

# Using market research to relaunch a brand

## Introduction

**Market research** is a systematic process used by a business to find out about its customers and its markets. A company uses market research to ensure that it offers goods and services that customers want to buy. This should be a continuous process. Once a product is launched, it is important to listen to customer feedback. By acting on this feedback, businesses can help to keep customers satisfied.

Market research is as important for **service industries**, such as banking, as it is for manufacturing. This case study features **first direct**, a member of HSBC Bank. **first direct** has its own **brand** identity and its own product range. It attracts customers who want the convenience of telephone and online banking and who are comfortable with using modern technology to access bank services. These customers seek greater control of their money and are more confident about making financial decisions.

**first direct** launched in 1989. It offered a new type of banking service. Customers could access all banking services by telephone. The bank was open 24 hours a day, seven days a week, 365 days a year (a 24/7/365 service), with real people always on the end of the phone. This contrasted with the services then offered by the major high street banks. These were available only in traditional banking hours, usually 9am to 4pm. The banks closed for most of the weekend. Most transactions had to be made face-to-face. It was difficult to contact the bank unless customers visited a branch.

**first direct**'s service became highly popular with its customers. The bank won many awards for its service model. By offering additional services such as Internet banking and mobile (on the move) banking, customers could access their accounts and manage their money whenever and wherever they liked. However, it was not just about the fact that it was convenient, but also that the people at **first direct** were courteous, friendly, professional and adult-to-adult.

When it launched, **first direct** was unique. By 2000, however, rival banks were providing similar channels of communication. Banks like Cahoot, Egg and Smile also offered the same type of service and competed strongly on price. **first direct** was losing some of its **competitive advantage**.

This case study shows how **first direct** has used market research to revitalise its brand. It took action following a period in which it was losing customers to other banks. By taking action, **first direct** aimed to regain its position as Britain's most recommended bank.

## Understanding the market

A business must understand the market that it operates in. It must understand its customers, so that it can provide the goods and services they want. It must know about its competitors. Businesses that fail to match or better the products, prices and service standards offered by competitors will lose customers.

This is what happened to **first direct** for a period. The bank changed some of its terms and conditions, in order to deepen customer relationships and to encourage more usage of the bank. For example, current account customers paying in less than £1,500 a month (and not having other **first direct** products) were charged a fee. This was a bold move in a banking market in which most individuals did not expect to pay for having a current account.

### CURRICULUM TOPICS

- Qualitative research
- Quantitative research
- Primary/secondary research
- Promoting a brand



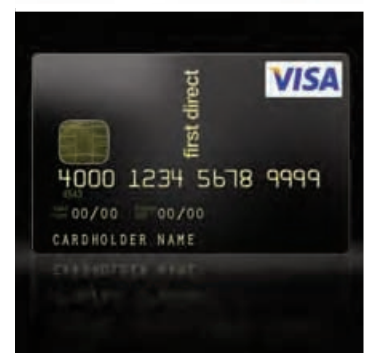
### GLOSSARY

**Market research:** a range of research functions that link marketers to consumers by supplying essential information to solve marketing problems and help with marketing decisions.

**Service industries:** industries that provide services rather than tangible goods for their customers.

**Brand:** a name, symbol or design used to identify a specific product and to differentiate it from its competitors.

**Competitive advantage:** a strategic element that enables an organisation to compete more effectively than its rivals.



The initial response to these changes was not encouraging. The media picked up the story and the resulting publicity affected the bank's reputation for good customer service.

**first direct** undertook research through a market research agency. This showed that customer perceptions of **first direct** had dipped. The survey measured the percentage of customers satisfied with the bank at which they held their main current account. **first direct** was no longer the top-performing bank by this measure.

**first direct** therefore decided to carry out further market research to identify how to restore the brand. The bank wanted this research to help it:

- assess if its products and services were the right ones for customers
- identify how **first direct** is viewed in comparison with its rivals
- create ideas about how to improve customer awareness, to retain the loyalty of customers and to develop the business.

## The market research process

Market research is the collection and analysis of information about a business's markets. This can cover features such as market trends, customer behaviour and opinions and the business strategies of competitors. Its purpose is to help a business decide its **marketing mix**. This is sometimes known as the four Ps:



There are different types of market research. One important classification is between primary research and secondary research.

