

# Factors that determine the corporate image of South African banking institutions : an exploratory investigation

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*The view that a visually appealing corporate identity is the most important contributor to a good corporate image is a myth. The process of corporate image formation is regulated by the corporate personality which consists of three groups of elements: conscious behavioural identity cues, such as customer service; need-satisfying products or services; and visual cues, such as the corporate name, logo, and slogan. Makes a major assumption that a visual design cue, such as a corporate logo, recalls impressions or perceptions in the minds of audiences. These perceptions are based on corporate behaviour which constitutes an overall corporate image. Perceptions measured through a semantic differential subsequently revealed that the following factors contribute to the corporate image of South African banking institutions: dynamism, credibility/stability, customer service, and visual identity. The research results therefore confirmed the assumption that corporate behaviour and corporate visual identity contribute to corporate image.*

**Keyword(s):** Banking; Corporate image; Corporate planning; Management; Marketing; South Africa.

## Introduction

One of the most popular myths in the management of corporate identity is that the corporate identity consists solely of visual and graphical artefacts. Judging by the contents of many corporate identity manuals it seems as if this myth is more fact than fiction in South Africa. In addition, some authors (Cullen, 1991; Katz, 1988; Lener, 1989; Miller, 1990; Olins, 1989) specifically emphasize the visual side of corporate identity which might unfortunately strengthen the impression that a corporate identity programme could consist solely of visual paraphernalia. Other authors, such as Band (1987), Bellhouse (1989), Bernstein (1986) and Croft (1989), argue that corporate identity consists of both visual elements *and* the way in which the corporation behaves.

The corporate image process must be understood before this issue can be investigated. The corporate personality determines the corporate identity which constitutes the corporate image. Abratt (1989, p. 67) says that the corporate personality is projected by "conscious cues", which consist of a diverse set of elements, such as employee behaviour, customer service, need-satisfying products or services, and the corporate name, logo and slogan. These cues – the corporate identity – create impressions or perceptions in the minds of audiences to constitute an overall corporate image. This view therefore leads to the formulation of an assumption that a visual identity cue, such as a corporate logo, could serve as a cognitive "switch" to recall an image in the mind of the beholder. This means that an image of the corporation can be recalled by a visual design element but is constituted by the perceived behaviour of the corporation.

## Theoretical concepts

Many definitions and viewpoints exist on concepts such as corporate personality, corporate image, corporate identity and the corporate logo. A further problem is that terms such as corporate identity and corporate image are used interchangeably (Puth, 1991). The corporate personality determines the corporate identity. Every corporation has a personality, which can be defined as a set of characteristics – behavioural and intellectual – which serve to distinguish one

institution from another. This personality is therefore projected through visual identification cues, such as a corporate logo, and through behavioural cues, such as the level of customer satisfaction provided. It should be noted that behavioural cues can be projected unintentionally through inadequate internal and external communication, customer dissatisfaction and low employee morale and performance. These corporate identity cues create a set of beliefs, experiences, feelings, knowledge, attitudes and perceptions about the institution in the minds of different stakeholders. This interaction creates overall impressions which constitute a corporate image.

Maintaining or expanding market share, keeping customers and business relations loyal, pre-empting competitive moves, and maintaining a profitable position, will depend on differentiation and a unique positioning in the minds of corporate audiences. Sunter (1993) states that the only way consumers will be able to differentiate between institutions in future is through image and brands. The importance of having a well-defined identity is therefore of major relevance for service providers, such as banking institutions. Appropriate provider images should be created since services do not have tangible properties or appearances.

A well-conceived corporate image programme can provide an institution with the kind of individuality that leads to high awareness, loyalty, and a reputation of being well-liked. Most South African banks have well-designed corporate livery, smart buildings, and distinguishable corporate headquarters. Communicating a distinctive corporate identity is therefore a major means of achieving a unique positioning, which may lead to increased profits and improved business relationships with customers, suppliers, intermediaries, subsidiaries, the authorities, the media and international contacts.

## **Research design**

The primary objective of this investigation was to identify certain distinguishable factors that constitute the corporate image of banking institutions in South Africa. These factors were related to the view that visual and behavioural identity create a corporate image.

The secondary objective of this investigation was to investigate the assumption that the corporate logo, as one element of the corporate identity mix, can serve as a cognitive switch to "recall" the respondents' feelings towards South African banking institutions.

