Branch staff	1 2 3 4 5 6 7
Expert opinion	1 2 3 4 5 6 7
Newspaper/magazine articles	1 2 3 4 5 6 7
Newsletter from current provider	1 2 3 4 5 6 7
Flyers	1 2 3 4 5 6 7
Text messages	1 2 3 4 5 6 7

30. How much do you/would you trust the information provided by the following organisations about financial products? (Please rate each on a 1-7 scale. 1 = very low trust, 7 = very high trust.)

The big 4 banks (HSBC, Barclays Nat West, Lloyds TSB)	1 2 3 4 5 6 7
Former building societies (e.g. Abbey, Bradford & Bingley)	1 2 3 4 5 6 7
Building societies (e.g. Britannia, Nationwide, Leeds & Holbeck)	1 2 3 4 5 6 7
Retailers with financial services (e.g. Tescos, M&S, Sainsburys)	1 2 3 4 5 6 7
Internet banks (eg. Egg, Smile, Cahoot, IF)	1 2 3 4 5 6 7
Insurance companies (eg. L&G Prudential, Standard Life)	1 2 3 4 5 6 7
Credit card companies (eg. MBNA Barclaycard)	1 2 3 4 5 6 7
Independent financial advisors (eg. Bradford & Bingley)	1 2 3 4 5 6 7
Doorstep lenders (eg Provident Financial)	1 2 3 4 5 6 7
Credit unions (eg Leeds City Credit Union)	1 2 3 4 5 6 7

31. To what extent are the following aspects important to you when choosing where to buy a financial product from? (Please rate each on a scale of 1-7. 1=not important, 7=very important).

Convenient opening hours	1 2 3 4 5 6 7
Range of products	1 2 3 4 5 6 7
Value for money	1 2 3 4 5 6 7
Friendly/knowledgeable staff	1 2 3 4 5 6 7
Quality of advice provided	1 2 3 4 5 6 7
Branch layout/décor	1 2 3 4 5 6 7
Other services on offer	1 2 3 4 5 6 7
Ease of access to the branch	1 2 3 4 5 6 7
Product information availability	1 2 3 4 5 6 7
Information about organisation	1 2 3 4 5 6 7
Competitiveness of the organisation	1 2 3 4 5 6 7
Ethical beliefs of the organisation	1 2 3 4 5 6 7

32. Which financial services provider do you currently use the most? ____________________

33. Thinking about the financial services provider that you use the most, how well does it perform in the following areas? (Please rate each of the following on a scale of 1-7. 1=performs very poorly and 7=performs very well).

Convenient opening hours	1 2 3 4 5 6 7
Range of products	1 2 3 4 5 6 7
Value for money	1 2 3 4 5 6 7
Friendly/knowledgeable staff	1 2 3 4 5 6 7
Quality of advice provided	1 2 3 4 5 6 7
Branch layout/decor	1 2 3 4 5 6 7
Other services on offer	1 2 3 4 5 6 7
Ease of access to the branch	1 2 3 4 5 6 7
Product information availability	1 2 3 4 5 6 7
Information about organisation	1 2 3 4 5 6 7
Competitiveness of the organisation	1 2 3 4 5 6 7
Ethical beliefs of the organisation	1 2 3 4 5 6 7

34. How would you prefer to hear about new financial products that may be of interest to you? (Please rate each of the following on a scale of 1-7. 1=not preferable, 7=very preferable).

Company websites	1 2 3 4 5 6 7
Internet advertising	1 2 3 4 5 6 7
Newspaper/magazine advertising	1 2 3 4 5 6 7
Personal telephone call	1 2 3 4 5 6 7
Text messaging	1 2 3 4 5 6 7
Newsletters	1 2 3 4 5 6 7
Flyers	1 2 3 4 5 6 7
E-mail	1 2 3 4 5 6 7
Other (Please specify)	

C. Leeds City Credit Union

35. How long have you been a member of Leeds City Credit Union?

- ☐ 0-3 years
- ☐ 4-8 years
- ☐ 9+ years

36. How important were the following factors for you when deciding to join Leeds City Credit Union? (Please rate each of the following on a scale of 1-7. 1=not important, 7=very important).

Good return on savings	1 2 3 4 5 6 7
An easy way to save	1 2 3 4 5 6 7
Low rate loans	1 2 3 4 5 6 7
Ethical beliefs of the organisation	1 2 3 4 5 6 7
To support a local organisation	1 2 3 4 5 6 7
Difficult to get credit elsewhere	1 2 3 4 5 6 7
Other services offered	1 2 3 4 5 6 7
To support a collection point	1 2 3 4 5 6 7
Friendly/knowledgeable staff	1 2 3 4 5 6 7
Location of pay-in points	1 2 3 4 5 6 7
Branch decor and layout	1 2 3 4 5 6 7
Convenience of opening hours	1 2 3 4 5 6 7
Ease of access to pay-in points	1 2 3 4 5 6 7

Other (Please specify): ____________________

37. **Which Leeds City Credit Union products or services do you or other members of your household currently use/have used in the past 2 years and which are you aware of (even if you don't use them)? Please tick as appropriate.**

	Use	Aware of
Personal loan	☐	☐
Bill paying accounts	☐	☐
Money advice	☐	☐
Members' lottery	☐	☐
Insurance services	☐	☐
On-line account access	☐	☐
Revolving credit	☐	☐

38. **How do you think that Leeds City Credit Union currently performs in the following areas? (Please rate each of the following on a scale of 1-7. 1=very badly, 7=very well, N/A=not applicable)**

Good return on savings	1 2 3 4 5 6 7 N/A
Low cost loans	1 2 3 4 5 6 7 N/A
A friendly service	1 2 3 4 5 6 7 N/A
Ethical beliefs	1 2 3 4 5 6 7 N/A
Other services offered	1 2 3 4 5 6 7 N/A
Location of pay-in points	1 2 3 4 5 6 7 N/A
Branch decor and layout	1 2 3 4 5 6 7 N/A
Convenience of opening hours	1 2 3 4 5 6 7 N/A
Ease of access to pay-in points	1 2 3 4 5 6 7 N/A

Other (Please specify): ____________________

D. Internet Usage and Finance

39. **Do you have access to the Internet at work or home?**
☐ Yes ☐ No

40. **Do you currently have a PIN number for on-line access to your Leeds City Credit Union account? (See the website for more details).**
☐ Yes ☐ No

41. **Do you currently search for information about financial products on the Internet?**
☐ Yes ☐ No

42. **Do you or any members of your household use the internet to access any of your financial accounts? If not go to question 44.**
☐ Yes ☐ No

43. **Please state which provider these on-line accounts are with.** ____________________

44. **On a scale of 1-7 how happy do you feel accessing personal financial account details on-line? (1=not at all happy, 7=extremely happy)**

1 2 3 4 5 6 7

E. Your Future Financial Needs

45. **Which of the following products do you think that you or a member of your household would be interested in from any financial provider within the next two years? (Please tick as many as apply)**

☐ Personal loan
☐ Credit card
☐ Savings account
☐ Mortgage
☐ Car insurance
☐ Home insurance
☐ Life insurance
☐ Travel insurance
☐ Other (Please specify): ____________________

46. **Leeds City Credit Union is going to improve its services to you by developing new products. Please indicate how interested you would be in each of the following products from Leeds City Credit Union. (1=not interested, 7=very interested).**

a) A savings account offering higher dividends when money is left for a year or longer	1 2 3 4 5 6 7
b) A savings account where members give 90 days notice for withdrawals in return for a higher dividend	1 2 3 4 5 6 7
c) A savings account where members give 60 days notice for withdrawals in return for a higher dividend	1 2 3 4 5 6 7
d) A savings account where members give 30 days notice for withdrawals in return for a higher dividend	1 2 3 4 5 6 7
e) A savings account with dividends that increase as your savings increase	1 2 3 4 5 6 7
f) A savings account giving dividends to a chosen charity/local cause for personal or religious reasons	1 2 3 4 5 6 7
g) A loan secured on property with lower interest rates (mortgage)	1 2 3 4 5 6 7

47. **Finally, can you please tell us whether you agree or disagree with each of the following statements using the 1-10 scale (1= definitely disagree, 10 = definitely agree)**

Life is for living, the long-term can wait!	1 2 3 4 5 6 7 8 9 10
I carefully plan my finances	1 2 3 4 5 6 7 8 9 10
I find financial services boring	1 2 3 4 5 6 7 8 9 10
I often make decisions on gut feel	1 2 3 4 5 6 7 8 9 10
I am a bargain hunter	1 2 3 4 5 6 7 8 9 10
I find some financial products and services difficult to understand	1 2 3 4 5 6 7 8 9 10

Thank you for your time.

