AN INVESTIGATION INTO
THE POTENTIAL APPLICATION OF
RELATIONSHIP MARKETING
IN THE BRITISH
HOUSE BUILDING INDUSTRY

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*"Goodwill is the one asset the
competition cannot undermine or destroy"*

Marshal Field[1]

SYNOPSIS

The application of relationship marketing in the house building industry would represent a fundamental change of direction for its transaction orientated players and is therefore of great strategic importance.

This paper finds that relationship marketing is a viable strategy and that both the motivation and opportunity exist to take up this challenge; however, very few companies are equipped to exploit it. For those companies in a position to apply relationship marketing, the unique advantage to be gained makes it a very attractive strategy indeed.

Also revealed in this paper are the popular misunderstandings surrounding the concept of relationship marketing and the low level of knowledge that exists on complex purchase/buying behaviour.

The study addresses these issues by focusing on the viewpoint of the top 17 (volume) house builders. It employs both inductive and deductive methodologies, supporting theoretical analysis with a quantitative customer viewpoint survey.

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[1]in Hughes A M (1994) *Strategic Database Marketing* Probus USA p45

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FOREWORD

Relationship marketing has a breadth of interpretations and a variety of aspects could be investigated across the whole house building 'value chain'. Limited access and resources dictate that the report concerns itself with the proposition of relationship marketing at the company/customer interface.

ACKNOWLEDGEMENTS

I should like to acknowledge the co-operation of numerous executives, listed in **Error! Reference source not found.**, who gave me their time to discuss aspects of the research.

INTRODUCTION

This report serves as a guide to management and academics which:-

- Explores the strategic potential for relationship marketing in the house building industry from the viewpoint of a major builder by examining those issues impinging on its application and presenting recommendations on its implementation.

- Rigorously examines the theoretical and conceptual issues surrounding relationship marketing by trial fitting to an industry which could be considered as an extreme case.

- Provides improved holistic understanding of buyer behaviour, customer expectations and marketing scope in a product field which involves complex/extended decision making process.

OVERVIEW: WHY RELATIONSHIP MARKETING?

This dissertation follows on from ideas first developed in an MBA module assignment (Taylor 1994[2]), and sets out to explore those ideas in greater depth.

The house building industry at present is entirely transactionally orientated. Application of relationship marketing by an industry player would represent a <u>fundamental</u> change in strategic policy and impact on many aspects of the organisation. The author believes that, if achieved, relationship marketing would equip the player with a unique source of strategic advantage. It holds the possibility of cascading through the industry causing a market restructuring. For this reason it is considered a strategically important issue.

THE PROBLEM

Traditionally in the house building industry the interaction between buyer and seller has been entirely a one-off transaction, with no post purchase interaction. The argument has always been that many other variables play such a significant role in the customers decision process, and the purchase interval is so great, that the chances are against a customer buying again from the same builder. Viewed from this perspective, house building must surely be unique in merchandising terms in that the prospect of a repeat purchase is considered remote. As a consequence, all transactions are with 'new customers', with all the marketing costs that this entails.

A different perspective of house purchase may be seen if one considers aspects of buying behaviour, the complexity of the process and buyers personal involvement in it. It is generally accepted in the business that people buying houses are buying lifestyles. This implies that there is strong identification between one and the other. The dissonance reducing effect[3] brought into play in 'high risk' decisions means that customers dearly want to believe in their purchase and those involved in their purchase experience. With a customer seeking to take a positive view, this seems a

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[2]Taylor G K (July 1994) *Relationship Marketing in the House Building Industry*. Unpublished MBA assignment
[3]Festinger L (1962) *A Theory of Cognitive Dissonance* Stanford University Press ASU

very sound basis to develop beliefs in a brand. Given the complexity of the process, customers are likely to turn to their beliefs when buying again. This is grounds for pursuing an ongoing relationship.

APPROACH TAKEN

Before discussing the hypothesis it is first necessary to:

1. Understand the nature of relationship marketing

2. Examine the industry environment that may motivate a change towards relationship marketing

3. Explore theoretically and practically whether there exists on the customers side an interest in prolonging the seller-buyer relationship past the point of purchase.

Aspect 1 is discussed in the next chapter, while 2 & 3 are covered in the Methodology and Chapters 3 and 4 respectively.

SCOPE

Due to the scope of the subject area, the study was focused on relationship marketing from the viewpoint of major builders (over 2000 unit sales per year), of which there are 17, listed in Chapter 3 Table 2. A move towards relationship marketing by any of these could have significant strategic impact and may cascade through the industry.

DEFINITIONS

New House Market: Houses built for private sale. Unit volumes correspond to house building registered with the National House Building Council (NHBC). Excludes sheltered and partnership homes (where data exists to make this distinction)

First time buyer (FTB): A buyer never having owned a dwelling before, often having to raise mortgage funds for the first time

Former home owner (FHO): A buyer having owned a dwelling before (often having to sell one property to buy the next and having an existing mortgage to transfer)

CHAPTER 1

RELATIONSHIP MARKETING THEORY

Relationship Marketing involves the cultivation of customers and markets over their 'lifetime' and implies a mutual dependency between customer and supplier. It represents a mind-set , not of the individual 'transaction', but the value of a customer as an ongoing revenue stream. It is fundamentally about targeting the marketing effort towards building and sustaining an ongoing 'relationship', capitalising on and regenerating goodwill.

The roots of the relationship marketing concept can be traced to Berry (1983)[4] who introduced it in a service context. Since then it has acquired increasing support from commentators such as Levitt, McKenna, Christopher, Payne & Ballentyne, Vavra etc. as discussed later in this paper.

Relationship marketing is used to promote customer retention in environments such as business to business, airlines, banking, insurance and finance. Recently it has been introduced to UK FMCG, supermarkets and brown goods.   In the business to business world, the value of cultivation of ongoing supplier/customer relationships is well recognised, particularly where individual contracts can span years. From the supplier side, to achieve 'preferred supplier' within a routinised procurement system is a strategic goal; from the customer side establishment of 'transparent' relationships with suppliers through 'reverse marketing' (Leenders 1980[5]) is similarly attractive, while the supplier-customer relationship is consummated by both sides in the Japanese Keretsu system.   Somehow this sort of relationship has lost its way in many other markets, particularly those involving the domestic customer. Vavra (1992) and Christopher et al (1991) believe that traditional marketing has become too 'transaction' biased. Vavra points to the apparent pre-occupation of

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[4]Berry L L (1983), see Clark M. Payne A (1994) *Achieving Long Term Customer Loyalty: A strategic Approach*. MEG Proceedings of annual conference Vol. Pp 169-178

most contemporary marketers with winning new customers ('conquest thinking' as he calls it), which paradoxically can only be accomplished where customers have little loyalty. If, as Levitt puts it,*" The sale merely consummates the courtship. Then the marriage begins"*[6], much of marketing, and certainly house building, has been guilty of pursuing 'one-night-stands'.

Vavra[7] and Christopher[8] et al trace this fault to the 'marketing mix': *'Product , Place, Price, Promotion'*:

> *"..the basic Four P's model does not really capture the full extent and complexity of marketing in practice, neither does it explicitly recognise the essential interrelationships between the elements of the mix"*[9]

<div align="right">Christopher (1991)</div>

They suggest the mix is extended to include:

Vavra (1992)		Christopher et al (1991)
Product		Product
Price	Transactional bias	Price
Place		Place
Promotion		Promotion
----------------------------	-------------------	----------------------------
Customer communication		Process
Customer satisfaction	Relationship bias	People
Service		Customer service
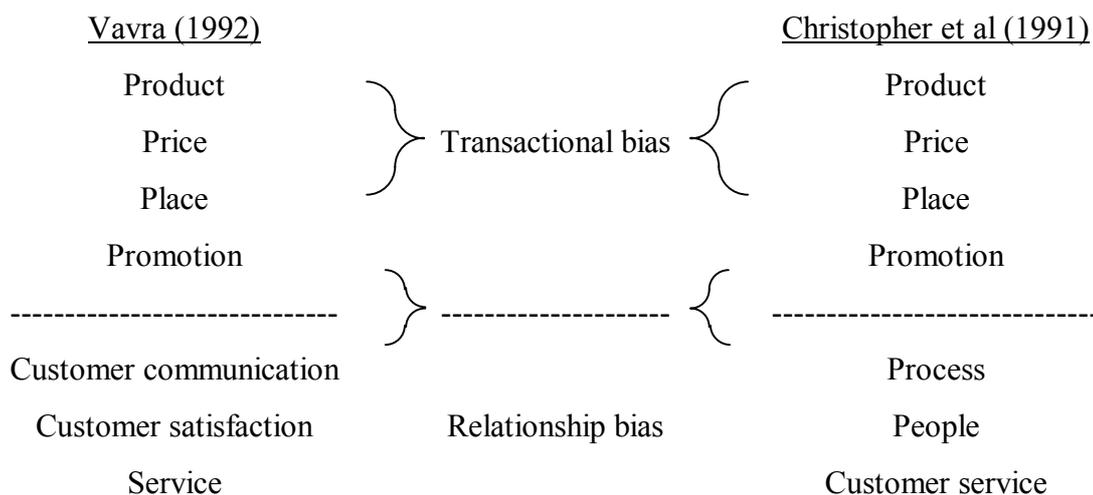
Aside from spoiling the alliteration, it could be argued that these additions have always been implicit in the 'extended product' and 'promotion' concepts. The additions do, however, draw explicit attention to the scope of marketing activities.