There are a number of reasons why South African banking institutions (as the research subjects) and university students (as the respondent group) were chosen for this investigation:

- increased competition between banks is leading to changes in strategy for the recruitment of students as clients, such as offering bursaries, loans, and credit facilities, telephone canvassing, and below-the-line direct mailings;
- banking institutions maintain a high visibility through advertising, sponsorships, and locality of branches and ATM-machines;
- banking services, such as cheque accounts, offer virtually similar advantages at the different institutions;
- all banks have distinguishable logos and corporate livery;
- many building societies have repositioned themselves as banking institutions by offering the same type of accounts and services as the traditional banks; and
- all the respondents were clients of at least one bank.

Students, as a fairly heterogeneous group, can be regarded as a very important target group of banks, albeit in a state of transition. They are future managers and decision makers. It therefore

makes sense that banking institutions should target them early to forge long-term ties. Students are, in any case, according to Pitt and Nel (1989), good substitutes for consumers when testing involves human-information processing.

### **Research methodology**

The basis of this investigation was to apply the semantic differential and different bank logos as associative instruments to measure the perceptions of the respondent group. The research process therefore consisted of:

- generating and refining a set of bipolar items that defines a semantic differential scale;
- recalling perceptions through a specific concept or construct – the corporate logo;
- asking a number of respondents to rate their perceptions of South African banking institutions on the semantic scale; and
- refining these responses through factor analysis in order to identify a smaller number of factors that determine the corporate image of the banking institutions.

### ***The bipolar items***

No previous research could be found on the specific use of the semantic differential in conjunction with the corporate logo in research on corporate image. A new semantic differential was subsequently developed from a collection of bipolar items, chosen from other, unrelated, semantic differentials by Applbaum and Anatol (1973), Bevis (1966), Boyd *et al.* (1985), Churchill (1992), Dillon *et al.* (1990), Emory and Cooper (1992), Kervin (1992), McDougall and Fry (1974/75), Mindak (1961), Osgood *et al.* (1957), Weiers (1988), and Wright (1959). The initial list of items has a general nature because it was assumed that the banks had a high awareness level among the respondents. This is seen as a prerequisite by Aaker and Myers (1987) when an attitude scale, such as a semantic differential, is used.

Fiedler's (1985) technique of alternating the sets of items from positive to negative was adopted to reduce the probability of the respondents simply marking the scale on either of the extremes. A subsequent evaluation of responses determined that hardly any respondents took the lazy option of repeatedly marking on the extreme ends of the scale.

In compiling the initial list of items the researcher tried not to be too specific, but rather to develop a list of general attributes that would fit the research subject (banking institutions). A too fine measurement might have misrepresented or misguided the real perceptions of the respondents. Therefore, an item such as good/bad service was not broken down into descriptive segments.

A few additional items were also arbitrarily included by the researcher. It should be emphasized that some important items could inadvertently have been left out. This can pose interesting challenges for future research.

The initial set of items was further reduced by the following procedure:

- A general question was put to the respondents: "How important are the factors on the list when the image of a corporation is examined?" The respondents then had to evaluate the importance of each of the bipolar items on a scale from one to five. At this stage no mention was made that the corporate image of banking institutions would eventually be tested.

- Three sets of items with a mean score below three were eliminated. The resultant semantic differential of 30 items was used in the next phase of data gathering.
- Face-value evaluations from colleagues in the marketing department were also used to ensure face validity – “the subjective agreement among professionals that a given scale appears to reflect accurately what it purports to measure” (Zikmund, 1991, p. 362).
- Meeting other criteria of validity, such as criterion validity (corresponding to other measurements of the same construct) and construct validity (confirming a network of related hypotheses), was not found to be practical owing to the fact that the logo as a cognitive instrument in recalling corporate image has apparently not yet been measured.

### ***The corporate logo as cognition stimulus***

The inability of the researcher to find research reports on the cognitive role of the logo in determining or initiating attitudes towards a corporation led to a major assumption. The use of a corporate logo as cognition stimulus to recall attitudes was therefore assumed to be similar to measuring the relationship between advertisements and the attitudes they create towards brands. Extensive research on the latter has been done by Cox and Locander (1987), Gardner (1985), Gresham and Shrimp (1985), Homer (1988), Lutz *et al.* (1983), MacKenzie and Lutz (1983; 1989), MacKenzie *et al.* (1986), and Muehling (1987).

This assumption was based on the view that the logo reminds the beholder of his/her perceptions, experiences, attitudes, expectations, desires, thoughts, and even aversion towards the corporation “behind” the logo. This view ties in with the argument of MacInnes and Price (1987) that information (on corporations) is not stored as images but, rather, knowledge structures are activated, which recall mental images in response to certain stimuli (e.g. a visit from a salesperson or seeing a logo).