According to the principles of the Data Protection Act 1998, the information you provide on this questionnaire will be used for the purpose of research and statistical analysis at Leeds City Credit Union Ltd. It will also help us to identify products and services that may be of interest to you. Please tick this box if you would like to be contacted for specific marketing purposes. ☐

Thanks to Leeds Co-op Travel and CUNA Mutual Group

14.2 Appendix 2 Leeds City Council Focus Group Transcript

So just to start off with then, this group we've done other groups with other people, this is to basically get an understanding of what you think of Credit Union, the way in which we do things so that we can make it better for the members. (Recording permission)

Just ask people to identify themselves.

Sharon – I'm responsible for Marketing at Credit Union.

This is an informal discussion feel free to say what you want when you want because we just want as much information from you guys as possible. To start off, we'll have a bit of a warm up. I've written a questionnaire and we've used certain phrases and I just want to make sure people are familiar with these phrases. So if I just show you this - Financial Products, what do people think I mean by the phrase Financial Products? Just to get some ideas as to what financial products are.

Group – get finance (?)

Sharon – Yes, spot on. What about Financial Company

Group – Business that (?)

Sharon – Financial Dividends

Group - Loans and things like that

Sharon – What about a Financial Services Provider?

Group – where you get money, where you can get it and how you can get it (?)

Sharon – Financial Accounts

Group – You want to know what you've got, see you can get back.

Sharon – Dividends?

Group – Shares, paid every year. Annually.

Sharon - Interest

So you can get a loan and you know how long you've got to pay back

It's all about finance isn't it???? (Tape 28, can't hear)

Sharon – That's the next one – bank

So you can draw out finances from it.

Sharon – By the way what do you understand by credit union?

Finances. Paying dividends

Sharon – So the next thing I want to look at is what financial products, we've established that product can be a kind of service.

Sharon - Now we're going to look at what financial products each of us have, just basically so we can find out if there is anything we should be providing that might be provided by main stream banks. So I'll go first I've got a current account, Credit Union account, I've got an ISA, a credit card and unfortunately car insurance. What products or accounts have you got?

Tony – A mortgage, an endowment policy, a bank account, life insurance, credit cards, car insurance, building insurance, current account, building society account and a credit union account

Stuart – Credit Union account, current account, credit card, mortgage,

Credit cards, mortgage, Credit Union account, (?)

Credit union, current account, pension and mortgage

Credit Union, current account, pension, mortgage and insurances such as car, house.

Sharon – OK so everyone is very aware. Most people have got a loan of some form, credit union, mortgages, credit cards, current accounts, so everyone is aware of what's out there then. Now if you were to get a loan excluding a mortgage, you might not necessarily have already got one yourself. But what do you things do you think people would borrow money for? If not you personally, then other people?

Group – I've got a loan for …….. car? Some people would take one for (?? 57)

Home improvements

Sharon – Ok, so if you were looking for a new product, say for example you wanted to open a new kind of savings account or you say you'd got hold of a couple of thousand pounds and you wanted to invest it, who's advice would you look too to find out as to what was worth putting your money into?

Group – I'd go to a financial advisor and see what they'd offer me (?? 67)…..Shop around – theres a lot of variation, car insurance especially.

Sharon – Anyone else?

Group – (?? 73) I would go to my building society. Financial advisor – I think I would go to them and see what they said but I wouldn't necessarily put it in there.

A bank?

Sharon – What would do if your best mate came up to you and you know this looks really good. Would you take their advice?

Group – I'd look into it

Sharon – So where would you want your advice from, we've already gone over professional advice teams – your bank or your building society, are there any types of advertisings you would take notice of, say newspaper or text messages or do you just want face to face contact?

Group – It would depend on the advertiser

Sharon – so you would maybe look at it, take note, but you'd shop around and make you had the full…

Group - You'd shop round and see what was going on.

Sharon – Is there anything as well that you would think about how an organisation, say for example, the Co-op Bank has a record of ethical investment of their money. Is a thing like that important to you, would you like that, would that have an effect on where you put your money or where to borrow it from or would you like…..??

Group – I think that (?? 89)

Sharon – We've already gone over the most of the things you would look for in a product, so basically we've said we would look at who was offering the best deal and who would provide you with the best advice about a product. Is there anything else about one particular product you would look for?

Group – A rate of interest, if the company's been running for a few years

Sharon – Well established reputable reputation

Yeah

Sharon – Ok then, so Leeds City Credit Union, just basically just want to know why you have joined, if there is anything you think is important to you, what you value about it? So I'll start off, I joined in September when I started work with Credit Union, I'd saved money with them because I think there are pretty good returns and dividends on the money that I have put in there and also the fact that they are ethical, there are no fat cats creaming off our money.

Group – (??? 100)

I worked here (the council) so it was handy ……then you moved……location,. You could have someone who is mobile basically if you could get someone to come round and approve a loan. They could check it. You could use laptops you know so if someone could come to me.

You know what I mean, someone can come to me make an appointment, someone can come in on Thursday morning, technology…..(123) I call and straight away I've got my work ID. You could do the same and come down to us face to face and that's a good idea.

Saturday morning opening say 8 while 12. They like banks are open, if you want anything from Credit Union you've got to wait until Monday, you know what I mean. Something like that that's what I mean

Sharon – The idea that we're kind of looking at more though whether or not we'll go down that route.

Group – Web account, they're big now.

Sharon – What do you all think about Thursday night opening, what do you think about that?

Group – I think yes, it's alright but not everybody….(? 142)…. You'll be wasting your time on a Thursday night, maybe you'll be wasting your time on a Saturday but saying that there is people who they can't get in on a Saturday, but there is people who can, so it would be better if you could ring up the week before or two or three days before and say look I would like to see you on Saturday so all us lot here would say is there anyone else to see on Saturday right I'll get back to you. So you could have six people to open for, rather than being open and finding that no one turns up. I think that's a waste of time. It'll save the credit union a lot of time.

Sharon – It's like a doctors really you don't want everyone knowing

You know when you discuss things down there you need some privacy you know where you can say go there with a member of staff

Group – That's it. (? 158) There's an actual office for members to go in. Photocopied forms?? Forms with all my details on. Somebody gets done before me and I think wait a minute you know, there's something not right here. Mortgages are mortgages. Your stood there and there's a queue behind you. It's a nice enough office but there's no privacy for the members. …The loan form…I don't think they should have to do that I mean I give you my number and you print the loan form with all my details on and all I have to do is say how much I want and signature.

That's a good idea.

Instead of this having to wait for someone to be there who gets to the front before me and I'm thinking "wait a minute"

Sharon – We've got a question about that which I will ask you soon. Stuart

Stuart – Yes

Sharon – So is there anything, what do people value most? We've looked at all the improvements

Group – Personal service, sometimes is lacking.

Sharon – In what way?

Group – In it'll just say in a booth

Sharon – More staff

More staff at a time you know in lunchtimes you'll have to monitor that and just see Ok, how many people do we get in the period say from 12 till 2 and say like we need an extra girl here

Sharon – Yes, there's nothing more annoying than when you're on your lunch and you're stood in a queue while…..