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[5]Leenders M R (1988) *Reverse Marketing, The new buyer-supplier relationship*. The Free Press, New York

[6]Levitt T (1986) *The Marketing Imagination* The Free Press, New York. P 111

[7]Vavra T G (1992) *After Marketing; How to keep customers for life through relationship marketing*. Business One Irwin. Illinois

[8]Christopher M, Payne A, Ballantyne D (1991) *Relationship Marketing* Butterworth Heinemann. Oxford

[9]Christopher et al as 7 above, p 8

Kotler (1988[10]) believes "*Transactional marketing is part of a larger idea, that of relationship marketing. Smart marketers try to build up long term trusting win-win relationships with customers, dealers and suppliers*", while Levitt believes "*The purpose of a business is to create <u>and keep</u> a customer*" [11].

The contrast between transactional and relationship perspectives is highlighted in Figure 1 below:

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

Figure 1: Transaction Vs Relationship perspectives: Christopher et al p9

Christopher et al promote relationship marketing across all the activities of a company, their "six markets"[12] of '*Customer, Supplier, Internal, Referral, Influencer & Employee'*. This paper is concerned with just one aspect, the customer market.

Commentators have approached relationship marketing from different perspectives. Christopher et al see relationship marketing as a blend of customer service, quality management and traditional marketing, whereas McKenna[13] sees it more simply as a dialogue between supplier and customer. These views are inadequate since they fail

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[10]Kotler P (1988) <u>*Marketing Management: Analysis, Planning and Control*</u>. 7th edn. Prentice Hall International. p 8
[11]Levitt T (1986) <u>*The Marketing Imagination*</u> The Free Press, New York. P5 (My emphasis)
[12]Christopher et al (1991) p21

to consider where the communication takes place or how information essential for the relationship is acquired or handled. Vavra highlights the central role of IT in gathering and maintaining the volume of information necessary to relate individually with large numbers of customers at numerous levels.

The full picture of relationship marketing is one of an holistic approach to marketing, spanning pre and post transaction. This is enabled through the convergence of:

- Traditional sales/marketing/research
- TQM/continuous improvement/continuous repositioning
- Customer Service
- Database/direct marketing/customer tracking & IT
- Customer loyalty/satisfaction programmes

A conceptual relationship marketing model for house building developed by the author in an earlier paper[14] on the above basis is described in **Error! Reference source not found.**.

The underlying principle of relationship marketing is to increase marketing efficiency by reducing the 'churn' (customer turnover) or conversely, increasing the customer retention rate. For example, Bain & Co's[15] experience suggests that just a 5% increase in customer retention rate can lead to increases in profits of between 20% and 85%. At the same time, relationship marketing systems communicate more directly to specifically targeted segments. Thus relationship marketing is claimed to reduce the cost of communicating below that of mass media rates, while circumventing other forces that may have obstructed the message (such as the competition) to achieve 'ownership' of the market.

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[13]McKenna R (1991) *Relationship Marketing: Own the market through strategic customer relationships* Century Business Great Britain

[14]Taylor G K (1994) *Relationship Marketing in the House Building Industry* . Unpublished MBA Assignment

[15]See: *Long Customer Life can lead to greater profit*. Marketing. (Guide 30 Customer Loyalty) 18 November 1993 p 24

These advantages are not as straightforward as they seem:

- There has to be a reasonable prospect of repeat business to make it worthwhile. Evaluation of this is a stage missed by all the commentators mentioned. In the house building industry, with its 100% churn, prospect of repeat business cannot be assumed.

- It can be argued that relationship marketing is an additional cost to the normal 'conquest' sales and marketing activities. For example Saab achieves a 67% retention rate, much of which is attributed to the relationship marketing system. However, the remaining 23% of customers still have to be sourced through conventional 'mass media', which results in a high apparent cost per sale. Even when looked at from this extreme perspective, Saab have the security of knowing where the bulk of their revenue will come from.

PSYCHOLOGICAL BASIS FOR RELATIONSHIP MARKETING

This paper takes the view that relationship marketing concerns the focusing and tuning of company activities towards lifelong customer business, using moves calculated to enhance and pre-empt customers decision making processes in the future. The link between customers psychological buying behaviour and the relationship marketing concept is fundamental to this paper but is overlooked by most commentators. Vavra is alone in explicitly recognising customer purchase behaviour, particularly cognitive dissonance reducing behaviour, as a psychological basis for relationship marketing. He argues that the most attentive audience for advertisements are the recent buyers, who seek confirming information: *"there is real value in speaking to a customer after she has purchased your product or service to re-assure her that she has purchased wisely and is getting her money's worth..."*[16]. The argument in this paper is that the dissonance effect is a strong potential source of goodwill.

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[16]Vavra (1992) pp 19

UNDERSTANDING THE CUSTOMER

Vavra accuses marketers of "Customer myopia"[17], "*....assuming customers are satisfied with products but failing to actually ask 'how are we doing?'*". Christopher et al highlight 'quality gaps' (categories of potential shortfalls between customer expectations and experience, conceptualised by Parasuraman and colleagues[18]) as very important to customer relationship issues. One of these 'gaps' is 'ignorance of the customers expectations'. This paper views house builders understanding of customer expectations with great suspicion, for several reasons:

- Of the major house builders under review, at least two are known to send customer satisfaction questionnaires to recent house purchasers and do nothing more than file the information. Furthermore, the psychology of post-purchase dissonance is hardly likely to allow customers to return a 'poor' verdict.

- Customer expectations are becoming more sophisticated. Customers transfer their expectations from one product to another. In their research into quality service expectations Zeithaml et al[19] concluded: "*Our research revealed that customers have service expectations on dimensions that are similar across many industries*".

Zeithaml et al suggest researching what customers want in similar industries: "*Knowing what customers expect is the first and possibly most critical step in delivering quality service*"[20]. Both the above issues are explored further in Chapter 5 onwards.

WHY RELATIONSHIP MARKETING IN HOUSE BUILDING?

The concept of using relationship marketing as a tool in the house building industry is founded on three characteristics which are peculiar to that industry (Figure 2):

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[17]Vavra (1992) p23
[18]Parasuraman and colleagues. In Christopher et al 1991
[19]Zeithaml V A. Parasuraman A, Berry L L (1990) *Delivering Quality Service; balancing customer perception and expectations*. The Free Press p 56
[20]Zeithaml V A. Parasuraman A, Berry L L (1990) p 51

- *Low Retention Rate*: Churn is 100% and little brand loyalty is exhibited.

- *Complex buying behaviour*: House purchase is one of the most 'complex' and involved processes of any products bought by domestic customers

- *Availability of Database*: Under the NHBC Warranty, house ownership is held on a register for 10 years. Further, since the product is not mobile, builders are most likely to hold records of the addresses of their product owners. Such data bases are likely to contain clues on customer segmentation and profiling.
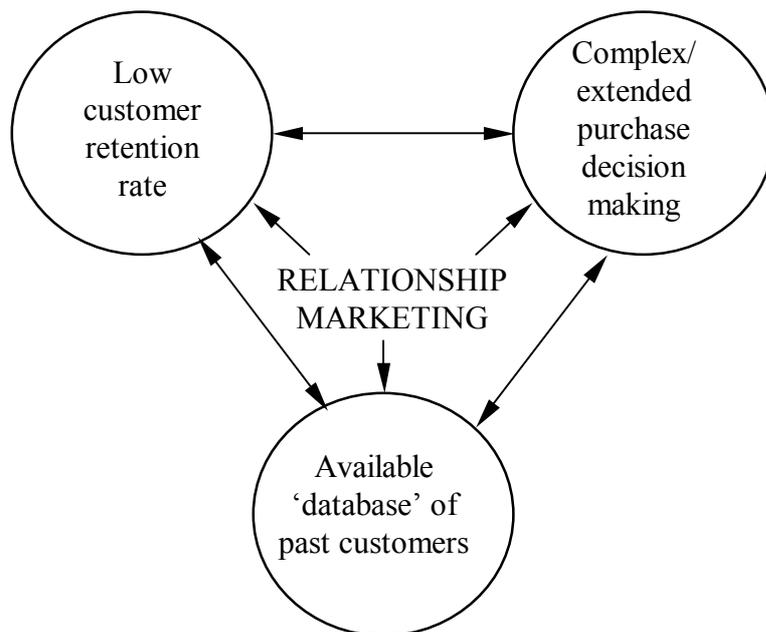
Figure 2

A superficial inspection of relationship marketing, which is claimed to increase marketing effectiveness through processes underpinned by buyer psychology, targeted marketing and reducing churn, suggests that it offers considerable scope as a strategic marketing tool. Further, the immobile nature of the product offers builders the opportunity to maintain relationships with owners over a very long term.

Given the multi-faceted nature of relationship marketing, this paper is a critical investigation of both its application in the house building industry and its underlying concepts.

CHAPTER 2

METHODOLOGY

CHOICE OF RESEARCH METHOD

The nature of relationship marketing theory discussed in the previous chapter suggests that there are a number of facets to the question of its validity in the house building industry. At the same time, the lack of prior literature on any form of marketing in the house-building industry dictates that the study take an exploratory format.

Having considered a number of possible options, a 'multi-method' approach was taken which contains a balance between an exploratory/qualitative study identifying issues, theory and concepts; also included is a small scale quantitative descriptive study to evaluate their viability and test a hypothesis. The subject area was examined from three aspects (Figure 3):

1. Industry analysis - review of current industry activity and its environment which could motivate a move to relationship marketing
2. Review of buying behaviour theory pertinent to relationship marketing and house buying
3. Customer attitude survey - to test (prove or disprove) customer support for potential relationship marketing

These three aspects are summarised below and set out in more detail later in this chapter:

Aspect	Source and Method
1. Industry Analysis	Secondary data, unstructured interviews with industry executives and representatives
2. Buying behaviour theory	Secondary data - literature search
3. Customer attitude survey	Primary data - Standardised interviews

Figure 3: Dissertation Analysis Model

HYPOTHESIS

The following hypothesis was developed as a vehicle with which to explore the concept and focus the study:

"Purchase complexity and its associated dissonance provide a firm opportunity to build brand beliefs and continued rapport with customers and that, given a large enough operation and customer base, the prospect of repeat purchase becomes real enough to employ relationship marketing."