The idea that individuals could form an image of a corporation on which they do not have adequate information, especially for those respondents who have not had sufficient contact with most of the banking institutions, could be questioned. However, Reynolds (1965) argues that a so-called halo effect could form an image – whereby a person forms an overall image of a corporation by generalizing their impressions about attributes they are familiar with to those they know little or nothing about.

### ***Measuring perceptions***

The 11 major banking institutions in South Africa were narrowed down by asking the respondents to rank, in order from first to third, the three banking institutions they perceived to be the “best”. No cues were given on what was meant by “best”. Four banks (Standard Bank, Volkskas, First National Bank, and Nedbank were very popular) were eventually chosen as final research subjects. Respondents were shown a separate slide of the corporate logo of each of the four banks deemed to be the “best”. While viewing each logo, the respondents had to complete the 30-item semantic differential ( Table I) for that particular bank.

The suitability of the respondent group was also subsequently determined by, first, evaluating the respondent data and, second, scrutinizing their responses to determine any deliberate attempts to provide inaccurate information. No foolhardy responses were given.

Limited personal information was also gathered. All the respondents have accounts with at least one banking institution, while 38 per cent have accounts or use services at two banks. Most of the respondents hold savings accounts and have debit cards (ATM cards). Few have cheque

accounts, credit cards and/or petrol-garage cards. Perhaps a gap in the marketing strategy of South African banks?

### ***Factor analysis of perceptions***

In this investigation it was assumed that the corporate images of banking institutions consist of a complex set of variables. The purpose of factor analysing the completed semantic differentials was therefore to "determine linear combinations of variables that will aid the researcher in investigating interrelationships between variables" (Zikmund, 1991, p. 731).

A factor analysis subsequently enabled the researcher to describe the interrelationships between the 30 items in terms of a smaller number of factors. By summarizing a large number of ratings on the 30-item scale it was hoped that certain underlying constructs or perceptual dimensions of corporate image would be found.

The Varimax rotation method was used to compile a rotated factor pattern. Four significant factors were identified by using the NFACTOR criterion and an eigenvalue of above 1.0 as a cut-off point. Only items scoring more than 0.5 during this rotation were considered. Table II illustrates the items which loaded significantly on the four factors.

A suitable description for factor 1 is *dynamism*. A corporation can be described as dynamic when it is: growing fast, active, always improving, lively, aggressive, and flexible.

Although these items are predominantly intangible, they can be seen to constitute corporate behaviour. It seems that a suitable description for factor 2 is *stability/credibility*. This factor also constitutes corporate behaviour. The first three items fit well together. The state of mind of clients seems to be as an outsider. However, negative clients may indicate a degree of instability because they are likely to voice their disapproval to friends and family and this could evoke the feeling that a corporation cannot be trusted. A corporation with many negative clients may also be seen as having little credibility.

An appropriate description for factor 3 is *client or customer service*. A warm corporation is likeable and friendly. A friendly corporation has friendly and knowledgeable employees, and provides good service. This factor also constitutes corporate behaviour.

Factor 4 seems to represent *visual identity*. Judging by the contents of many corporate identity manuals, visual identity may be seen to be the major contributor to corporate image. It is therefore significant that the other three factors clearly indicate that the corporate behaviour (client service, stability/credibility, and the dynamism of a corporation) seems to contribute more to corporate image than visible symbols and artefacts.

These intangible factors can enhance a visually stimulating identity and may even compensate for small defects in the visual armoury. A great visual identity may not, however, compensate for corporate deficiencies with regard to other corporate behaviour factors such as client service, dynamism and credibility. Management should keep this in mind.

Table III summarizes the four factors that were identified as contributing to the corporate image of banking institutions in South Africa. As factor 1 (dynamism) explains more than 50 per cent of variance, it must be assumed that the items constituting factor 1 are at least as important as those of the other three factors together. It is therefore concluded that a South African banking institution has a good corporate image among its audiences when it is: growing, active, always

improving, lively, aggressive, flexible, stable, credible, good at providing customer/client service, and when it has a well-designed and appealing visual identity.