Group – So you've got your booths and then, like I say there's one for ..and one with a queue…all you have to do is say how much you want, someone comes out and says £300, right sign there and they give you it. (?? 180) They've all got the information. With everything on it and it's all done.

Sharon – That's the thing we don't issue them but certainly something like that something with a photo because that might overcome …….I'm certainly…….(185)

If someone's got that out of their pocket like that

Group – I mean the whole point (189)

Sharon – I mean, I think see what we can come up with

Stuart – I mean its like you say with security checks

Group – Anyone can come in and say blah blah blah, at least they've got one or two barriers with postcode, date of birth and everything. I can understand that, but you need something simpler, where the members can go and say but postcode also keep an eye on it, but they can't.

Sharon – What do you think about the ethical side to it and the fact its member run you know we've got that member run lock in. Does that bother you or do you look on it as good way to save or is it kind of important that you have a say in how its run?

Group – I think its alright, I think its important for the members to say what's best for the Credit Union. What can improve the Credit Union. You know mortgages or something like that. There could be a mass incentive. How many thousands of people could have a mortgage with Credit Union? If Credit Union still stayed the same

Sharon – Would that changed now?

Group - No that's different. You have to see what you can do (208)

Group – If you do get a loan, that's the best thing you're saving as well and once your loan is paid you've got money in your account.

Sharon – It helps you keep a budget you know you are being careful with your money.

Group (220) No what happens then is when things go wrong and they're in debt but they keep borrowing. I mean really they should be punished, you should keep an eye on them and say wait a minute and say I think you should put, well I don't think, put a limit on what they can borrow. Cos you'll know what wages they get.

Group – (230) Forty years time in an office somewhere and someone else will have to

You want to be in and out thought don't you

Sharon – OK so it's open to anyone but I know how you're saying about people make a mess of it. Stuart knows more about this, but I know that there has been a lot more detail than looking into people's outgoings, so hopefully its done on what you can pay back

Group – (238)

Would you turn them away or ...?

Stuart – Not necessarily

Would that come to you then?

Yes, well they could pay it… various methods.

Sharon – We do also have some money advice people so if you are struggling and you do have a loan…we have improved in this area. We have done it so you can sit down and be more private. That is optional. We're trying to offer more things like that.. OK then. So finally we've discussed some new ideas of products and mortgages…this is something that we are looking at at the moment. What I'll like to do next

Group – I've looked at car insurance through the credit union but they go through someone else don't they?

Sharon – Yes

(255) to me the credit union should be doing something, you should have your own car insurance. At the end of the day there are banks and they can charge a lot of money Car insurance and mortgages…..(266) How much money can you… a hell of a lot of money. You've just got to make that first step haven't you? Cos, I mean when you talk about credit union…..(269) one of the things we always…..(272)

Sharon – We had cash machine before

Group – Saturday morning.

Sharon – You've discussed as well, having a cash machine in the office in the shop downstairs so that people like yourselves with not much time can use the cash machine. At the moment there's not any plans for it to be outside.

Group – What about the opening times

Sharon – I think we did do but it's the little (282)

Group – Surprise surprise …sponsorship….how do you do.

Sharon – I think we did when it was with a youth football team… worth it…

When they're actually out there playing

Group – (290) Wait until you see them on tele. What advertising do you do then?

Sharon – At the moment not a lot, we tend to do things like… at the University we also do payroll deduction we do induction for new members of staff, we've got an advert in the brochure. We're at the festivals last year we took the bus…..mobile bus. We took the bus up there, people can come in get loans, advice about money and that is quite good as it is prominent. Brochures, we have our own internal newsletter which hopefully you all receive. Things like that really, quite small scale.

Apart from all that how many new members do you get a year?

Stuart - We're increasing I think it's about 15% a year we've got about 14,000

Whats your goal for something like that?

Erm, I'm not actually sure that's how we…

Sharon – We have got to……. (315) How to introduce members. We're planning to do that in January in the newsletter.

Group - …..What happened to the prize draws. Win a holiday something like that….introduce friends. I know they did something one year, where a member won a car – something like that?

Sharon – Yes, there was a lottery, I mean I tell you little bit about this questionnaire that I'm doing. Out of the questionnaire that I do with a group you all keep asking about the news letter (324) The prize for that has actually been donated. We're offering a voucher for £500 towards a holiday a holiday…

Group – where ever you want?

Sharon – Yes, it's up to you a weekend break whatever, its 500 pounds towards that? Do you think that's a reasonable one?

Group – Put a grand in though…500 pounds that's not a lot. A grand would be better. How much does it cost you per year?

£1,000 would be better

Sharon – It varies, at the moment there hasn't been one. At the moment that there hasn't been one… I only started in September, and I understand that up till then everything has been done very ad hoc.   So what I'm working on over the next two years is to improve the things we are offering to members so that it will also increase new members. So I'm looking how better finance marketing, better advertising so that we've got regular things, prominent things that people can see and that kind of thing. So don't want to give you too much on advertising. I know that if you look in the accounts that we will have some sort of marketing account. It's something that I want to make sure that we do it right, if you spend money you want to make sure its going in the right direction.

Group – you can spend money spend money and spend money and you never get there you're never gaining anything.

Sharon – I know that is definitely coming in around January. What do you think to the new newsletters?

Group – They're all right yeah

Sharon – Do you read them?

Group – Lottery…one I used to look at every month and see whose won…..you don't see it now….so that's stopped that…pencil in…..see it regular. (360) Same old bravado…interest in….(267)

Sharon – Was that when you used to get it through the post?

Council vacancies. Central mailbox. We distribute all the mail. We don't see them now. We haven't seen them now for about 2 years. We used to see all that. Some of the lads thought that because they didn't see it any more you didn't do it anymore. If you send some stuff down to the mailroom we can dish it all.

Sharon – I mean we do put the lottery in the newsletter, three or four times a year.

Groups – Dividends, so members to see what we're getting… how many times has it been in this last year?

Sharon – Dividend is altered once a year, the loan rate….

Groups – Yes, that's what I meant the loan rate..

Stuart – The loan rates only gone down once.

Group – Yes, it would be a good idea to put it informed so if someone saysI'll go to get a loan, hang on no I'll wait until next month.

Sharon – That's excellent… (379)

Group – Everything we've said right, you're already doing what's the point?

Sharon – We need to make sure we're doing it right, we don't want to be doing things and find out it's a total waste of time you know. We do send the newsletter out even though regularly, but if people aren't reading it and if lottery results are missing, we need to make sure they're in. We've talked about….

Group – That's the problem with the lottery - you don't see it now (388)

Sharon – so you want that more…

So we can say has he won again. Or on the wage slips because everyone gets one of them.

Group – (390)

Sharon – We are at now. It's a savings account what do you think to.. we basically want to make it so that, people leave it in or should…

Group – It should be rewarded…

Sharon – They should be rewarded? That's right, but the sum of money say 500 pounds that you've been saving over a couple of weeks or whatever. So you put it in and say leave it there for a year, what can we keep your savings in, how can we….

Group – (403) for the whole year, and I think you should get that little bit extra bonus.

Sharon – Right, I've got here a few…..

Group - it doesn't have to be anybody but anyone who then puts more and keeps it there should be rewarded. If someone keeps something over. Don't you think? So I think, you know you can take it out but if you leave it in…. It helps get someone else a loan

Sharon – Exactly

So I think that they can all take it out but if you can keep something in

Stuart – I mean £500 is that a fair amount of money?

I think it is for those who are working

Sharon – OK so, say you pay to us, say you 50 pounds a month and say someone else came on benefits and they saved 5 pounds a month. If they said a regular amount that they were going to stick to each month and paid that in over a year, is that the kind of thing that would….

Group – Yes, that's what I'm on about.