Alternative Methods Considered

Two existing frameworks for reviewing relationship marketing were considered: i) Christopher et al[21] (**Error! Reference source not found.** Figure 1) and, ii) Clarke & Payne[22] (**Error! Reference source not found.** Figure 2). The Christopher framework was thought too broad, as it aimed to examine application of relationship marketing in Christopher's 'six market' context. Both frameworks were rejected for being too specifically focused on the point of view of a 'host' company for a general study. It was also felt that both tended to direct the user towards relationship marketing solutions, whereas a much more fundamental study on the validity of relationship marketing was needed, given the extreme transaction orientation of the house building industry.

While Dibb (1992, 1994) had some success using an 'experimental' method in arriving at a possible approach to segmentation, the external validity of her study seems limited. Experimental and quasi-experimental tests are discussed in **Error! Reference source not found.**.

Experimental and quasi-experimental approaches were also rejected due to the limited resources of the researcher. Given the levels of subjectivity and external factors inherent in the research area, more generalised trends must be sought which tend towards descriptive methodology. Barnes (1994[23]) for example, proposes focus groups.

INDUSTRY ANALYSIS METHODOLOGY

Industry analysis used literature, company reports and other secondary sources (see Bibliography) to examine topics identified by a mini industry review as being relevant to the issue of relationship marketing. This was supplemented by seven exploratory unstructured interviews with industry executives and two exploratory interviews with

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[21]Christopher et al (1991) *Relationship Marketing* p 35
[22]Clark M. Payne A (1994) *Achieving Long Term Customer Loyalty: A strategic approach*. MEG Proceedings of annual conference Vol. 1 p 169-178
[23]Barnes J G (1994) *Close to the customer: But is it really a relationship?* MEG Proceedings of Annual Conference 1994 Vol. 1. Pp 71 - 80

representatives of data management companies (see **Error! Reference source not found.**).   Despite assurances of confidentiality, some respondents exhibited unpredictable resistance to discuss what they considered 'proprietary information'.

In addition, the opinions of executives of BMW, Saab and Beneficial Bank (companies where relationship marketing already has a significant impact) were sought as comparable guidelines.

BUYING BEHAVIOUR METHODOLOGY

This comprised an extensive review of the theory surrounding buying behaviour in extended decision making and the house building industry.

CUSTOMER ATTITUDE SURVEY - PRIMARY RESEARCH METHOD

The purpose of this section is to test the hypotheses and other issues identified and developed in the earlier sections. Barnes[24] observes:

> "*A number of authors have suggested, directly or indirectly, that the best way to learn whether the establishment of a relationship is possible, or whether a meaningful relationship is in place is to ask the customer himself or herself*"

Following this lead, a descriptive survey of recent house purchasers was undertaken with the aim of establishing whether they had expectations of builders after purchase, and indeed if these expectations were satisfied. In addition, the underlying purchase motivation and process were examined, together with estimation of the propensity to re-purchase.

Unlike Dibb, who perceived the effect of post purchase dissonance reducing behaviour as a potential source of error, my research sought to explore the

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[24]Barnes J G (1994) *Close to the Customer: But is it a really a relationship.* MEG: Proceedings of Annual Conference 1994. Vol. 1 pp 71-80

malleability of customers during this 'formative' period as a sound foundation for relationship forming. The sample set was aimed to include very recent purchasers.

Standardised interviewing was chosen as the vehicle for data collection. This was perceived to give more immediate results, without the low response factor associated with mail drop questionnaires. Face to face contact with respondents also allowed the gathering of 'soft' information. Inclusion of the scope to receive free-format responses was considered essential given the exploratory nature of the research. A detailed explanation of the questionnaire methodology is set out in Chapter 5.

CHAPTER 3

OUTLINE OF INDUSTRY/MARKET ENVIRONMENT

This section examines the commercial forces at work in the industry and market which might motivate a change towards a relationship marketing strategy by one of the players.

SIZE OF MARKET

The house building market is worth approximately £5213m[25]. The exact size is very dependant on demand, which in turn is strongly reliant on external factors such as the economy and buyers ability to buy. Over the last decade the industry has proceeded through a boom to bust and rebirth sequence. The variation on market size over the period 1981 - 1983 is indicated on Chart 1 by the number of new house starts[26], which shows how after a steady increase until 1988, the market fell by 28% in 1989 and a further 22% in 1990, after which it remained static until a pick up in 1993.

The industry is often described as 'fragmented', yet this description seems inadequate. Entry to the market is relatively easy. The technology is low and entry requires only a suitable site and the resources to finance sub-contracted works. Indeed at least one of today's market leaders (Redrow) started from such humble beginnings. Consequently, of the builders registering new property with the NHBC in 1993, over 80% were small operations (see Table 1 below).

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[25]Value of output for 1993. Source: *Housing & Construction Statistics No 59* HMSO Sept. Quarter 1994

[26]Industry terminology - commencements of construction of new houses notified to the NHBC

Number of 'starts' in year (1993)	Number of builders in size category	Percentage of builders	Percentage of total starts made by builders
1 - 10	6231	81.8%	10%
11 - 30	834	10.9%	9%
31 - 100	367	4.8%	12%
101 - 500	140	1.8%	18%
501 - 2000	29	0.4%	18%
2000 + units	14	0.2%	33%

Table 1

It can be seen that industry output is concentrated, with approximately 33% of the output (2000 + units) attributable just 14 players. With the current volume expansion drive 17 builders are forecast to achieve 2,000 unit sales in 1994 (Table 2). It is from their perspective that this study is undertaken, as possibility of a change to relationship marketing by any one of these would be of great strategic importance to the industry.

The fortunes of the major builders have varied during the boom-bust cycle of the last decade, and this has heightened competitive rivalry in the current recovery phase. Their volume output and total market share are illustrated on Table 2, while their financial performance is illustrated in **Error! Reference source not found.** (Table: Performance Comparison of Top House Builders). Chart 2, illustrating the changes in market share during the boom-bust-recovery periods, shows that since 1989 this group as a whole have gained share, indicating that the industry is becoming more concentrated. Many of the smaller players (in particular Fairview, Bellway, Redrow, Persimmon, Bryant, Hassall and Wilcon) have aggressively gained share during the downturn, while the larger players (Wimpey, McLean, Barratt, Beazer) have struggled to maintain share.

CHART1: NEW HOUSE 'STARTS'
Source NHBC PRIVATE HOUSE-BUILDING STATISTICS 1994 (Quarter 3)
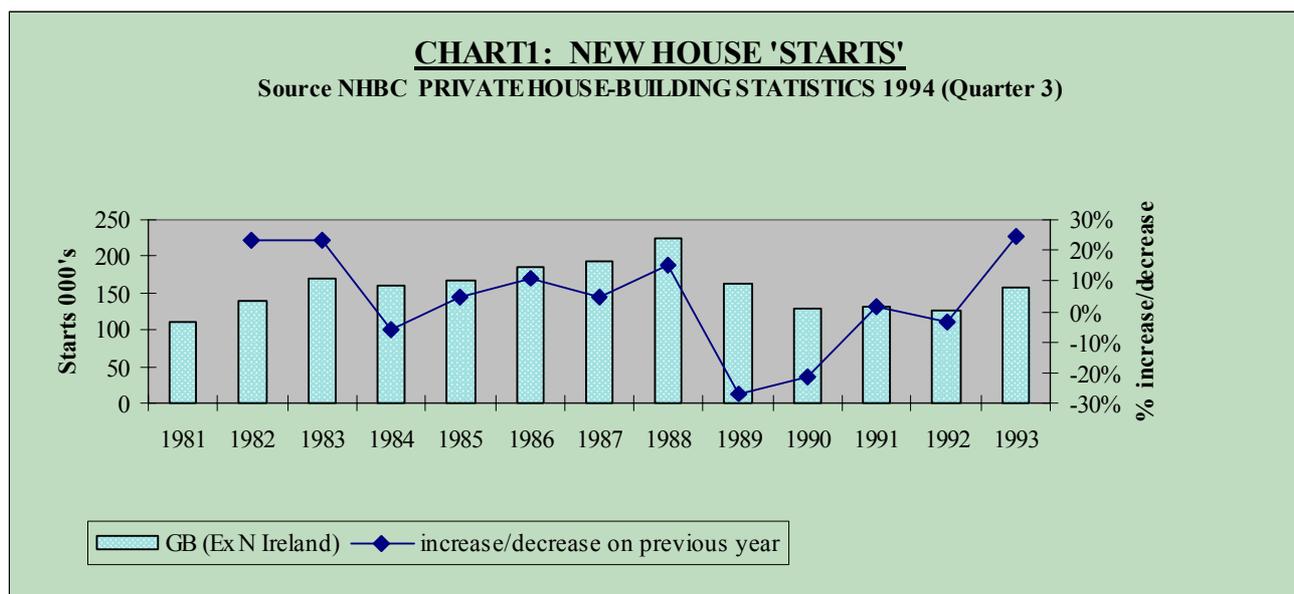
Table 2: Top 17 Major Housebuilders Forecast for >2,000 Unit Completion: 1994 Order
(Forecast figures 1994, 1995)
Source: Credit Lyonnais Laing / New Homes Marketing Board/NHBC Private House Building Statistics (1994 Q.4)

