

Marketing Plan for Beverley Building Society

Marketing

Module 26303

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Introduction

This report studies Beverley Building Society's current market position and explores new ways to grow the business. The report will discuss and provide solutions for BBS on how it can adapt and keep the business growing and moving in the right direction.

Background and General Information

- Beverley Building Society was founded in 1886 and is the only independent building society based in East Yorkshire. Unlike banks, BBS is an independent mutual, in that there are no shareholders. Each customer has a share in the company.
- BBS takes pride in the level of customer service it provides and believes that this dedication to the attention and care of its customers is the backbone of the organization.
- BBS's main competitor is Yorkshire Building Society
- In spite of the current economic crisis, in 2012, BBS grew tremendously. According to BBS, "the society saw a seven per cent rise in its mortgage book, up from £122m to £131m, and a £3m increase in savers' deposits to £164.6m. Net profit grew for the third year in succession, up 35 per cent from £152,000 in 2011 to £206,000." BBS has total assets of £174 million.
- Beverley Building Society states its vision is "to be a strong independent mutual that is trusted and respected by members and non-members, because we offer straightforward, value for money products, that are easy to understand, and are supported by an unrivalled level of personal service."

1. Situation Analysis

1.1 Industry Analysis: Porter's Five Forces

Threat of new entrants

The threat of a new entrant is low because a new bank or building society would need time to build trust and a customer base. Bank and building societies rely on their reputations gained through years of trustworthy service and being part of local communities.

Threat of substitute products or services

There are alternatives to savings accounts, such as keeping cash hidden at home, investing in the stock market, and buying gold or other precious metals. All of these have more risks than a savings account at an insured institution like Beverley. There are even fewer alternatives to mortgages as most people do not have the funds on hand to pay cash outright for a new home. Their only alternative is perhaps to not buy a home at all and to continue to rent.

Bargaining power of customers (buyers)

There are many other sources of savings accounts, loans and other financial services that are easily accessible in Beverley's local market. Customers are able to compare rates easily via Internet and phone. They do, however, not have as much negotiating room with fixed-

rate financial services as they might in purchasing cars or other tangible items from local vendors.

Bargaining power of suppliers

“Suppliers” to a building society are the customers themselves. Savers “supply” money to lend. Therefore the customers are in many cases also the suppliers. Also, a building society probably borrows money from other institutions, such as banks. It would be unlikely that Beverley would be cut off from a supply of money to lend, nor would it have to pay unreasonable rates for that money.

Intensity of competitive rivalry

Competition is very intense due to the sheer number of competitors. Many of these competitors have bigger marketing budgets, broader product portfolios, and more sophisticated and varied delivery systems (online, mobile, ATMs, branches, etc.)

1.2 PEST Analysis

POLITICAL:

Currently, income tax rates in the UK are very high. For individuals making over £150,000 a year, the top tax rate is 50 per cent. Additionally, the National Insurance can take an additional 12 per cent or more from those with high incomes (HM Revenue and Customs, 2013).

These rates have only increased in recent decades and there is no sign of a turnaround toward lower rates.

ECONOMIC:

Since 2008, the world has suffered from a financial crisis causing the UK and countless other countries to fall into one of its worst recessions in history. Millions have lost jobs and dealt with the effects of unemployment and underemployment. Today, consumer spending is low and more people are focusing on saving money and paying off debts. The financial crisis has made it difficult to borrow money from banks. A recovery from the recession has yet to begin (BBC, 2013).

Banks and building societies in the UK strive to protect their customers. The government-backed Financial Services Compensation Scheme covers all UK-regulated current or savings accounts and ISAs so that each receives £85,000 protection. Although UK banks are more stable and safer than those in other countries, there is a definite need for more stability (CNN Money, 2013).

The UK housing market is weak. Since the recession, people are not buying homes at the rate they were before. This is a problem because BBS cannot count on as much mortgage business as they once could (Hamptons International, 2012).

SOCIAL:

The population of young people in the UK is shrinking, as the birth rate is low. Younger

people have less disposable income than the more mature population, yet they do not seem to be very concerned with saving money. According to a study recently conducted by Yorkshire Building Society, young people are more concerned with having the independence to spend their own money. This young demographic of roughly 12-21 year-olds focus on having control over what they do with their money (Instant.ly, 2012).