Sharon – OK

Group – because they are putting in that extra

Sharon – OK, what we've done is we've written down a few of the different types of accounts we were thinking of, so if you were thinking of better products. So if you want to say anything about them. So if I show you them and then we can get your opinions. A savings account, so you could withdraw your money you know with a 30 day notice, a 60 or 90 what you kind of think about that when you could put 500 or thousand pounds in, it's in for however long you want and a higher dividend savings account, but where you have to give one, two or three months notice. What do you think about that?

Group – It's alright, you know the 90 days notice is that a higher one, than 60 days?

Sharon – yes, what we're looking at is half a percent, you get rewarded for giving us more notice.

Group – yes, it's OK that.

Sharon – what about the year one? Where you put your money in, you may be allowed say one withdrawal a year

Group – you don't know what's going to happen do you, if you need to get your hands one your money, cash. You can, it just means you don't get your dividend. Yes. (450) If you don't touch it you get more. But depending on how much people put in. If I only put ten pounds in a week not extra.

Sharon – OK so is that the sort of thing that you would be interested in doing?

Yes.

Sharon – What do you think, where you didn't add any money to it at all, say you put in your five hundred quid in January and then in June or whatever put in another five hundred pounds, but you basically have left it in. It's not something you immediately need access to, you've got a bit extra. Do you think that's alright?

Group – Yes, that would be alright.

Sharon – The other one is that one you were saying it's a savings account where you can save regularly, say you put in twenty pounds fifty pounds a month or whatever make one withdrawal a year, say you need the money with a higher dividend again. Would that be the sort of thing you would like?

Group – Yes, that would be fine.

Sharon – Yes, OK, we've already talked briefly about this one a mortgage

Group – That would be a brilliant idea that.

Sharon – OK, now what about, I mean, some people are from various different religions so its against their religion to accept interest or any kind of reward from savings what do you think about if we offered an account for those people or for other people who were interested in it, where instead of them earning dividends we offered them the chance of it going to a chosen charity of their choice. What do you think?

Group – Oh that's up to them. As long as it's not my interest I'm not bothered. That's up to them isn't it.

Sharon – OK, and then going back to one you said before, a savings account, which offers a higher dividend if say you've got five hundred pounds in, it might offer three percent, if you've got one thousand three and a half, two thousand four percent… what do you think?

Group – Yes,

Sharon – Do you think that's fair?

Group – That seems fair,

Sharon – One of the comments from the other group was that it was not equal, that's not the Credit Union, does it bother you, would you be happy with that?

Group – I mean everything's got to move forward and ..(497) if they are members they're putting … We're all members. What would you say…there's nothing wrong with that

Sharon – Well, that's brilliant, I think I've gone through everything I need to go through, is there anything else that anyone would like to throw in now anything at all about how to improve it

Sharon – Well I think advertising is a big thing if you do it the right way (512)

Group – The credit Union has got to go to people in Leeds. It's got to be for a reason, we get these newsletters, that's fine if you're not bothered. Even if you just take an advert out in the Evening Post or the Daily Mirror, something like that. I think that's the best way to do it. You want to start looking at that. I mean everyone goes to look for a loan or something they want to see what is the best deal that they can get. There are a lot more people shopping around now for car insurances, I'll swap three times and I've always got a loan.

Stuart – How do you think the Credit Union moved over the last few years?

Group – It's gone forward

Stuart - Is that a good thing?

Group – It is a good thing, it's gone forward and it's more organised that what it were before. I got used to all the staff. I think there's a lot of movement gone on there. The personal touch has gone. Theres a lot of movement going on. Sometimes…..I'll need to go down and see Stuart and Nanu nobody knows you now and it was like a place for, if someone had problems I'd say go see and I'd know. Or I'd see the guy.   Steven he had a lot of problems

Spend, spend spend, they work for the council, he lost his house, his flat and all sorts and then all of the sudden he got …

The personal touch is what you should go after

Sharon – How do you think we can get the personal touch back. I know you said about the staff in the office and it's not the same…..now what we're trying to do is.

There's that much more people now. Why don't they have some sort of gathering now.

Group – now (559) if every year they've got this meeting in London for members to go down and chat and have a drink or something. Annual General Meeting are posh, AGM is at 5 pm at night theres people all over the city what you should have is a little of team of people, trying to get as many members as you can. Members of the board having a chat and a drink. .

Sharon – Say something like…sit around the table and talk about it.

Group – Yes sit around the table, show them what you've got. (566) Even the council leaflets we get all the time, you read them, see what's going on in the council, and they don't do it.

They'll not bother. You're wasting your money. Even the council leaflets that we get all the time we never read them now. Should read to see what's going on in the council.

Sharon – Is there anything else you would like to (cough)

Group – Said the most important (572) it must go up.

Sharon – It's been really really useful.

Right OK, thanks a lot guys.

14.3 Appendix 3 Community Collection Point Focus Group Transcript

Sharon - Ok, so if I start off then. I'm Sharon and I'm in charge of the Marketing at Leeds City Credit Union.

My name is Stuart and I'm in charge of the day-to-day operations at the Credit Union.

I'm Gordon and basically a volunteer

Hello, I'm Mrs Breeze and I'm a member at the Credit Union.

Cathy Breeze member of the Credit Union and sort of beginning as a volunteer but I haven't done anything yet (laughter)

Ruth a member of the Credit Union and I work at All Hallows.

I'm Mary and I'm a volunteer at Credit Union. I work at All Hallows with the cooking once a fortnight.

I'm Linda and one of the members of the Credit Union.

I'm Sandra and a member of the Credit Union and I work at All Hallows.

I'm Raymond and I'm a member of Credit Union

I'm Tony and I'm a member of Credit Union.

Sharon - Excellent, right so first of all, just to get us all into the view of everything what I've done I've prepared some sheets of paper with words on and I just want to show you words and I just want people to sort of throw things about what they think the words mean. So for example, we've got the word Credit Union what do people think of a Credit Union? Any ideas at all? Anybody??

(Group) Somewhere you can save money; Credit means you can borrow something; everybody has shares within it; lottery; savings; prizes; everyone can join if they want to join, even children

Sharon – Well, that's one to get us started OK. What about this one – Bank? What does everyone think of when they think of a bank?

(Group) - High interest rates

Sharon – is that on savings or loans?

(Group) – Probably on loans; yeh, I have a loan with Credit Union and its pretty reasonable; If you're not at work you can't get a loan from the bank but I'm back working and you can get a loan from Credit Union; My pension pays into the bank and also I pay my money into Credit Union for the money I borrow back, it works both ways

Sharon – Building Society?

Group – I have an example, before I moved to credit union, before I had a bank account I always had a Building Society account. It was a good way of saving, before other things that you could stand by.

Nowadays there isn't any difference between a bank and a building society whereas they used to be two totally different establishments.

I've got a building society account because I've got a house and I pay into at least every two weeks.

Sharon – Interest, what does interest mean to you, what is it?

Group - A low one.

Sharon – A low one? What does that actually mean though? If I said to you, this has got low interest, what's low interest?

Group – Well, anything whatever you use building society, credit union, your bank or anything, the first thing you look at is how low is the interest, if the interest high, you instantly transfer.

Sharon – yes, if it's higher, its extra that you're paying isn't it?

Group – Yes, you would transfer straight away.

Sharon – Now we'll look at Dividend?

(Silence)

Sharon – Any ideas to what a Dividend is?

Group – is it some sort of payout, some sort of incentive?

Sharon – Yes, it is a payout on your savings. If you saw the words Financial Accounts, what would you think it meant?

Group – That you are in the red

(some joking)

Group – I would just think it was a normal account – you've got to have finances to have an account. Just a posh way of saying it.

Financial business but I wouldn't associate that with my own personal banking.

I think it's more for business people, more than just normal people who save and generally like. When you say financial, you're more or less thinking, am I in trouble?