- **Primary market research** involves commissioning new research. It involves collecting information directly from customers (and potential customers).
- **Secondary market research** draws on existing information on the market. It involves compiling information from government statistics, sales data, reports by industry analysts and articles in the trade and business press. This is also known as 'desk research'.

There are advantages and disadvantages to each approach.

Advantages of primary research	Advantages of secondary research
Provides direct feedback from customers and potential customers	Makes sense to use existing data before commissioning new research
Research can be tailored to the needs of the business	A relatively inexpensive way to gather market information
Makes possible a more in-depth analysis of the market	Provides a market overview, with some data on competitors
Generates information that is not available to competitors	May be quicker to carry out
Disadvantages of primary research	Disadvantages of secondary research
Time-consuming to undertake surveys and opinion polls	Does not always provide sufficient detail to answer all research questions
Expensive – many businesses need to hire specialist research agencies	Most secondary data is also available to business competitors

Another important difference in market research is between quantitative and qualitative research. **Quantitative research** generates numerical information, such as data on the size of the market and the percentage of customers satisfied with a particular product.

**Qualitative research** provides explanations for customers' opinions and behaviour. It provides information on why people like or dislike a product.

**first direct** used a variety of primary research methods as it prepared to relaunch its brand. This was a staged process. It sought customers' opinions on its current products and services. Then, as it considered changing its service **proposition** – its product range and marketing mix – it tested new ideas with groups of customers and potential customers. Testing gives direct feedback on how customers will respond before launching a service, as well as providing guidance on the most appropriate proposition.

### GLOSSARY

**Marketing mix:** blend of ingredients used by a business to win support of customers in the market place.

**Primary market research:** research that is carried out for the first time to meet a specific objective.

**Secondary market research:** desk research involving the collection of information that is already published.

**Quantitative research:** research that seeks structured responses that can be summarised numerically, for example as averages, percentages or other types of statistics.

**Qualitative research:** research that results in open-ended responses.

**Proposition:** a combination of products and/or services offered to customers.



The bank used **focus groups** and in-depth interviews to gain an understanding of consumer responses to the proposition at each development stage. This was followed by quantitative research to provide representative findings. This involved online questionnaire surveys of large groups of both customers and potential customers.

The focus groups provided qualitative information about customer perceptions and expectations. For example, customers wanted **first direct** to provide a fair banking service, with a transparent set of charges. The surveys also provided **first direct** with quantitative data about its products. For example, it found that 96% of customers felt that credit interest was not an important factor in choosing to bank with **first direct**. In fact, almost 70% did not know the interest rate on their current account.

## Outcomes of the market research

One insight gained from the market research was that some customers had very different opinions about **first direct**. There were two key customer segments with very different ideas.

	Loyal customers	New customers
Characteristics	Longstanding customers of <b>first direct</b> Strong levels of satisfaction	Typically less loyal to any bank More likely to change banks
Typical comments	' <b>first direct</b> has always been a convenient way of banking.' 'They looked after me in the past.'	'All banks are the same.' 'I shop around for the bank with the best deals.'

The discussions in the focus groups showed that customers wanted **first direct** to be fair and transparent. They should be able to see what they were getting and there should be no hidden charges.

However, customers also expected **first direct** to be different from other banks. They wanted the bank to provide innovative services. The key brand value – 24/7/365 availability – was still very important.

As well as providing information on how to position the brand, the research also allowed **first direct** to test the reaction to specific product proposals. This means the company found out how customers felt about new product ideas. In this way, it informed the **product development** process.

## Revitalising the brand

This process of brand **positioning** and product development through a programme of extensive market research enabled **first direct** to relaunch the brand. In doing so, it made adjustments in its marketing mix.

Place is a key component of this mix. When **first direct** launched it offered banking services to customers who did not want to be tied to visiting a branch during opening hours. It continues to offer 24/7/365 accessibility. It supports different channels to access services including web, text and phone banking. It continues to develop these services. Banking can now be carried out by iPhone.

New products have been introduced and some discontinued. The bank no longer offers interest on current accounts. Instead it offers a new '1st Account' that combines a current account and the option of a linked savings account. These allow positive balances on current accounts to be transferred regularly to savings. This means the customer receives a higher rate of interest on money in the savings account.