These findings signify that:

- students are an important target market to banking institutions and a serious marketing effort should be employed to create or support a positive image among them;
- the corporate logo can be used as an associative instrument to a semantic differential in measuring factors that determine corporate image (This means that the corporate logo should not just be visually appealing, but also must serve as a positive reminder of the institution behind it.);
- South African banking institutions should compare their current positioning with the factors identified in this study;
- marketing and public relations campaigns should be aimed at creating or maintaining a favourable image (A favourable image is based on perceptions that the banking institution is dynamic, customer expectations are met, and that financial and human resource stability is maintained. These perceptions should be reinforced with neat and visually appealing physical environments.); and
- banking training programmes should also focus on methods by which to enhance corporate behaviour with regard to creating customer satisfaction, empowering employees, and managing corporate visual design.

## Conclusion

Certain literature sources and a review of corporate identity manuals may lead readers to the belief that a well-designed corporate livery package, consisting of a well-known corporate name, a distinctive corporate logo, a visually appealing building or premises, and attractive corporate colours, are the most important factors contributing to a desired corporate image. In this investigation a semantic differential was designed to measure the corporate image of South African banking institutions. A factor analysis of data identified four factors contributing to the corporate image of South African banking institutions. These factors are: dynamism, stability/credibility, client/customer service, and visual identity. The first three factors are all intangible and point to corporate behaviour.

This investigation therefore confirms the view that *corporate behaviour* and *corporate visual identity* contribute to corporate image. It also confirms that the corporate logo, as one of the elements of the corporate identity mix, can create measurable images in the minds of respondents because it serves as a "mental switch" or stimulus. The view that corporate behavioural traits are clearly important in the creation of a corporate image has significant management implications. It emphasizes that management should spend more time on managing aspects such as customer service and overall public relations.

**Table I . The 30-item semantic differential used to measure the corporate image of South African banking institutions**

V1	Dishonest	1	2	3	4	5	Honest
V2	Aggressive	5	4	3	2	1	Meek
V3	Passive	1	2	3	4	5	Active
V4	Trustworthy	5	4	3	2	1	Untrustworthy
V5	Rigid	1	2	3	4	5	Flexible
V6	Strong	5	4	3	2	1	Weak
V7	Slow	1	2	3	4	5	Fast
V8	Stable	5	4	3	2	1	Unstable
V9	Cold	1	2	3	4	5	Warm
V10	Friendly	5	4	3	2	1	Unfriendly
V11	Unlikeable	1	2	3	4	5	Likeable
V12	Always improving	5	4	3	2	1	Not too progressive
V13	Not growing	1	2	3	4	5	Growing fast
V14	Good service	5	4	3	2	1	Bad service
V15	Quiet	1	2	3	4	5	Lively
V16	Reputable	5	4	3	2	1	Disreputable
V17	Unsuccessful	1	2	3	4	5	Successful
V18	Interesting	5	4	3	2	1	Boring
V19	Unfriendly employees	1	2	3	4	5	Friendly employees
V20	Knowledgeable employees	5	4	3	2	1	Unknowledgeable employees
V21	Unattractive	1	2	3	4	5	Attractive
V22	Clean	5	4	3	2	1	Dirty
V23	Unsociable	1	2	3	4	5	Sociable
V24	Important	5	4	3	2	1	Unimportant
V25	Low quality	1	2	3	4	5	High quality
V26	Stylish	5	4	3	2	1	Plain
V27	Invisible	1	2	3	4	5	Visible
V28	Believable advertising	5	4	3	2	1	Unbelievable advertising
V29	Old-fashioned	1	2	3	4	5	Really modern
V30	Positive clients	5	4	3	2	1	Negative clients

**Table II . Items which loaded significantly on four factors**

Factor	Item	Loading*
1.	Not growing/growing fast	0.63
	Passive/active	0.61
	Always improving/not too progressive	0.59
	Quiet/lively	0.55
	Aggressive/meek	0.53
	Rigid/flexible	0.52
2.	Trustworthy/untrustworthy	0.67
	Stable/unstable	0.60
	Dishonest/honest	0.59
	Positive clients/negative clients	0.51
3.	Friendly/unfriendly	0.72
	Friendly employees/unfriendly employees	0.69
	Good service/bad service	0.61
	Cold/warm	0.56
	Knowledgeable/unknowledgeable employees	0.55
	Unlikeable/likeable	0.51
4.	Attractive/unattractive	0.65
	Stylish/plain	0.63
	Invisible/visible	0.56
	Old-fashioned/really modern	0.54

\*Score attained through Varimax rotation

**Table III . Factors determining the corporate image of banking institutions in South Africa**

Factor	Percentage of variance explained
1. Dynamism	50.78
2. Stability/credibility	4.91
3. Client/customer service	3.73
4. Visual identity	3.61
Total	63.03

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