Sharon - Financial Services Provider

Group – That is are different, because then, like I'm with Lloyds TSB, originally it was just Lloyds and of course I've been looking at the bank managers of age and I've gone visiting them recently, and it's been explained the difference of interest on certain margins. They've advised me to change to certain ones at a lower interest. So, it's done me a big favour, believe it or not, I'm paying out less now financially than I was before.

Sharon – So they're providing accounts for you?

Group - Yes

It should be someone who has your interests at heart really, somebody who is giving you help, rather than almost pushing you into a direction that you don't want to be in, you know financially, you know, making you have an account that is not as good for you but better for them.

Sharon – Right, somebody give me an example of a financial services provider?

Group – A financial advisor would be a financial services provider as well.

Like, say if I wanted a loan and you say, well that would be so much extra that you would have to pay, you know more than you are normally paying, then that's when a services provider comes in because I can say to them, now if I pay that extra above what you say how much do I pay around then? Or will it gain me, or will I be better sticking with a lower loan and keeping the loan longer?

Sharon – they would be advising you, so your provider providing you with a service. What are Financial Decisions? Some of these answers are very simple they are not tricks.

Group – when you go for a loan, they tell you yes or no.

Sharon – so when there is a decision made about your finances. A Financial Company?

Group – That can work more than one way, because you can't have a bank because you can't run and make yourself a bank as well, because you can't suddenly take these certain people and say sorry you can't have that one because you haven't got enough in the bank or enough people aren't paying in you know people bringing money in. So if you have got a bank behind you then you can go to them and see if they can do owt to help that person out.

Sharon – Then you go to that company, the financial company?

Group – Yes. Money lenders are financial companies as well.

Someone that's making profit out of it.

Sharon - Providing finance

What are financial products? If I come to you here's a financial product what would that be?

Group – Credit cards, anything like any sort of accounts. Barclaycards.

Sharon – OK then thank you very much that's very interesting. Now then next thing I want you to talk about is the different financial products. So as we've already said a financial product is any sort of account or any kind of, if you think of a product as a package, a credit card is a package where you can borrow money on credit so that is a financial product, or savings account or a mortgage or anything like that we are going to call a financial product. So, what I want you to do is just go around the table and just out of interest, what sort of financial product does everybody own, so for example I have a bank account, a credit union account and a credit card.

Group - A bank account, a credit union account and a mortgage.

Gordon - Credit union account, credit card and a bank account

Carol - Savings account

Sharon – a credit union one?

Carol – Yes,

A building society, credit union account, no credit card

Credit union account, 2 bank accounts and no credit cards

Credit union, visa card, 2 bank accounts

Credit union, bank account and a mortgage

Raymond – I've got a Bank account, credit card, and also a building society account

Credit union account

Sharon – So we all have a totally different variety of products as you can see. Now then, if for example you wanted to borrow a loan. What are the sort of typical things that people who borrow loans find for? Say I want to borrow a loan, say for Christmas, anybody got any ideas why you may want to borrow a loan, what are the main things that you can think of if you wanted a loan, that you would borrow for?

Group - Home improvements; a new kitchen; holidays

Sharon – Excellent, so that's quite a few things. There are probably four or five main things that people borrow for and I think we've covered them all there. Now then, if you were going to, so we've already talked about what a financial product is. OK, so if you were looking for a product any sort of product whatsoever so, if you were looking for a new bank account, a credit card, or a savings account or a loan, a personal loan or something like that or even say car insurance something like that, what would you think is important, what would you look for in a product?

Group – How much interest you would have to pay.

Sharon – yes, that's very important isn't it? I mean I might look for, probably, interest, and I might also look for, I don't know, maybe how long you have got to pay it back in or if it's a savings account, I might maybe look for how long you have to save for. Anybody else?

Group – It's how convenient it is, you know your payments.

I once walked in for a loan and I expected to get a letter three or four days later saying yes or no, I was dumbfounded when they told me straight away, they put it straight into my hands, that minute. It was because I had the money there to cover it, they knew that I had paid regularly, I'd never missed my payments so if you've never missed payments and you urgently need a loan, here's credit.

Sharon – So that it's convenient, how easy it is to actually get that particular product.

Cathy – I was just going to say, that I'm just agreeing really I suppose, just that I mean sometimes that works with the Credit Union sometimes you get paid out immediately and then sometimes you do have to wait. I was just wondering whether the criteria has slightly changed on how they give the loans out, it seems that just through listening to what my sister has said, helping out at All Hallows. It's almost like the criteria has changed slightly in how to get a loan it doesn't seem, I don't know there seems to be a little bit more betting, I suppose now.

Sharon – What we'll do, as it affects what we do after, it seems people are interested in having a little look around, we can then introduce you to the loan's team and Stuart will be happy to go over, so that you are all aware of the changes that are going on.

Cathy – It does seem that there is some sort of changes happening at the moment.

Sharon – It seems to be over access isn't it, about how easy it is for you to get the money when you want it kind of thing. Any other things as to what's important?

Group – Something that's important to me about the ethics of it as well because I have an account with NatWest which I'm trying to close at the moment, but I can't because I owe them a bit of money. Because they invest their money in arms companies and that's really quite insulting. That's important to me as well the Credit Union, the Co-op they've all got good record of not investing in these sort of products.

Stuart - Is that something that you'd all think about or consider?

Group – Because my first loan, that was automatically transferred to my account you know about three weeks later after the agreement of the loan. The second time I came to them for a loan I expected that to happen again. I didn't expect to walk out with a cheque, it took me by surprise. I thought it would take them two or three weeks to just to answer yes or no, then they would be saying right it will be transferred in to your account, not that I was going to walk out the door with a cheque.

If you are not working you cannot go to the bank and get a loan. I'm not working, and well I'm alright really but I still had to ask for a loan from Credit Union and got it without any questions. If I went into any other bank, they would ask me are you working and when I say no they would say I am sorry.

Even if you could pay?

Yes, I still wouldn't get it.

Hopefully it's not dealing with a faceless thing.

Its having some sort of input and knowing that everybody's got input and everybody has had interest in it rather dealing with some sort of authority figures, which you get in a bank.

We I go to pay my loan back and everyone knows you, you know and everyone knows you. It's a friendly atmosphere.

Sharon – Going back to what Ruth was saying about the ethics, like companies who don't lend money to arms dealers, so companies that use their money in a good way, an ethical way. Do the people think that that is important? How important is that to you?

Group – 100% important.

Sharon – So you do agree with that?

Group – Because you know those companies are not out to make a profit out of us, but other banks are. Make as much money as you can, so the people at the top get 60 odd thousand a year. You know it's not about that and that kind of reassures me a little bit.

Sharon – OK, let's think about this, if supposing you were looking for money let's say, just as an example not necessarily credit union, but just supposing you wanted to borrow £2,000 for a car or something like that OK. So who would you listen too?   When you're looking at all the different choices that you can make about where you can borrow this money from, who would you listen to, who would you take notice of if they were advising you about where to go. Which people are important in that sort of process?

I'd look at my Bank account first, where the money comes from, then find out how much would you have to pay back.

Sharon – Who would you find that out from?

From the bank, my bank manager. And also building societies and also credit union. I would look at who would give me the less time to pay it, because I don't want a long time, the less time to pay it and still make it a reasonable amount that I can afford.

Sharon – so if you were looking for example to borrow some the money, you'd ask a member of staff and you'd get information from that member of staff?

Yes

Sharon – OK, anyone else?

If I had access to a financial advisor or someone like that who could tell you what your best options were.

Sharon – You trust them would you?

Group - If they didn't have any preference towards one bank.

Sharon – anybody else?

I think I would ask people I know what they though, friends. I wouldn't trust Financial Advisors, because I would feel they were there to sell me something, I wouldn't feel they would give me impartial advice. I think I would ask around (Sharon - Friends and family) Yes

Sharon – is that a general thing as well? You would value your family and friends?