Company	Year End	1988	1989	1990	1991	1992	1993	1994	1995
Wimpey	Dec	9,087.00	7,100.00	6,263.00	6,380.00	5,542.00	6,936.00	8,000.00	8,500.00
McLean/Tarmac	Dec	12,165.00	12,027.00	11,038.00	9,327.00	7,820.00	6,837.00	7,000.00	7,500.00
Barratt	June	7,000.00	6,600.00	5,950.00	4,963.00	4,706.00	4,988.00	5,750.00	6,700.00
Wilcon	Dec	2,160.00	1,800.00	2,350.00	2,750.00	2,880.00	3,840.00	4,300.00	4,800.00
Beazer	June	6,276.00	6,066.00	5,372.00	5,006.00	4,266.00	4,805.00	4,050.00	6,000.00
Hassall	June	1,700.00	1,913.00	1,976.00	1,893.00	2,375.00	2,923.00	3,350.00	3,700.00
Persimmon	Dec	2,043.00	1,796.00	2,028.00	2,324.00	2,274.00	2,771.00	3,250.00	4,000.00
Bryant	May	2,150.00	1,890.00	1,600.00	1,865.00	2,330.00	2,815.00	3,200.00	3,700.00
Bellway	July	1,640.00	1,700.00	1,700.00	1,518.00	1,841.00	2,299.00	3,000.00	3,750.00
Lovell	Sept	3,060.00	2,963.00	2,823.00	3,101.00	2,571.00	2,770.00	2,700.00	3,100.00
Westbury	Feb	2,415.00	2,299.00	2,266.00	2,576.00	2,277.00	2,428.00	2,685.00	2,650.00
Ideal	Sept	5,150.00	3,402.00	2,525.00	2,235.00	2,354.00	2,554.00	2,500.00	2,500.00
Laing	Dec	3,436.00	2,548.00	2,005.00	1,670.00	2,175.00	2,430.00	2,350.00	2,400.00
David Wilson	Dec	1,592.00	1,219.00	1,263.00	1,324.00	1,367.00	1,860.00	2,200.00	2,500.00
Bovis	Dec	3,000.00	1,500.00	1,600.00	1,481.00	1,260.00	1,838.00	2,200.00	
Fairview	Dec	650.00	620.00	1,509.00	1,952.00	1,960.00	2,074.00	2,000.00	
Redrow	June	1,104.00	1,208.00	957.00	1,009.00	1,105.00	1,262.00	2,000.00	2,400.00
Total output of select builders		64,628.00	56,651.00	53,225.00	51,374.00	49,103.00	55,430.00		
Market share of sum		32%	30%	34%	35%	35%	37%		
Total market completions (NHBC GB)		203,000.00	185,800.00	154,500.00	145,000.00	140,700.00	148,100.00		

Chart 2: Top 17 Major House Builders - Change in Market Share 1988 - 1993
Derived from Credit Lyonnais Lang/New Homes Marketing Board/NHBC Private House Building Statistics

RECENT HISTORY

All players carry with them, to some degree, wounds inflicted by the boom-bust-recovery cycle of the last ten years. Factors playing a major part in the housing boom included:

- Easy finance and low interest - for both home buyers and house builders

- Demographic bulge in numbers of young first time buyers

- Employment and salary prospects

- Political promotion of house ownership

The boom-bust history, the 'affordability' of houses during this period, a 'Five Forces'[27] analysis and the effect on builders strategic position is discussed more fully in Appendix B. Suffice to say that the bust brought a virtual reversal in the factors

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[27]See: Porter M E (1985) *Competitive Advantage* The Free Press. New York p 5

listed above, which left both house builders and house buyers financially (and strategically) exposed. Whilst affordability of houses has now dramatically exceeded pre-bust levels (according to the NHBC Ability to Buy Index[28]) the market take up has not materialised to the same extent, perhaps indicating a loss of confidence by customers in the market or their own financial security.

PRICE CONSTRAINTS

Scope for pricing is normally a fundamental aspect of marketing of any goods. Superficially the house market looks like an 'efficient market', with no buyers or sellers having the dominance to shape prices. The reality is somewhat different. While all property is 'market priced' (as opposed to 'cost plus'), price is controlled through the dominant mediatory role of lenders in a way that erodes price based differentiation and severely limits marketing scope[29] (discussed in more depth in Appendix C). As a result, individual house prices reflect strongly the local market available to the target sector and little of the dwellings intrinsic properties. The industry is in need of a marketing strategy that circumvents this problem.

MARKETING

Players in the industry are handicapped by not portraying a consistent (brand) identity. All players compete from numerous positions in what can be considered as 'multi-local' markets, by offering a broad range of products to a broad range of customers across a broad price range. Indeed Bellway Plc, who function through a chain of local, autonomous subsidiaries, proclaim themselves to be "*The Local, National Builder*". The resulting product positioning (hence brand identity) is dependant upon individual land purchases, the local market and micro environment. As a consequence none of the players have a clear strategy of self identity to associate with their customers.

This is further compounded by a lack of understanding of the concept of 'brand' exhibited by industry management. *"I don't want our houses to be known as the*

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[28]NHBC Ability-to-buy index housing boom high was 107 (Quarters 1 & 2, 1987), recovery level high was 117 (Quarter 1 1994).

ones with the mauve roofs" remarked one senior executive when asked about the possible development of brand identity. Clearly the remark underlines the problem of separating ongoing 'features' from 'values' - which is a real issue in both the management concept sense and in terms of the changing physical requirements of the consumer of a product having an indefinite life span. The industry is still wary of the kind of self inflicted damage that Barratts did to its brand through association with timber-framed houses over a decade ago.

Discussions with industry executives revealed that they had little belief in brand loyalty, and no brand loyalty was expected[30]. 'Brand' was assumed to be totally subservient to location, style, availability and similar factors[31]. The essence of this paper is the question of whether this is truly the nature of the industry, or merely due to the fact that (with the possible exception of Barratts c.1980) no company has yet sought to develop a consistent brand.

DEMOGRAPHICS

Some commentators (Mintel/Harvest) believe the 1980's housing boom was a function of a population bulge in the numbers of individuals in the 20-30 age group, (representing potential first time buyers), that occurred at that time, and that this has now passed, resulting in both the decline and the low likelihood of a return to similar sales volume. While the population age profile (Chart 3) validates the existence of this bulge, close inspection of demographics reveals the above is hardly a correct explanation of the house market performance. Comparison of borrowers age group segmentation (chart 4) and residential population age segmentation (chart 5) shows that by far the greatest proportion of buyers of new dwellings are in the 25-34 age group (41.3% 1989 - 44.6% 1992) rather than the 20-25 age group, and that the proportion of this group in the population will reach its peak through the years 1991 - 1996. Numbers in the 20-25 age band only slightly declined between 1986 and

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[29]All the players I discussed this with seemed blissfully ignorant of this fact!

[30]One small company, Charles Church Ltd, was consistently mentioned as having a reputation for loyalty, quality and customer retention. On investigation they were found to apply primitive relationship marketing techniques.

1992 yet their respective proportion of new homes borrowers fluctuated between 17.2% (1988), 21.1% (1989) and 16.8% (1992). Their peak contribution at the crest of the property boom (1989-1990) could be attributed to a striving for the first rung on the ladder before prices went beyond their grasp - a phenomena which created the "compact and bijou" 'starter home'.

Chart 3: Population Age Profiles
Derived from Annual Abstract of Statistics 1994. Central Statistics Office