TECHNOLOGICAL:

The Internet and mobile applications are dominating the way banks conduct business. An online presence is a necessity for banks and has been for several years. Now, mobile banking is dominating the field. Customers look for convenience and speed when it comes to their money and mobile banking delivers. Many banks have mobile apps that enable customers to deposit checks and transfer money to other customers of the same bank from their mobile device (Accenture, 2010).

1.3 Competitive Analysis

As BBS is East Yorkshire's only independent building society, it has a distinctive, unique selling point, which needs to be exhibited to its customers. BBS faces competition from national and local banks such as HSBC, Barclay's, Lloyd's TSB as well as other building societies.

Nationwide is the largest building society in the world, with 700 branches and approximately £195 billion in assets, more than five times the size of Yorkshire Building Society, the second-largest building society in the UK (Building Societies Association, 2013).

Nationwide offers a broad variety of products including ISAs, Jr. ISAs, regular savings accounts, debit and credit cards, personal loans, mortgages, insurance and investments. Nationwide does not have a location in Beverley, but does have branches in Hull and other towns nearby (Nationwide, 2013).

Yorkshire Building Society is the only other building society with a location in Beverley. Yorkshire offers a breadth of products, including investments, insurance and savings. However, Yorkshire does not offer the Jr. ISA. Yorkshire also provides conveyancing, enabling its customers to access a network of approved solicitors to assist in selling, purchasing and remortgaging homes (Yorkshire Building Society, 2013).

The banking/building society sector is hugely competitive. Building societies compete with banks yet differ in that banks have shareholders who are paid dividends, and building societies do not. Instead, each customer or member of the building society has an equal stake and profit is reinvested back into the company. Profit goes towards community rather than the often-contested corporate shareholders of banks. This is what separates Beverley Building Society from big banks in the market. An article on BBS' website about its record growth supports the view of this incentive stating:

“People also recognise the fact we are a mutual with no shareholders to satisfy and that we don't pay ourselves bonuses, so in an era when trust in high street lenders is at an all-time low we are able to show people there is a safer, local alternative for managing your money.”

By not succumbing to demutualization, remaining separated from the stigma of the big banks, and staying with a community initiative, BBS has a distinctive edge over others. However, due to competition, banks can generally offer better rates than building societies. Their offers can be confusing and temporary whereas BBS takes pride in a straightforward, value approach.

1.4 Customer Analysis

- Beverley's research shows that building societies are more trusted and are perceived as offering better value than banks. Building society customers are more satisfied than bank customers.
- Beverley has a maturing customer base from a relatively affluent area.
- Beverley's customers are loyal and perceive themselves as members of BBS.

1.5 SWOT Analysis

STRENGTHS:

Beverley Building Society's main strength is its strong relationship with its customers. As East Yorkshire's only independent building society, BBS is able to make decisions centrally and quickly. Because it is in an independent mutual, BBS does not have to pay dividends to shareholders. The branch is located in the heart of Beverley and is in the centre of the town's thriving Saturday Market. BBS has a local and loyal customer base, many who are second and third generations doing business with the building society. Beverley Building Society is owned by its customers and was founded in 1866. This heritage means that customers are more likely to trust an institution that is old and has weathered previous periods of financial strife. The building society's loyal staff is committed to customers and most are on first name terms with members. BBS is well known as a financial and charitable supporter of the community. BBS grew impressively in 2012, realizing a 7.4% increase in its mortgage book, a 1.8% increase in savers' deposits and net profit was up 35% (Beverley Building Society, 2013).

WEAKNESSES:

Beverley Building Society is small when compared to some of the UK's major banks and building societies. The issue with the size of the building society has less to do with insecurity, but more that potential customers could perceive a smaller breadth of products and lack of innovation. Smaller institutions like BBS often have only one branch location and are usually less technologically advanced, contributing to the notion that smaller size in a building society is less desirable. Many people perceive all building societies as old-fashioned and behind the times. There are potential conflicts of interest with a building society cannot that uses its profits to support the local community instead of returning more profit back to its members in the form of more competitive rates.