Going back to before I joined Credit Union I even went to see my company director, where I used to work. I said I was thinking of changing accounts to Credit Union and asked him whether he thought it was advisable or not. He said ask me next week. So I went and asked him next week and he said by all means, go and open an account. So he did some fact finding, he knew the places to check.

Sharon – so if it's a colleague at work you trust they're opinion, because obviously you knew him.

Oh I went above that I went to the Director – I don't mess about.

Sharon – what are the sort of places you would get information from? Say if you saw something advertised. Say you were looking for a new savings account, you've got £500 that you want to put in a savings account, that will get you good interest a good return on your savings, its going to be easy to get back out when you want it, that kind of thing. Where would you look? If you saw an advert, for example in a newspaper, would you respond to that? Or what are the kind of places would you look for responses?

I look at, watch on BBC news the financial reports, before the local news. (Sharon – so you use the TV?) I always look to see what's going up and what's going down.

I look at the television the Halifax advert.

Do you mean where would you see them or where would you look?

Sharon – Where would you look and where would you take notice of?

I think it would probably as you. I'd trust friends and family, like I said before, because I just think anything on the tele any of the adverts might you know, no chance.

They don't instil you with any confidence. Someone dancing around in a green costume, or something like that.

Sharon – OK, say you've got a Credit Union account, you have £500 what sort of places are you going to invest your money? But supposing we sent you a newsletter and we had a big advert all about new products that we have developed where you would get a good return on this £500, would you trust the newsletter? Credit Union newsletter? Or another sort of newsletter, would that be important to you, things like that?

I would look at it, but I wouldn't say that it was the most important because are you deliberately trying to push something off. I would think first are they going to sign me up for a load of stuff and they can't get rid of it and I want to?

Sharon – So you'd be a little wary of that?

Yes

Sharon – What would people, how many people here use the internet, have got the internet?

(no one responds)

What's that (laughter)

Sharon – Say you've got a letter through the post from say Bradford and Bingley would you look at that and think ooh that's good, or would you think no I don't really know much about them and put that in the bin? Where would you find good information?

We get so much and we don't read it. I mean anything that came like that you don't read it, you put it straight in the recycling bin.

Sharon – So would you be more interested then to see things, which you be more interested in reading, on behalf of the Credit Union? Is that more useful to you?

Yes, you know that you're not going to get ripped off basically, you know who it is.

Like, when you send the yearly thing out, to tell you how things are, that is most important because you want to know. Are you going to survive another 12 months, are you on an even keel, because we don't know generally. You we just take it for granted that you're running OK, you know you've got the backing of people, you've got plenty of customers and plenty of people paying in and not more people paying out. People are not paying back, so are you financially…

Sharon – that we are financially stable, we are keeping your money safe. That's a good point is that.

I'll give you an example and I mean it sounds daft but I came very ill eleven months off my pension. Because I became ill I had to retire I retired 11 months off my pension. But then my pension scheme folded, I'd just got my pension before it folded. So I'd been working for that other 11 months I would have lost my work pension. So was fate on my side? Or was it, I don't know. I mean there's no answer to that is there? I'm not saying it would have affected my payments and therefore Credit Union, but you know it would have affected me personally. Money gone down the drain.

Sharon – Who has got a mobile phone here? What do you all think to text messages? If you got a text message that says we've found this product for you, say the Credit Union sent you one?

I think its rubbish,

Yes, yes

It just puts you off

If you do phone back, you have to waste so many minutes it's just a rip off.

What do you think Tony, do you like text messages on phones?

No, not at all

I just think it can be irresponsible offering people loans on-line. You know we say that one of the reasons that we like the credit union is because its ethical in that sense. You know if you start texting people to say that you could benefit from this loan, you're almost stooping to the level of the loan sharks. Do you know what I mean? I guess this is about promoting the credit union I think that's one of your strengths to see you as something ethical. So I'd say avoid getting into those marketing strategies

I mean when you first started, I'm not you, not when you first started Sharon, when it first started it was on a few streets, including Woodhouse Street, just at the top. A third of the tower block went and opened an account because they did that, sheltered housing did, and because sheltered housing did it the shops did it and the local normal students. Slowly, slowly. It got to the extreme they couldn't cope the computers were burning. There was that much trade they just couldn't cope. They said we're having to move premises to Walton Street (??). So when they moved premises we knew Ok you weren't bothered then whether you increased your mountain, I mean I'd got my work's pension so I'd got that to spare so where did it go? I could get it back when I wanted it.

Sharon – Very good, so moving on to the Credit Union, you've brought us nicely into the next little bit. Just out of interest I going to go around the table again and just find out why people joined the credit union? Why do you think the credit union is important? What you think of Leeds City Credit Union and if is there any one important thing that you value about it? So if I start I could say maybe I could say I joined Credit Union about eight months ago. I joined it because I started working here and had to join it. Apart from that I do think that it is a good thing because I think it is good because you know your money is going back to you and isn't going in big pockets to somebody. So that's why I think it's good and that is probably the most important thing to me.

Stuart - I first opened a Credit Union account eight years ago because it was an ethical way of saving and basically I thought it was important to be involved in the community.

Gordon - I joined the credit union because I working at All Hallows and it seemed like the right thing to do.

Sharon – Gordon, how long have you been with the Credit Union a few years?

Gordon – No, less than 12 months

Mrs Breeze - I joined Credit Union because Yvonne told me about it, it was better for me to join so I could get some money quite quickly if I needed it.

Sharon – Was that recently?

About two years ago

Same time I joined about two years ago through Yvonne knowing about it and it just seemed a really fair way of doing things. Its seems for people who maybe don't have jobs all the time and it just gives them a bit of a chance to get some money when they need it.

I joined, I don't know maybe a few years ago because we had a little collection point in the school where I grew up. I think my parents had saved money for me when I was little. I looked out for one. It's not about profit it's about people and that's what you really need to work on the replication of that.

I joined the credit union I think when they began a collection point at All Hallows I believe I was told about it. I've got a Yorkshire Bank and a building Society account but it's really handy because every week I can just go to them and put something in without paying into a bank so its really handy Credit Union, it's alright.

I joined through the church and its better for me because its right near my house and it won't take ages to put your money in and then go home. It's hard to come into town and back again so it helps me.

I joined when we started the collection point and I like the convenience of saving. I try and put a little bit of money in each week and it adds up. I try to put it in regularly because I mean it adds up and then my children have got accounts as well.

Raymond - I joined because they came to the tower block where we lived and its very convenient. You didn't have to go to a bank. You know even now you don't, we have a card now don't we so and with me going to All Hallows I take my account with me. I give my account number and that's easier. I have had a few dates in the diary other commitments sort of thing but I try to pay that extra in. I have the normal taken out of the bank but I like to pay that extra because then you're not just relying on what the bank pays because if you pay that a month that could buy you something from the catalogue and if it should be £8.50 by a certain date I'll go and pay £10. I'll pay that bit above because then you can't get it wrong.

I joined All Hallows because its near my home

Sharon - Convenience

Yeah

Sharon – So we've already discussed some of the important things like ethical bit, are there any other mediums that you can think of that we haven't mentioned yet that you think help explain why people should join the Credit Union?

Raymond - I think, I don't know if it's possible but it could be passed out more to Community Centres and Schools. So they start at an early stage because at the end of the day it's like a money box. I'll give you an example of money boxes, you're far too young to know what I'm on about, in the old days they used to be a gas meter and an electric meter that was in the cellars and they took the old pennies and the old tupennies.

I think that if you've got Credit Union at Schools, I bet if you've the kids there, everybody would like to join, I bet that everyone would.

Raymond - I get to be conned that that was a money box. I used to have tupence and would go down to the cellar and put it in my money box.