Chart 4: Borrowers - Age Segmentation
Segmentation of borrowings for purchase of new dwellings (%) by age group
Derived from Housing & Construction Statistics/Keynote
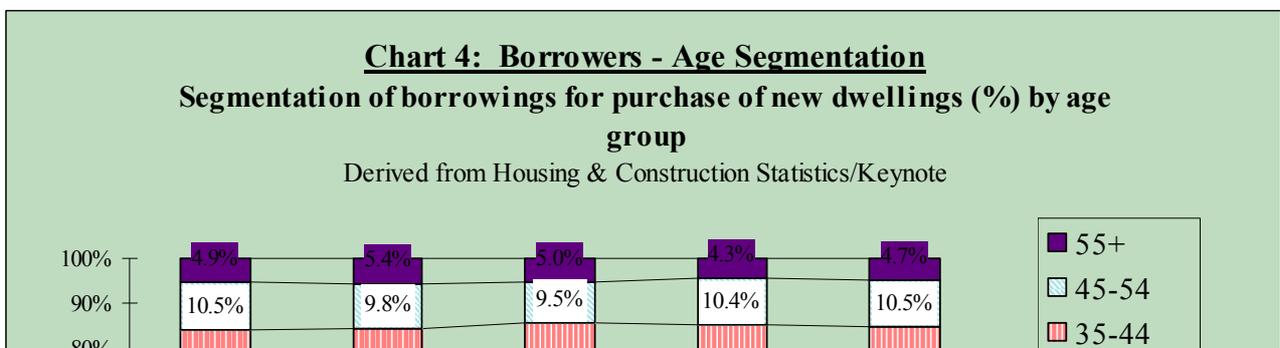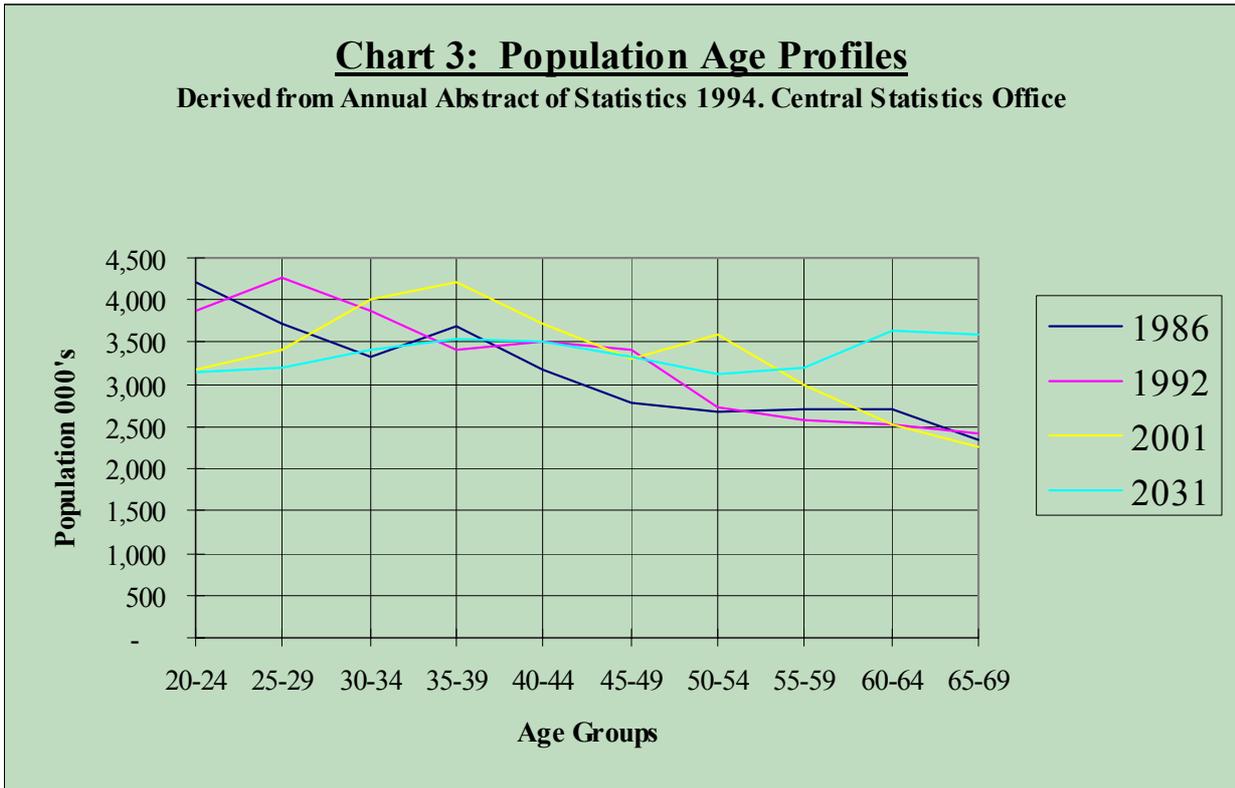
Chart 5: Residential Population Age Segmentation

Tracking and projection of residential population in England & Wales according to age segmentation (projections > 1992)

Derived from Annual Abstract of Statistics 1994
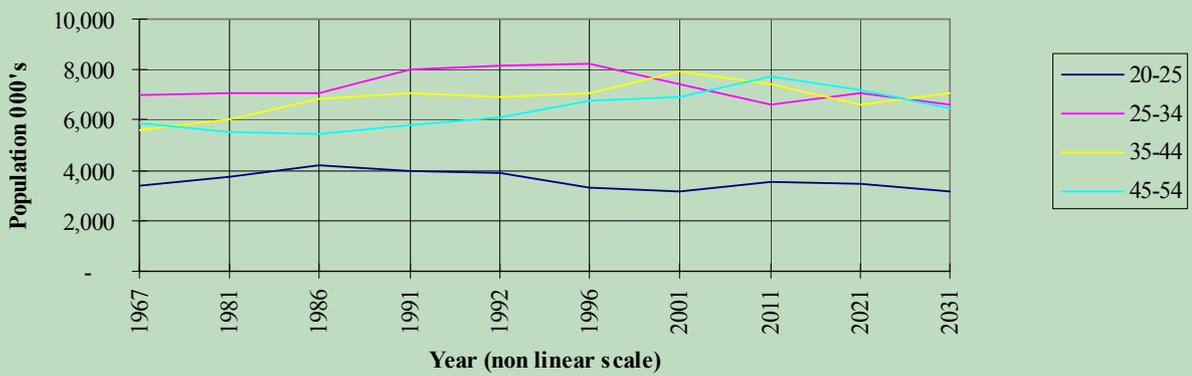
One can conclude that:

1. There exists a latent and increasing demand for new homes due to the demographic bulge in 25-34 age group, which for reasons other than demographic has not yet shown itself.

2. This demand will be followed by a peak from the 35-44 age group between 1996 - 2011, followed by a peak in the mature homes market a few years later

3. Demand for 'starter homes' is in rapid decline[32]

4. The greatest demand will come from the 25 - 44 age band, of which many will already be home owners

SEGMENTATION

- *By price*: Price is subject to so many locally determined factors that segmentation by price has little meaning.

- *By region*: Regional differences in house type distribution are attributable to availability of land, local economic, historical and cultural factors. Regional expectations are likely to influence tastes for certain styles. Analysis of regional growth rates is thought useful in making tactical decisions about direction of national resources but is outside the remit of this paper.

- *By market sector*: Figure 4 is taken to be the typical market composition of major builders. It shows nearly 50% of the business is attributable to the middle and upper end of the market, yet entry end plays a significant role[33].

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[32]This is supported by sales staff who observe that first time buyers are generally older (tend to live longer with parents or in rented accommodation) and have the finances to reach the next step on the property 'ladder'

[33]This data is suspected to be more a generic categorisation of house types by styles/utility rather than an accurate record of the number of purchasers who actually bought 'first time'

Sales By Market Sector - Beazer (1993)

Partnership 17%

First Time 32%

Retirement 2%

Upper 16%

Middle 33%
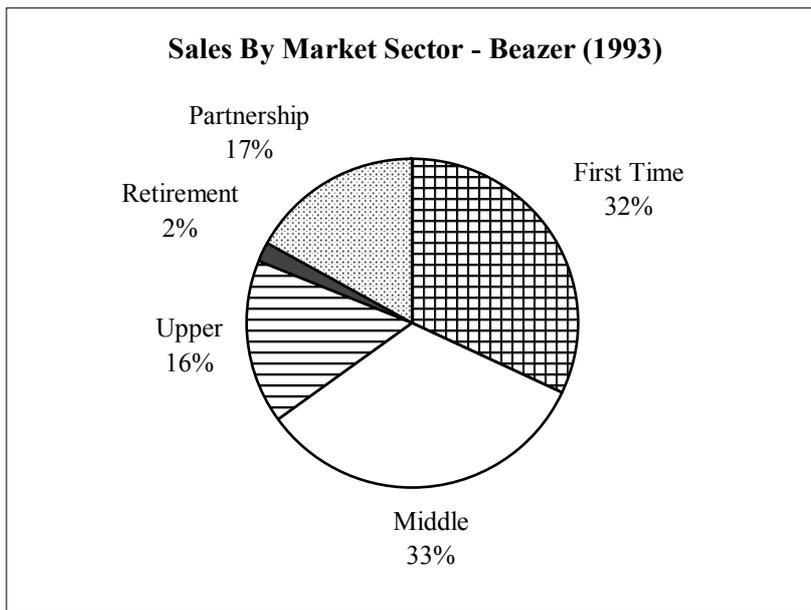
Figure 4: Beazer Homes, Example of typical composition of builder's sales by market sector

Source: Beazer Homes Plc Annual Report 1994[34]

- *By house type*: (Detached house/Detached Bungalow/Semi-detached House/ Terraced House/Flats & Maisonettes). Appendix C "House Type Segmentation Charts" indicates typical distribution by house type and their relative prices, from which it is evident that detached houses dominate the market in both volume and market value.

- *By socio-economic/geo-demographic grouping*: The relationship between house type, neighbourhoods and other social and demographic factors underpin marketing segmentation studies such as ACORN[35], MOSAIC and Illumine. To date the use of ACORN profiling as a predictive/targeting tool has only been experimented with by a few of the largest builders. CACI (ACORN) suggest[36] that a sample population base of 15,000 is needed to provide meaningful clusters, which indicates it is more suited to those companies with very large customer

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[34]Partnership homes - built for rent though housing associations.
[35]ACORN: A Classification of Rural Neighbourhoods
[36]Telephone discussion: CACI Information Services. CACI Ltd.

bases. In addition CACI observe that the character of neighbourhoods is changing as a result of the recession and property market bust; new residents have different characteristics to pre-recession residents. Other social trends such as the increasing divorce rate and numbers of people living alone, trend for having families later in life, and working from home, change both the physical requirements of housing and the ability to apply traditional social stereotypes.

- B*y purchase behaviour*: Dibb (1992)[37] doubted socio-demographic segmentation efficacy and proposed segmentation based on identified differences in behaviour, which can roughly be described as 'mainstream' or 'niche'. This view is not regarded as being particularly substantive by this paper although could have marketing communication implications.

- *By buyer/transaction type*: The housing market can be categorised by the type of buyer and whether the property is new or existing, arriving at four different classes of 'transaction' as indicated on Figure 5 below. This report is concerned only with the shaded area - new property, although factors in other areas such as market valuations do impinge on its market performance.