OPPORTUNITIES:

A major opportunity for BBS and building societies in general is to increase awareness of the Mutuality/Building Society Sector as an alternative to banks. Through government support,

building societies should seize the opportunity to make sure the public has an understanding of what building societies have to offer. BBS also has the opportunity to capitalise on its solid reputation of being an ethical business partner in the local community. Many customers consider ethics when choosing a bank or building society, and BBS already plays a large role in the community. BBS can also make use of the opportunity to involve its members more because they are owners, not just customers. BBS engages its members in decision-making. Online banking is soon to be launched for BBS and this is an opportunity.

THREATS:

A threat to BBS is risky banks that may offer more competitive rates, even if for a limited time. This would detract potential customers away from BBS.

The Financial Services Act of 2012, effective 1 April 2013, can be viewed as both a threat and opportunity for BBS (HM Treasury, 2013). While the new guidelines of conduct for financial institutions may appear burdensome at first, it is also an opportunity for a well-disciplined institution like BBS to rise above less-compliant and more poorly organised competitors.

Some potential customers may lack interest in community initiatives. Customers may not perceive the money that BBS gives to charity and puts back into the community as a positive, but instead see it as an unfavourable expense that makes BBS's rates less attractive. An impending question that BBS faces is, "how long will you stay independent?" There is always a threat of BBS being bought by a larger institution, but BBS's history and heritage show that this is a strong institution.

1.6 Sales and Marketing Activities Analysis

While larger competitors can afford more advertising and promotional activity, Beverley has become successful through personal relationships between its customers and a very well trained staff. Beverley focuses on doing business locally, with 90% of its mortgages for homes in Yorkshire. Beverley had a 7% increase last year.

2. Marketing Objectives

To grow the number of BBS customers under age 30 and to increase the number of accounts and products held by these customers.

To grow the BBS mortgage book by 7% annually for the five-year period of 2013 to 2017.

To grow savings deposits by 3.5% annually for the five-year period of 2013 to 2017.

3. Marketing Strategy

BBS is keen to attract a younger audience of customers. Recognising that the younger population lives and communicates far differently from previous generations, the recommended strategy will leverage the young audience's affinity for social media, online sources of information, mobile applications and need for immediate access to service, regardless of location and time of day.

The marketing mix proposed to target this younger audience of customers addresses the needs of this audience (product), access to the products/services (place), fair market value (price) and whether the marketing communications will reach this audience effectively (promotion).

Marketing efforts will be structured to be traceable and accountable by promotion.

3.1 Market Segmentation

The current BBS customer demographic is largely made up of the financially established mature population that BBS has attained through an unrivalled level of customer service as well as from its community initiatives.

BBS needs to market to a younger audience in order to maintain its positive momentum and build a base of future customers.

In this recommendation we will address various segments of young customers:

Demographic Segments		
	Minimum Age	Maximum Age
Youth	0	15
Students	16	25
Young Adults	22	30

Some overlap in promotional recommendations will exist for the 16 – 18 age group, due to product offerings (JISA/Young Savers Account) age requirements. In addition, overlap between the student and young adults segments exist due to lifestyle choices.

3.2 Targeting Strategy

A fresh approach is needed to integrate young people into Beverley Building Society. This audience of potential young customers will be targeted directly through various youth-focused marketing and communications campaigns.

Although savings accounts and management of finances are not top of mind for most youth, an ongoing communications plan to appeal to these young customers can be implemented based on the life stages and ages of the account holders. These efforts would be part of a long-term endeavour to acquire loyalty among these new and younger customers.

In addition, communication efforts aimed at parents, grandparents and educators will serve as a means of engaging youth and students. Marketing efforts to estate agents will also help support the goal to increase first-time mortgage business from a younger audience segment.

The student population (specifically ages 16-25) has been one of the hardest hit financially under the present climate of our country. By addressing this issue via social networking, and by sympathizing with the financial constraints that students have to face on a daily basis,

BBS can present opportunities for this group to counteract these challenges. BBS has the chance to start conversations, debates and almost certainly gain the audience's support while promoting the benefits of working with Beverley Building Society.