Laughter

Sharon – What we'll do now is run onto the last little bit. So as I've said before, what we're looking at doing at Credit Union is doing some better products, better savings accounts for example or better loans. We want your help really in deciding or thinking about the sort of things we need to be giving people. What we've done is had an idea, we just thought of some examples just I'll read them out and I just want people to give their opinions say whether it's a good idea, whether they would like to use it or not.

The first one, we'd like to offer a savings account, which offers higher dividends for money that's left in for one year or more years. So for example you would sign up and get a higher level of dividends provided that you don't withdraw any money within a year. So for example you put in five hundred pounds, you say I'll leave it in there for one year and you will get higher dividends to what you'd get on your normal account.

Would that be separate to your account?

Yes it would, it would be separate account.

Group – Yes, that's good (many people agree). Would there be a lower limit to the amount of money you put in or would you have to have certain amounts? You know like would it have to start at two hundred pounds.

Sharon – It probably would have a starter level but I don't think it would have an upper limit that would be at peoples' discretion.

Group – That would be a good idea.

Raymond – Because like a Building Society I do that every five years, I put in but I can't take it out. But the minute I can take that out I open another account and put the money that I am saving into another one again that has to wait five years. I think yours is going to be just the one.

Sharon – Yes, I mean after that one year you could always decide to go in for another year, as well.

Raymond – What surprised me is that it doesn't matter how much you put in or how less you put in, but its amazing how much you save when you don't think. You can put 20p in and next time you can go put a fiver in then the next week a tenner, then what ever you have spare.

Group – So if you put in, say if someone had a windfall and put a certain amount of money in you could continue putting money in then could you, but obviously not taking money out.

Sharon – Yes, I mean these things are just ideas, which we have been throwing around, so you are kind of the first people who've heard about them. We are looking at something that say has a limit of two hundred pounds and you can add to it when you want but you can't withdraw or if you do withdraw your dividend might drop slightly. So you wouldn't completely loose the dividend but it might drop to the normal member account.

Group – And if you put in for a year and then you want to put it in for another year would the dividend go up more or would it stay at the same level as the first year?

Sharon – I'm not sure about that, that is something we would have to see about depending on how well it had gone.

Group – Cos that would more of an incentive for people to keep money in for longer, if it slightly goes up every year.

Raymond – I managed to save my works pension. I'm paid so much per month, because of interest rates keep altering, I'm being paid more, so that's good. I can say it might not go up next year but if you've got a certain amount in and the interest rates go up, naturally you're going to gain again and again. Twelve pound extra a week might not be much, but twelve pounds extra a week is far better than nothing isn't it.

Group – Yes

Sharon – So this one is a savings account where members would put in a lump sum of money and when you want to withdraw it, you can withdraw it any time you want but you would have to either 30 days or 60 days or 90 days notice to withdraw that money. If you needed it tomorrow you could withdraw it but you might lose your higher level of dividend. So it is a medium term account. So if you put something in you're not desperately in need of, but you know that it's there when you want it. What do people kind of think about that idea?

Raymond – That would be good, when you do want, you would say to them, which do you think you want to do is it 60 or 90 days before you have sign an agreement. Choose it before you actually sign an agreement. So that you already know what you're on before you don't have to come in and ask. You already know if I've said 30 or 60 or 90 days.

Sharon – So you would plan for that in advance.

Raymond – Yes

Sharon – What does anybody else think?

Group – Can I just ask why banks often do that? I've often wondered. Is it to discourage people taking it out?

Sharon – I think it helps with their long term planning as well, so they know they have x amount of pounds there for 30 days so that would kind of help them with their planning as well.

Raymond – Its all ready for the day when students come in and say can I have a loan?

Laughter.

Sharon – So if you have five hundred pounds or so that's the sort of account you would like to put it in?

Group – Yes

Sharon – First of all we have a savings account that offers increasing dividends with increasing savings. So say for example if you put in two hundred pounds you might get a dividend of 3% if you put in five hundred you might get a dividend of 3.5% and if you put in a thousand pounds you might get a dividend of 4%. What do people think about those kind of ideas?

Group – No I don't like that, I just think that it's unfair that richer people are rewarded for being rich.

Raymond - I'm not trying to cause problems, I like to make it even like I do to others, but they say I don't need to save I've got plenty. I do it because I want to keep that firm going irrespective of who put the money into I still want to keep that place going. I've heard that at cinemas because we had to plan, like even now it may sound daft, we had to plan what we were doing for next Easter and next spring, you know for the financial year of getting a film. Most of the public say that cinema prices are ridiculous. The cinema prices ain't ridiculous. The rents are ridiculous, in that first week you pay 90% of the takings to the renter so you want the film to be a proper first week or a slow starter. You need it to last more than 13 weeks, if it lasts more than 13 weeks you don't have to pay the renter a penny. You can run it for five or six weeks after that openly, you've got sufficient bums on seats to keep the place going because that's when the profit comes to the cinema, not your admission price. I like evening my money out on many things. Well if I thought the Credit Union weren't doing a fair deal to people I would straight away take my money out. **(Laughter).**

Group – I just wanted to say that it would just give the message that you were more interested in bigger savers and we're all trying to get across it doesn't matter how much money you've got, we're just encouraging people to save a little bit each week. I think it gives the wrong message.

Raymond – And you say at All Hallows to the people when they come in why don't you open an account for the kids because at the end of the day they've got something to look forward to then. If you I don't care what it is, I used to have a little book, when we went to church. We went to church because we got a stamp each Sunday in the book and you wanted a full book so that when you went to the Co-op…..(lost as tape finished).

Raymond - People don't know what they are saving for but say for instance the kid wants something. You get a little book, like a building society book, we all had little books so we could put twenty pounds in, then its printed there. They've got that to prove it, we don't care when we're putting it in. We know it's all on a computer, we know its on a big sheet, we're not bothered about having a little book. But wouldn't it be nice to have a little book or diary or something where the children could see it printed on.

Sharon – Like a personal card, with a stamp?

Raymond – To say on Monday 1st January or whatever I gave five pence. You know, they can say, Grandma, you know that pound you gave me, I've put it in the Credit Union. Build it up for them.

Mary – I've got two Grandsons and what I did I opened an account for them at Yorkshire Bank, I didn't think about Credit Union and they're right chuffed. When they get their bank statements, they say Nana look what I've put a pound in the bank and its really interesting. They get the right idea of saving.

Cathy – Can I just say about the first two ideas, it goes against the principles especially the principles of the other two. It's not about big money that's wrong, I think it encourages proper saving so what kind of budgeting what savings all about. That's just about just putting in lots of money.

Sharon – Too commercial? Like the big banks?

Cathy – Well commercial, that's wrong any way. Its about getting rich and getting money and that its just wrong.

Raymond – It wants to be a family atmosphere, not a business atmosphere.

Sharon – Right this is another idea we have had. We've actually stolen this idea from another building society. This is a savings account, which some people might prefer, whether due to personal or religious reasons, instead of receiving a dividend on their savings their dividend could go to a charity of their choice or say part of their dividend could go. So like people might want to donate to the All Hallows project they could sign so that the money goes there. So instead of you getting all the dividend the money goes to help the charity. What do people think about this?

Group – Excellent, interesting.

Sharon – Why is it interesting?

Gordon - Its unusual, it's something I've never heard of before or anybody else do.

Sharon – You look at other small institutions like another small building society, they give money to like the small local football club and things like that. But we thought with our ethical background giving to charity might be more suitable. Is that an idea people would be interested in?

Group – Yes, could you choose the Charity?

Sharon – Yes, there would be a choice

Raymond – I don't believe in being told you're going to save money to a certain person or hospital like that, I want to choose personally myself where the money goes.

Group – That way then people can support smaller causes, or larger causes or something they have a particular interest in. So that might be something people would be interested in?

Group – Yes,

Sharon – Right I think this is the last one. This is a loan, a loan secured on properties, this is more of a mortgage, a smallish mortgage. Stuart do you want to explain more about this?