Property type

	First Time Buyer	Former Home Owner	**Buyer type**
Existing			
New	/////	/////	
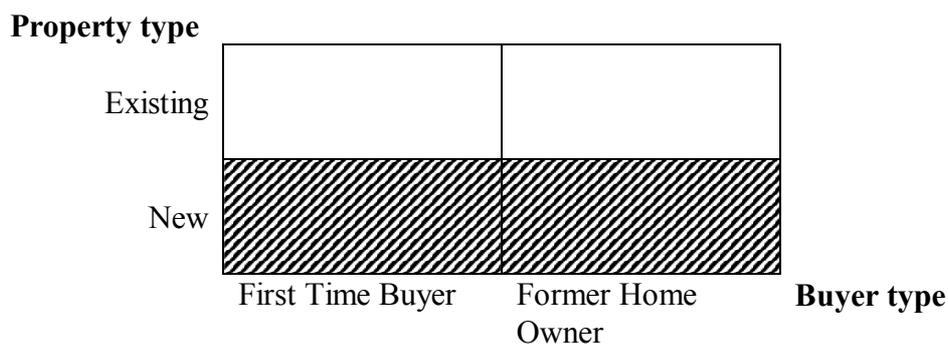
Figure 5: Buyer/Property type matrix

FINDINGS

Industry/environment analysis has revealed an increasing concentration of the market around the major players, who are all driving for volume growth. They face each

other in an atmosphere of heightened rivalry, while offering undifferentiated products and employing unfocussed strategies. Due to demographic effects future turnover will depend more on doing business with customers already owning homes as they work their way up the property ladder. Fortunately for builders this is a move towards the most lucrative markets. However, old social stereotypes, are becoming less reliable and these factors combine to suggest that a company could benefit by keeping more in touch with its existing customers to stay ahead of the game. Relationship marketing could be one such solution.

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[37]Dibb S (1992*) Broadening the Appeal of New Housing Product Portfolios: The Role of Segmentation* European Journal of Marketing Vol. 26 No 7 1992 pp 5-16

CHAPTER 4

BUYING BEHAVIOUR

If relationship marketing is to influence future sales
it must influence future decision making processes.

Graham Taylor

There is no doubt that buying a house is a complex business, but are there any special qualities about the process which lend support to the application of relationship marketing? This section explores current buying behaviour theory pertaining to house purchase. It concludes that the area of complex decision making is under-researched. Buyer behaviour cannot be described in a single model but requires a composite model encompassing several theories. Of these, 'dissonance reduction', 'perceived risk' and 'prior knowledge' can be used to explain the differences between purchase behaviours in, say, first time buyers and former home owners, and serves to reinforce the role that relationship marketing could play in the decision process.

Little literature exists which is specifically related to buyer behaviour in the house market. Its absence would indicate that this area has not been fully researched and that buyer behaviour assumptions used by industry in its marketing strategy and communications have little scientific foundation.

The principle studies of the British house market were undertaken by Meidan & Smith (1980)[38], Dibb & Wensley (1987[39], 1988[40]) and Dibb (1992[41], 1994[42]).

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[38]Meidan D L, Smith E (1980) *Homes Selection Criteria.* Quarterly Marketing Review 5, p11-17
[39]Dibb S, Wensley R (1987) *Energy efficient house design: The analysis of customer choice.* MEG Conference Proceedings (Edited by Wensley R), Warwick
[40]Dibb S, Wensley R (1988) *The impact of knowledge and feature preference on house design choice.* European Marketing Academy Conference Proceedings (Edited by Blois K & Parkinson S), Bradford
[41]Dibb S (1992) *Broadening the Appeal of New Housing Product Portfolios: The Role of Segmentation* European Journal of Marketing Vol. 26 No 7 1992 pp 5-16

Meidan & Smith's work to identify home selection criteria resulted in a weighting of key features, such as the presence of a front garden or fully fitted bath. Sadly the research conducted in the late 1970's suffered from a small regional sample size and a questionnaire technique that was based on assessment of responses to a hypothetical scenario. The results expressed distinct feature orientation which reflected the regional (Sheffield, Manchester, Leeds, Bradford) and social expectations of the era. The study did not examine first time buyers views, nor was the process by which respondents arrived at their preferences examined. Perhaps the most significant recommendation arising from the study was that more research was necessary.

The most substantial work on buying behaviour, conducted by Dibb et al, examines the issue with the intention of forming behavioural models as a basis for improving the marketing of Energy Efficient Homes. While much of this work is valid, it does not fully explore the purchase process to the extent necessary to understand how relationship marketing may impact upon it.

CONSUMER DECISION MAKING PROCESS

The underlying assumption throughout is that the consumer has a problem which will be solved by the purchase of a suitable product. Howard (1989[43]) observes:
"Consumer behaviour theories like all theory is a simplified abstract of reality";
They form a framework around which behaviour can be modelled and, more importantly, predicted. The decision making process can be considered to have three aspects:

1. The mental process itself
2. The degree to which the process is called into engagement
3. The method of engagement

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[42]Dibb S (1994) *Modelling in New Housing Choice - An Application, Omega International Journal of Management Science* Vol. 22 No 6 pp 589-600 1994 Pergamon. Great Britain
[43]Howard J A (1989) *Consumer Behaviour in Marketing Strategy* USA Prentice Hall. P 3.

THE MENTAL PROCESS

The two most prominent models of consumer behaviour have been developed by Howard and Sheth[44] and Engel et al[45][46]. These two models vary in detail and perspective but both contain the basic framework of 5 stages: *problem recognition, information search, evaluation of alternatives, purchase decision and post purchase behaviour*. These two models are described and compared in **Error! Reference source not found.**.

Both the Engel and Howard-Sheth models assume rational consumers and a degree of compromise in the evaluation. However, neither effectively address the 'opportunity cost' involved in the purchase/non purchase assessment for unrelated alternatives, such as buying a new house versus new car, typical of making major purchases with finite resources.

POST PURCHASE BEHAVIOUR

As mentioned in Chapter 1, Vavra is the only commentator this study found who made the explicit connection between the role of relationship marketing and post purchase behaviour.

A variety of models exist to describe post purchase behaviour, particularly regarding mismatch of expectations: Assimilation (Cognitive dissonance), Contrast, Generalised negativity, Assimilation - Contrast[47], of which three are most easily observed:

- Assimilation - customers reduce the psychological inconsistency (dissonance) by changing their perception of the product to bring it more in line with expectations

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[44]Howard and Sheth model (1969) see: Howard J A (1989) *Consumer Behaviour in Marketing Strategy* USA Prentice Hall
[45]Engel Kollat and Blackwell model (1968) see: Engel J F, Blackwell R D (1982) <u>Consumer Behaviour</u> CBS College Publishing
[46]Other models include those by F M Nicosia and Bettman
[47]See Anderson R E (Feb. 1973) *Consumer dissatisfaction The Effect of Disconfirmed Expectancy on Perceived Product Performance* <u>Journal of Marketing Research</u> Vol. X pp 38 - 44

- Contrast theory - where dis-expectations are recognised and magnified to become positive rejection

- Assimilation-Contrast theory - a satisfaction threshold exists below which behaviour switches from Assimilation to Contrast

Festinger's seminal and fascinating book 'A Theory of Cognitive Dissonance'[48] addresses assimilation and describes how the individual strives *"to establish internal harmony, consistency, or congruity amongst his opinions, attitudes, knowledge and values"*[49] and that *"dissonance (inconsistency) almost always exists after a decision has been made between two or more alternatives"*[50]. *"The importance of the decision will affect the magnitude of the dissonance that exists after the decision has been made"*[51]. Another factor is the relative attractiveness of the un-chosen option.

Little research to date has addressed post purchase behaviour related to such complex decision making as house buying, but the absence of easy decision reversal suggests that behaviour would be contained within assimilation.

Another approach (Kotler[52]) is to see satisfaction as a function of 'expectation' and 'perceived performance'. 'Expectation' is vulnerable to the quality gaps as described in Chapter 1 while 'perceived performance' is subjective and selective.

Which ever view one takes, relationship marketing must address dissonance, expectation or perceived performance issues before it can be successful. As Anderson observes[53] *"Standards of performance expectations for all categories ... tend to steadily rise and people become increasingly less tolerant of product deficiencies"*, making this a moving target.

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[48]Festinger L (1962) *A Theory of Cognitive* Dissonance Stanford University Press USA
[49]Festinger L (1962) P 260
[50]Festinger L (1962) P 261
[51]Festinger L (1962) P 36
[52]Kotler P (1984) *Marketing Management, analysis, planning and control* 5th edn Prentice Hall New Jersey. P 157
[53]Anderson R E (Feb. 1973*)* p 43

DEGREE OF ENGAGEMENT

While the above models shed some light on buyers logical process, they do not explain the extent to which the process is engaged. Clearly the degree of evaluation necessary to buy a house is not engaged for the purchase of a tin of beans. One explanation is the theory of perceived risk, propounded by Bauer (1960[54]), in which purchasers seek to reduce their perceived risk. Risk [55] can be represented as:

Risk   =   Probability of   x   Negative consequences of poor
     consequences occurring   brand choice

Although it is difficult to see how perceived risk theory ever sold a sports car, Mitchell (1992)[56] believes perceived risk plays a part in all types of consumer behaviour. Risk can be described as: Social, Financial, Physical, Performance, Time, Psychological (Mitchell/Garner[57]). The degree of risk is taken to represent the importance of the purchase decision and therefore the customers 'involvement' in the process. By segmentation on the basis of 'Involvement' and 'Perceived difference between brands', Assael (1981[58]) suggests that products can be categorised by likely response (Figure 6).