It has introduced new products to its savings portfolio. These include:

- Everyday e-Saver accounts – customers with a positive savings balance receive a competitive rate of interest.
- Regular Saver accounts – these give high interest rates for 1st Account customers.

The two new savings products generated 10,862 new accounts on the first day of sales.

### GLOSSARY

**Focus groups:** small groups of people used as part of a process of research to elicit feedback.

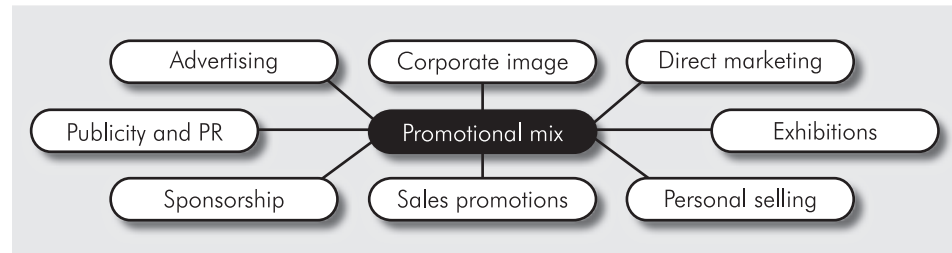
**Product development:** the design process of developing a product.

**Positioning:** placing a product within the overall market.



The bank has also sought to be more competitive on price by reducing the cost for some services. For example, it offers 0% interest on overdrafts up to £250 and provides free text alerts to warn customers if their account is nearing their limit. In addition to the product changes, **first direct** redesigned the visual elements of the brand. This included the logo, the look and feel of all promotional material as well as the interiors of the call centres.

**first direct** also reconsidered its **promotional mix**. Promotion is the means used to inform customers about services and to encourage them to buy products. There are a range of tools that can be used for this purpose.



**first direct** started by promoting the rebranding to its staff. For the business' 18th birthday celebration, all staff were given birthday gifts themed to demonstrate the relaunch. The gifts included rucksacks, security pass-holders, mouse mats, t-shirts and celebratory champagne and chocolates. This helped to ensure employees were fully aware of the new design and messages and would be able to talk confidently about them to customers.

Advertising is referred to as **above-the-line promotion**. This type of promotional activity is usually paid for. To support the relaunch, **first direct** commissioned:

- a television advertising campaign
- posters on the London underground
- branded London taxis, with a free ride if the passenger was a **first direct** customer
- a press campaign, which included advertisements in magazines and newspapers.

Other types of promotional activity are referred to as **below-the-line promotion**. This type of promotion is more within the business' control and can be more easily measured. These activities used to promote the relaunch included:

- direct calls to key customers to tell them about what was on offer
- personalised letters for customers
- new corporate branding, with a clearly differentiated logo from HSBC
- good quality information materials.

In addition, **first direct** undertook some public relations (PR) activity. It sent out clearly-worded press releases to the media. A DVD was issued to support the relaunch. This was sent out to all **stakeholders**, that is, everyone with an important interest in the company.

## Conclusion

**first direct** has always been a pioneering bank. It creates convenience, setting it apart from competitors. For a short while, **first direct** lost its way and became more like other banks. Fortunately it understands the importance of market research and marketing. It asked customers what they wanted. The answers were clear and so was the response. **first direct** is now recapturing its distinctive reputation in the banking sector.

## Questions

1. What is market research?
2. Why was it necessary for **first direct** to understand its market in order to relaunch itself?
3. What were the key findings from the market research? How was **first direct** able to find this out? What types of market research did it use?
4. What has the relaunch involved? What do you see as being the main strengths and possible weaknesses of the relaunch?

**first direct**

[www.firstdirect.com](http://www.firstdirect.com)

### GLOSSARY

**Promotional mix:** the range of measures in place to support the promotion of a particular product e.g. at its initial launch or re-launch.

**Above-the-line promotion:** direct expenditure on advertising, such as for a TV commercial.

**Below-the-line promotion:** promotional activity other than advertising.

**Stakeholders:** individual or group with an interest in the decisions made by an organisation.