4. Marketing Programs - Marketing Implementation

Beverley Building Society "Bridge Program" (Youth/Students under 18)

Families are great brand influencers. When a brand is visible within a family, children become familiar with the brand. Since many current BBS customers have been affiliated with BBS for generations, it is important to extend this connection to younger generations. The Beverley Building Society "Bridge Program" can bridge the generations by offering BBS parents/grandparents an incentive to open Jr.ISA or Young Saver accounts for all of their children and grandchildren.

The JISA product is not available at all financial institutions but it is offered by BBS at very attractive rates. With these early savings accounts for the youth in a family, BBS is then provided with the avenue to begin communicating with this younger generation and establishing brand loyalty with them.

For each account opened (specified minimum amount) for a younger family member, an initial deposit bonus could be added by BBS. If additional contributions are made during the first year of the account, another deposit bonus would be added. This would encourage parents and grandparents to consider deposits to these youth accounts as birthday, Christmas and other life-event gifts.

The BBS Bridge Program can be communicated to current customers via posters and brochures at the branch, newspaper ads, statement inserts, via the website and through BBS associates during in-branch interactions with existing customers.

Additional Marketing Activities for Youth/Students (under 18)

Marketing efforts to the younger youth/students audience (under age 16) will primarily include communications to their parents and educators. BBS parent customers can be provided with tools to communicate with their children about the importance of savings and will be encouraged to open JISA or Young Savers accounts for their children. Interactive webpages to engage parents and students can be added to the BBS website. Both direct mail and email newsletters can be used to communicate with the parents of these youth.

BBS should send a birthday card to all Junior ISA and Young Savers account holders. This can present an opportunity to encourage young account holders to continue saving. Each opportunity for BBS to communicate with the youth audience will continue to help build a relationship with BBS and the young customers.

BBS should also partner with schools to provide entertaining and educational programs on finances. BBS representatives can visit schools for these presentations. This also allows an opportunity for the students to meet the BBS associates and be invited to stop by the branch.

BBS should pursue goodwill opportunities to reinforce the brand with youth and their parents.

For example, on the first week of school, students could be invited to stop by BBS for free ice cream.

In addition, older student teens (16+) can be engaged through social media such as Facebook, Twitter account and a YouTube channel.

BBS could sponsor a contest in which teens submit a Vine video of something they saved for through their Young Savers Account (e.g., a tablet computer, guitar, or travel). This type of contest would successfully engage youth in a popular social media platform.

Another opportunity to engage older students (16+) is to create a BBS scholarship for a pre-university student who has shown an example of stellar community service work. This scholarship contest would draw attention to the importance of the community work done by BBS as well as local youth community service efforts.

Beverley Buddies (Students 16 – 25)

Support to this age/lifestyle group can be offered in the form of a free step-by-step budget plan for students when they join, which can be easily accessed online (promoted through social media) and with added support from in store or from student advisors.

New customers in this student demographic (ages 16-25) will be provided with one personal advisor or "Beverley Buddy." Beverley Buddies are a trained team of upper-level students or recent graduates who have been BBS customers for a required length of time and who will serve as mentors to new customers.

Although Beverley Buddies are volunteers, they will be motivated by incentives such as special rates, discounts and prizes from BBS. A point system will track volunteer activities in order to award Beverley Buddy work. This point system would also be used for a monthly Beverley Buddy lottery. Buddies who have more points have a greater chance of winning than buddies with lesser scores.

Beverley Buddies will also be present on university and college campuses within East Yorkshire. They will offer financial advice to students, especially first years.

The Beverley Buddy initiative is attractive because these mentors are close in age to the new customer, making BBS seem more approachable. Buddies would make maximum use of social media with their own Facebook page, mobile app and Twitter handle, giving customers the feeling of community and providing them with an environment to seek advice that is relevant to their age group.

Beverly Buddies will have a mascot such as Buddy the Elf that will play a major role in the social media plan. An "Ask Buddy" feature will serve as a way for customers to ask questions anonymously on Facebook. Students and young adults may have questions about financial matters whose answers would be beneficial to other customers. Buddy's page would post these questions and responses for the use of others but respect the privacy of customers.

Buddy can also be used in social media competitions. For example, implement a scavenger hunt where customers would use Twitter to "follow" Buddy around East Yorkshire from the clues he tweets. The customer to locate Buddy will receive giveaways or even better interest

rates for the month. This could occur once with many small giveaways and a large grand prize, or it could simply be a weekly occurrence where the prize would be something like an Amazon gift card.