	High involvement	**Low involvement**
Significant differences between brands	Complex buying behaviour	Variety seeking buying behaviour
Few differences between brands	Dissonance reducing buying behaviour	Habitual buying behaviour

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[54]Bauer R A (1960) (*Consumer Behaviour as Risk Taking* in Hancock R S (Ed*) Dynamic Marketing for a Changing* World Proceedings of the 43rd conference of the American Marketing Association pp 389-98) in Mitchell (1992)

[55]Peter J P, Ryan M J (1976) (*An investigation of Perceived Risk at the Brand Level* Journal of Marketing Research Vol. 13 1976 pp 184-88) in Mitchell (1992)

[56]Mitchell V W (1992) *Understanding Consumers' Behaviour: Can Perceived Risk Theory Help?* Management Decision Vol. 30 1992 pp 26 - 31

[57]Garner S J (1986) *Perceived Risk and Information Sources in Service Purchasing* The Mid-Atlantic Journal of Business Winter 1986 pp 5-15

[58]Assael H (1981) *Consumer Behaviour and Marketing Action* Kent Publishing Co. Boston MA. Chapter 4

Figure 6: Categorisation of buyer behaviour by 'involvement' and 'difference'

'Involvement' is characterised by an element of risk in the purchase, typically where it is:

- expensive

- infrequently purchased

- highly expressive

- pre-purchase evaluation is difficult

- post purchase suitability is uncertain

Clearly, choice in housing, which is likely to embrace all the above, is a highly involved process. However, the degree to which significant differences can be found between house brands is minimal.

Kotler[59] suggests that in the case of complex buying behaviour consumers *"pass though a cognitive learning process characterised by first developing beliefs about the product, then moving towards attitudes, towards products and finally by making a deliberate purchase choice"* in a process akin to the Engel et al and Howard-Sheth models.

If at some point during the cognitive learning process the customer perceives there is little difference in product offerings, the "Dissonance reducing" path is followed. Kotler suggests that the customer will *"buy fairly quickly because brand differences are not pronounced"*[60] and may be influenced by other factors (opportunity, price, convenience, etc.). The evaluations of such difference will be not only a function of the qualities of the product but also the customers ability to discern, as influenced by their prior knowledge (discussed later). Post purchase behaviour is characterised by the resumption of selective cognitive learning to reduce any post-purchase dissonance, in which the customer may either find in favour or strongly against the product.

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[59]Kotler P (1984) *Marketing Management, analysis, planning and control* 5th edn Prentice Hall New Jersey

While no two houses are identical, the conservative designs presently offered ensure that the degree of difference between the brands and products is minimal.   This suggests that houses tend fall into Assael 'dissonance reducing' classification, depending on individuals ability to discern.

It is not clear how early or late in the cognitive learning process the perception of differences is arrived at, but the marketing communications implications of this are significant.

1. Of general practice Kotler (1984 p114) [61] suggests *".. pricing, good location and effective sales personnel are important influencers of brand choice and that the major role of marketing communications is to supply beliefs and evaluations that help the consumer feel good about his or her choice after purchase"*. The present transactional nature of house building appears to attach little importance to post-purchase issues.

2. Builders offering significantly 'differentiated' products need to provide information and an evaluative framework which will enable customers to understand the differences, and employ the full 'complex' decision making process to make informed choices. Builders offering undifferentiated products could imply that all products are the same to discourage shopping around and prompt early decision making (vis a vis Dissonance reducing behaviour).

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[60]Kotler P (1984) p 144
[61]Kotler P (1984) p 144

METHOD OF ENGAGEMENT

Engel and Howard offer valid models of the factors involved in buying decisions, and Assael's 'involvement' model helps explain the degree to which they are used. However this does not go the whole way to describe how a prospective house purchaser perceives their task or evaluates the multitude of different purchase solutions that exists. A better understanding of this area is a basis for improved marketing communications and targeting.

Lussier and Olshavski (1979[62]) observed that in complex situations the selection process takes two (or more) stages, during which the numbers of potential solutions are reduced[63]:

Stage 1   A 'non compensatory' selection level, during which customers devise certain discriminating criteria (that can be arbitrary) to eliminate possible solutions to reduce the set to a manageable quantity (2 to 3)

Stage 2   A 'compensatory' comparative stage in which the final selection is made from the remaining set on the basis of relative merits

Dibb considers this staged process as a model of how prospective purchasers select property, first to view ('Stage 1') and then to purchase ('Stage 2'). She believes Stage 1 to be evaluated on a Maslowvian 'hierarchy of effects' basis by which primary attributes (i.e. satisfactions) must be achieved before the less important secondary attributes;

> *"While secondary attributes may alter the perceived desirability of a particular house design, they are unable to dominate the impact of any one of the primary issues on choice itself"*
>
> Dibb and Wensley (1987)[64]

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[62]Lussier D A, Olshavsky R W (1979) *Task Complexity and Contingent Processing in Brand Choice* Journal of Consumer Research Vol. 6 No 2 Sept. 1979

[63]This staged or phased selection process is evident in many of the walks of life where complex decisions are made, for example in recruitment; short-listing and selection.

Primary attributes   - Stage 1 -   Property size, location

Secondary attributes   - Stage 2 -   Fittings and features

Although it is not clear how property style, class or builders reputation can be categorised into the two classes of attributes, the essence of the argument is that prospective customers have already passed Stage 1 of the purchase decision process by the time the first property is viewed.

If true, the marketing implications of the above hypothesis are that;

- primary attributes attract customers to view a site

- secondary attributes are effective once the customer is on site

PRIOR KNOWLEDGE

A feature considered by Engel et al, and Lussier and Olshavski, is the role of 'prior knowledge' in influencing the decision making process. Studies indicate that prior knowledge facilitates the acquisition of new information and increases search efficiency (Brucks 1985[65]) and that Subjective knowledge (what individual perceives they know) and Objective knowledge (what is actually stored in memory) has a part to play. 'Assumptions' could be regarded as Subjective knowledge. This view corresponds with that of Engel and Howard , that beliefs, attitudes and confidence are relevant to the decision process. *"Knowledge facilitates the asking of questions about attributes of alternatives in complex situations"* Brucks (1985). Some perceive the relationship between knowledge and the extent of external search as an inverted U shape (Figure 7):

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[64]Source: Dibb S,. Wensley R (1987*) Energy efficient house design: The analysis of customer choice.* MEG Conference Proceedings (Edited by Wensley R), Warwick
[65]Brucks M (1985) *The effect of Product Class knowledge on Information Search Behaviour* Journal of Consumer Research Vol. 12 No. 1 June 1985 pp 1-16
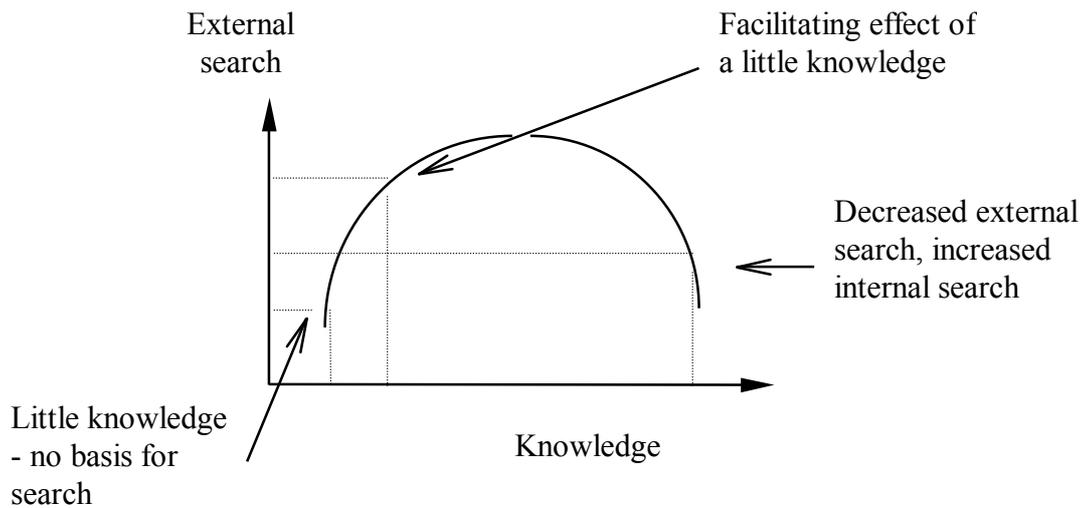
Figure 7: Prior Knowledge - ' inverted U shaped curve'

The brand awareness/prior learning relationship implies that a knowledge base facilitates discrimination and that, if builders seek the discriminating customer, then customer education is part of their role.

By overlaying this theory on Assael's involvement/difference categories, it is possible to hypothesise that customers decision making route will be determined by their prior knowledge:

- Customers with some amount of 'prior knowledge ' are able to acquire new knowledge and so make complex decisions
- Customers who have little 'prior knowledge' are not able to make complex decisions and so make dissonance reducing purchase decisions on the basis of subjective knowledge, beliefs, attitudes and emotion

Further overlaying this hypothesis on the property type/buyer type matrix Figure 8 (see Segmentation in Chapter 3) one may conclude that first time buyers have low prior knowledge and thus make dissonance reducing decisions, while repeat purchasers seek information to make complex, discerning decisions. (See Appendix D Buyer Behaviour Supplemental for example of sales communication focused at first time buyers).