Stuart – Ok, the idea is securing your property for home improvement or something like that, but more than you would normally borrow on a personal loan. So we are talking about maybe 10 thousand pounds, with a reduced interest rate that will be secured on the property. So how do people feel about that?

Group – Can you just explain more about what secured actually means?

Stuart – Yes, it would just mean that when the property was sold, if the loan wasn't paid back in full we would take the loan back from the proceeds of the sale of the house.

Sharon – It would be similar to a small mortgage.

Group – So if you didn't make your repayments on the loan itself you know like people loose their houses, would it be the same thing?

Stuart – It would, yes, obviously that would be the last bit.

Sharon – But you would have lower interest rates that you would be paying out obviously secured on your property. What do people think about that?

Group – Is that the only way you do loans at the moment, is it still 5 times what you've got in?

Sharon – No, it has changed. obviously we would still do the smaller loans. I think most of our loans are for about 12 hundred pounds and we would keep doing smaller loans as we do normally. But if you wanted to borrow say ten or fifteen thousand pounds, it's obviously quite a lot of money for us to say yep there you go and let them get on with it. But this would need security but it would also allow a longer time period for paying it back.

Stuart – Yes, I mean up to fifteen years, but we can only offer about ten if it wasn't secured, because we are regulated, we're not allowed to do it.

Raymond – How long, if there was an illness or bereavement, if they got behind in payments how long would you give them on the guidelines before you actually started badgering them?

Stuart – I mean we always go and speak to those people before we ever start demanding money back we do that now as a lender.

Raymond – How would you handle that situation?

Stuart – We would deal with it in the same way that we would on any loan. Obviously we can eventually go done that road to get the money back.

Raymond – I know you would need to get that money back but would you be keen to jump on that band wagon on that.

Stuart – Yeah, I understand what you are saying.

Raymond – I'm not just meaning you. I know what you are saying that happens with cinemas, that's why a lot of cinema fold, close down because they would not give them any time, to wait, to know and see if the next film coming out whether there was a profit. They wouldn't wait. But now thank fully all cinemas now, it doesn't matter which Uci, Warner Brothers or what they are all one company now and they all belong to Carlton TV. They all pay back to Carlton TV. Carlton TV don't want any cinemas to close whether it's privately owned, multi screened or anything because they would lose money. So they secure, even if they get a film and the film is a flop they know that they aren't going to get no tap on the shoulder, better do better next week. That's what I meant how secure would the people be that get the loan? A day or so.

Stuart – Obviously we would take it seriously, because we're lending out other people's money but we do offer money advice so people could come and speak to us rather than saying to them it's no good we're going to sell the house. So yes we would help.

Group – What if you didn't already have property but you wanted to borrow this amount of money for a deposit say. Would that be possible or do you have to have the security?

Stuart – It's like a catch 18. You need to own a property before you can secure a loan. So yes it wouldn't be possible to do that.

Group – Is it an idea based on marketing strategy, is there a market out there that will get a load more people in. Or is it more because there have been lots of big loans that haven't been paid back?

Stuart – No I think it's more, we've had more demand for a bigger loan from certain members, so it's just a way we can offer an improved service to those people.

Sharon – At the same time as well it's a way that we can improve service to those people because it's a lower interest rate but it also improves the service to the other members because if we had someone say borrowing £10,000 and they don't pay and do a runner then the other members can get affected. Because the dividends will lose out on ten thousand pounds won't it. So it will not only help the Credit Union run more smoothly but it will also make sure other members don't lose out in a way that they could if it wasn't secured but it's just an idea.

Group – It's a can of worms really that one I think. It's quite worrying some people are saving for a rainy day but maybe younger savers or whatever I don't know they might want a nice car or whatever may have a job stuff like that and then something happens, it just seems it could go a bit pear shaped for some people, like it does on the property market any way.

Sharon – But for example, if we did have a savings like this, you would say we need to make sure we have to have proper advisors, proper people, proper channels that we could go through if people are struggling?

Group – Yes, there would have to be some sort of support, I mean, if you're talking about helping people with debt problems and stuff if that's in your remit, in your records. By the same token ten thousand's a lot of money.

You have to be responsible. The effects of debt and getting into debt, I think its really good that things are tightening up. I know that's disappointed a lot of people if they don't get their loans but I think in the long run that's better, there's nothing worse than having loans and knowing that you can't pay them, it's a whole spiral.

If circumstances change there's nothing you can do about it.

Raymond – Borrowing from a loan sharp and you never pay it back. I know some people who wish they'd never done that because there's no way out. They at a catch 22 situation and it doesn't matter how much money comes in there's more to pay out.

Sharon – OK, has anyone else got anything final to say on that before we move on to a tiny little bit extra?

Group - If you're getting a big loan like that you don't you need a guarantor, something behind you, to back you up.

You'd do it on your house.

Sharon – OK, one final thing then, as we said we want what you feel is needed? Obviously you're a community collection point so you see people on a much more daily basis than say I do. What do yourselves as individuals or based on people you know, what kind of things can you think that we should be offering people that we don't offer at the moment?

Group – Some sort of, if somebody is having problems, if circumstances have changed then, they are having problems making their repayments back, maybe they have lost their job or somebody's ill or whatever. Is there some sort of advisor that you can chat to?

Stuart – Yes, we have a money advice officer now on the premises all of the time so people can come in.

Group – That's good, I didn't know that existed.

Raymond – Is that one to one? I think I found that when I asked before it wasn't one to one. The bank is one to one, the building society is one to one, but you don't want another member of the public knowing what my situation is. If I want to tell them fair enough, but I don't.

Sharon – Yes it is. We do have a money advice worker but unfortunately she is really really busy so that's one of the things we are looking at. We do have a private interview room which is a sound proof room, so no one else can hear in, it's got telephone, so she can ring out if she needs to and arrange things.

Raymond – That's the trouble with post offices when they say stand back until the customer serves and there is they are shouting out. So people outside can hear what they are saying.

I think it's horrible is that.

Sharon – Is there anything else then, savings products are they things people might be interested in, that one we talked about not necessarily the one with different dividend rates but maybe the one where you put your money in for a year?

Group – Yes, that's good.

Sharon – Yes we'll make sure you all know. We'll put it in the newsletter so keep your eyes on the newsletter.

Sharon – Anything else?

Group – The only thing about that loan of £10,000, is if you get a loan you can' take any money out of your account until its higher that what you owe? What are you going to do to help them?

Stuart – We recently altered that people can come in and withdraw their savings even if they have a loan outstanding so that we could make savings more accessible.

Group – So if you took out a loan of ten thousand, you're repaying that back but you're also saving at the same time.

Stuart – Yeah that's right.

Sharon – Ok has anyone else got anything else that you think would be useful for us to know so that we can help people with new products and new ideas?

Raymond – At first, when I first got my loan I thought it would automatically go out, what we'd agreed per month so you still have what you saved less what you've agreed per month. SO you've still got whats saved less the percentage what you agreed with the person when you signed the bond.

Group – I wanted to say that I think this meeting has been quite good, just in the way that you can hear what we want. It's a good way to do it. It's certainly been useful for me and I hope it has for you. Regular meetings would be good.

Sharon – That's worth looking at. Its certainly been useful for me. Is there anything else before we wrap up?

Raymond – I just wanted to say going back to the children if somebody, I know you can't do it over night but if someone could do a book, if something could be done, I am sure that you'd have quite a good collection.

Sharon – We do have a junior card that we use. You know Louise she deals with that. Next time she is up I'm sure she'll show you everything but there is some sort of card.

Group – Do they get a stamp?

Sharon – Yes,

Raymond – I mean if people know about that, if they have a card to start with. You lot should publicise it more so Schools know and playgroups know and because play groups for example save so much money per week so that they can go to swim and to pictures so that its already saved, they don't, when the six week holidays come they've already got the money away. So if something like that, that would help

Sharon – Help people to save up.

Sharon – Thank you so much for attending.

END