As a building society, BBS focuses on helping people buy homes. Even though most 16-25 year olds are not yet buying homes, they can be educated as to what it will take to buy a home and how the business they conduct with BBS now will help them prepare for the future when they will buy a home.

Beverley Buddies can make a connection with the customer and emphasise BBS customer service and position the Beverley Building Society brand very favorably.

Susan Wolf, VP of financial services at Mintel Comperemedia states "When it comes down to it, people still crave personal contact when communicating with banks. Talking in person or over the phone brings on feelings of familiarity and confidence, which are especially important to consumers in light of the financial crisis" (Mintel Comperemedia, 2009). We have addressed this issue with the consumer by offering the direct relationship with students through the "Beverley Buddy" initiative.

Tactics for University Students

BBS should sponsor events at University of Hull to educate students on managing their finances and preparing for their future after graduation. These events should be informative, but light and engaging, to encourage students to attend. Food and prize giveaways are effective ways to attract students.

BBS should be a sponsor of student-oriented events such as sporting events, musical performances and festivals. BBS and university students can also collaborate to raise funds for a charitable cause. By having a presence at these events, BBS and its associates will create a connection with these students.

BBS should build videos on topics of importance to these students and post on their YouTube channel. BBS should also invest in creating mobile apps, blogs and website pages dedicated to university students. Other social media vehicles such as Twitter and Facebook should be used as well.

BBS First-Time Homebuyer Program

Young Adults (22-30)

This audience of working young adults is full of prospects for first-time mortgages. BBS should develop a blog with articles directed toward this audience. Topics could include managing finances, understanding the home buying and mortgage process, and saving for a home. In addition, BBS should develop a downloadable eBook for first-time homebuyers with guidance and tips. BBS brand attributes of trust, credibility and stellar customer service should be interwoven throughout the eBook. Mobile apps and social media such as Twitter and Facebook can be used to reach this audience segment.

BBS should offer live seminars on saving for and buying a first home. This can be promoted to this audience via radio, newspaper, and social media. Content from the live seminars could

be distributed via podcasts and YouTube videos. These seminars will provide an opportunity for BBS staff to interact with this audience. Email addresses of attendees would be captured to allow continued communication with these prospects.

Estate Agents

Estate Agents represent an opportunity for BBS to connect with first-time homebuyers and to acquire mortgage business from young customers. BBS can offer tools on its website such as a downloadable “First-Time Homebuyer” eBook, which can be co-branded with the estate agent’s name and company logo. This document will help keep BBS top of mind for prospective first time home buyers by explaining the process of buying a home and emphasizing the exemplary customer service and great rates provided at BBS. By providing helpful information to Estate Agents, BBS becomes a partner in helping homebuyers acquire mortgages. These efforts can also be expanded to target prospective geographic markets for BBS.

4.2 Loyalty Programs

Beverley Benefactors

Create a customer loyalty program called “Beverley Benefactors” that capitalizes on the appeal of BBS’s charitable giving efforts. The program would be structured to allow participants to select their preferred charity. Enrolled BBS customers would then accrue points for various actions (e.g., deposits, customer referrals, new accounts, new mortgages). At certain thresholds, these points would then be converted to a donation amount to the customer’s selected community charity. The “Beverley Benefactors” program rewards customers for their ongoing loyalty to BBS, engages them in a positive way and rewards them by making a difference with a charity of significance to them. This program builds on the BBS brand of supporting the community and provides a value that customers care about.

The Beverley Benefactors program will create many opportunities to tell stories of how BBS and its customers have made a difference to the community. These stories can be communicated via local media (newspaper, radio), community events and meetings, and social media. The stories should always be told as good outcomes made possible through BBS and its member-customers, encouraging potential new customers to join BBS and to be part of future stories about making a difference.

While this program can appeal to the entire BBS customer base, this program can be specifically targeted to appeal to the younger customer segment via social media platforms.

Conclusion

Beverley Building Society has the opportunity to leverage its superb reputation and history to build its business with future generations. By coupling new technology and communications with established business practices and attention to the needs of its customers, Beverley can maintain its status as a well-respected financial institution for years to come.

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