Property type
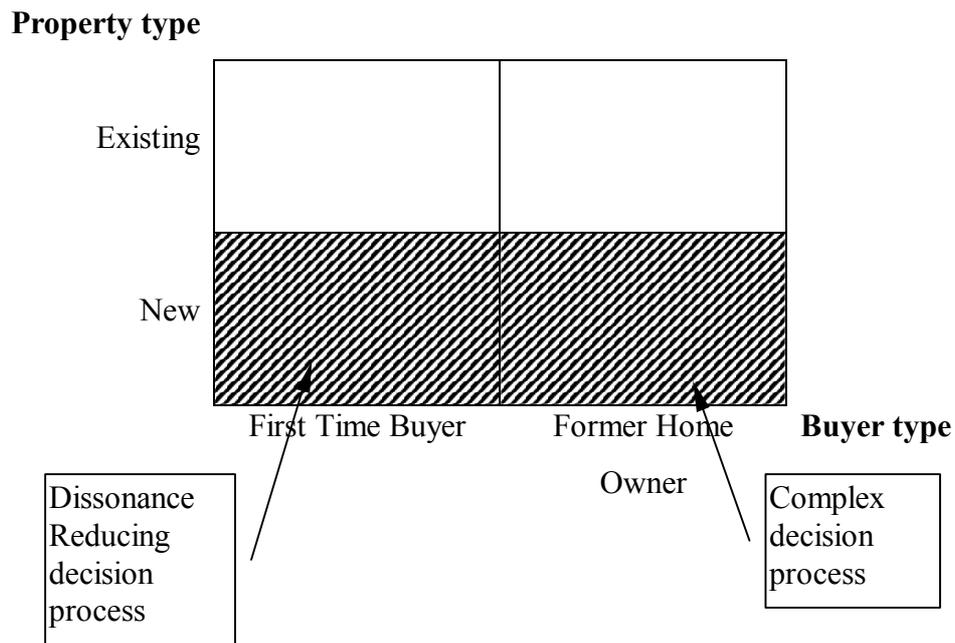
Figure 8: Property/Buyer matrix

The strategic implications of this hypothesis are:

- Customers can be 'segmented' by decision process, essentially 'First Time' or 'Repeat' purchaser

- Marketing should distinguish between First Time and Repeat purchase, focusing on the distinctly different needs of the two categories, both in pre and post purchase requirements.

FINDINGS

From the above it can be seen that purchase behaviour is multi-faceted and is not adequately described by just one model. The purchase decision making process encompasses:

- The mental process and post purchase behaviour

- The degree of engagement of the process; as determined by the perceived risk and controlled by the prior knowledge

- The method of engagement; the staged options reduction process

These are illustrated in a composite 'black box' model Figure 9:

Buyer behaviour theory suggests that the role of factors such as dissonance reduction and prior knowledge are prominent in this product sector. These factors also indicate an opening for relationship marketing.

Perception of
complexity
(Assael)

Post purchase
behaviour
(Festinger)

'Prior
Knowledge'
(Bruck)

Process Models
(Engel, Howard)

Black Box

Stages (Lussier
& Olshavski)

Purchase
Behaviour

Complex

<---------->

Dissonance
Reducing
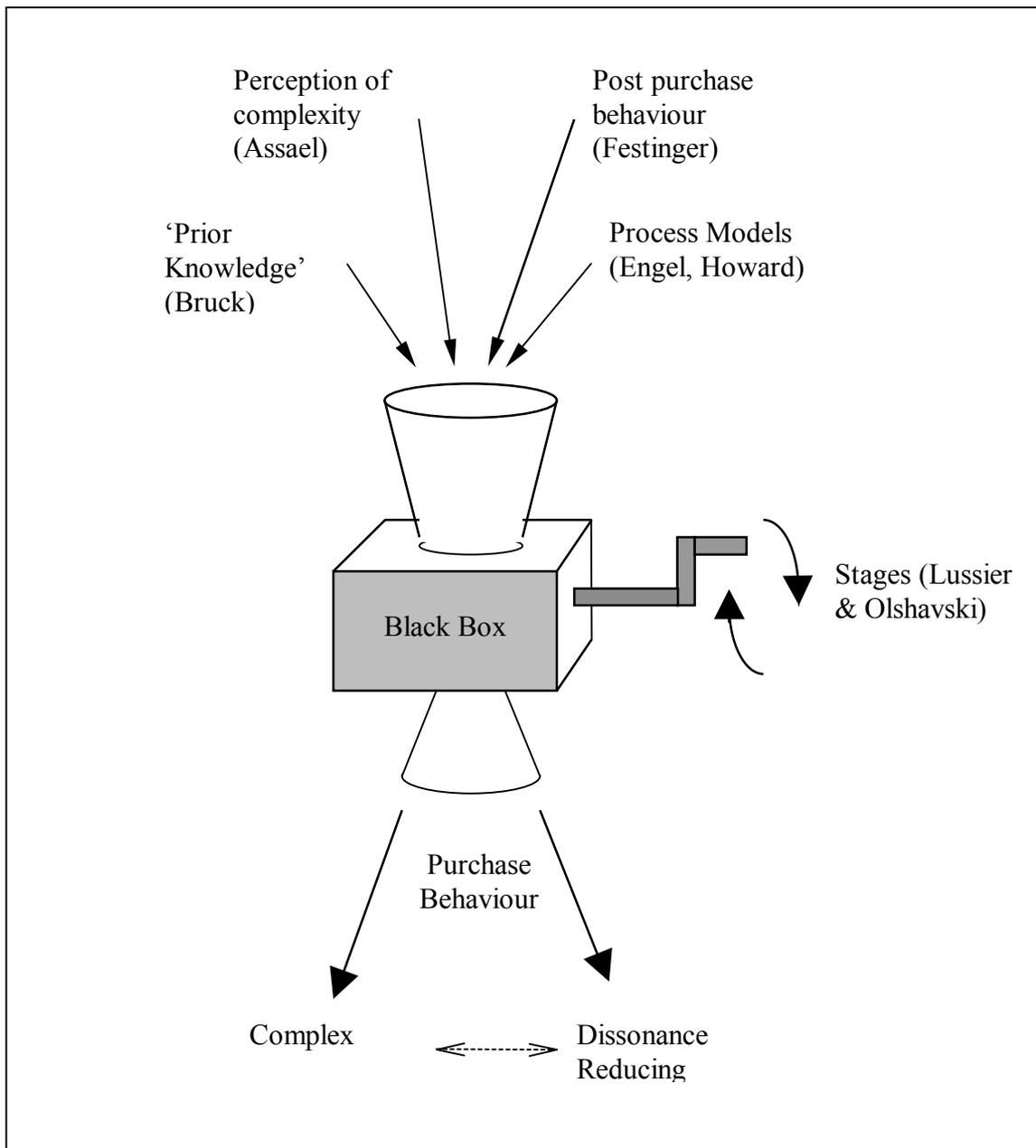
**Figure 9: Extended Problem Solving - 'Black Box' Composite House Purchase
Buying Behaviour Model**

CHAPTER 5

CUSTOMER VIEWPOINT - PRIMARY DATA SURVEY

OBJECTIVES OF INVESTIGATION

Having examined the scope for relationship marketing from the industry and buying behaviour theory viewpoints in the earlier chapters, the purpose of the customer survey was to ascertain the scope and attractiveness of such an approach from their point of view.

METHOD

Questionnaire administered by standardised interview.

SAMPLING FRAME

First attempts at devising a sampling frame proved problematic. One approach considered was to contrast the views of first time buyers against former home owners, stratified by house size (i.e. number of bedrooms, 1, 2, 3, 4, etc.). This approach ran into difficulty because the total population of either FTB's with four bed houses or FHO's with 2 bed houses was believed to be small, making them both hard to find and their views unrepresentative of the whole.

It was finally concluded that a simple representative of the market sector composition of a typical major house builder would give as representative a view as a builder could perceive (see Figure 4: Beazer Homes, Example of typical composition of builder's sales by market sector, page 30[66]).

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[66]Note. Retirement and partnership homes ignored. Beazer's 'Sales by market sector' is in terms of value rather than numbers of customers. Sample frame proportions could have been adjusted to reflect the different number/value ratios in each sector but this was though to be an insignificant issue within the scope of this particular study. This survey therefore tends to reflect views against respective values of segments, which is perhaps the best approach anyhow.

Thus, using Beazer as a model the notional sampling frame became:

Group	Representative % mix	Quota Sample	House size (No. bedrooms)
FTB	40%	8	1, 2, 3
FHO - Middle	40%	8	2, 3, 4
FHO - Upper	20%	4	4, 5, +
Total		20	

Attempts were made to ensure a representative balanced mix within each group as the survey progressed.

'REPRESENTATIVENESS'

The sample size represents only 1 % of the minimum annual unit output (population) of the major builders considered in this study. Although small, the sample identified crucial issues and served as a pilot study into the subject area.

QUESTIONNAIRE CONSTRUCTION

Working from the basic hypothesis five headings were taken to form the questionnaire item groups, thus:

__Purchase complexity__ and its __dissonance__ reducing effect provide a firm opportunity to build __brand beliefs__ and continued rapport with customers, and that given a large enough operation and customer base the prospect of __repeat purchase__ becomes real enough to employ __relationship__ marketing techniques

Brand beliefs was re-headed as 'expectations' to recognise functional and symbolic aspects, and to include quality and perceptual gaps. A total of 46 questions were then developed under the following headings:

1. Complexity (C)
2. Dissonance (D)
3. Expectations (E)

    4. Repeat purchase (P)

    5. Relationships (R)

(See Appendix E for full questionnaire and rationale)

Notes on questionnaire structure

1. As the concept of relationship marketing is novel and may not be comprehended by customers, the questionnaire approaches the issue from a number of different tacks using questions on complexity, dissonance, expectations, repeat purchase and relationships as surrogate dimensions.

2. The majority of questions followed a Likert Five point format[67].

3. Questions were constructed taking cognisance of Oppenheim's[68] Five barriers to accurate response: Awareness, Irrationality, Inadmissibility, Self-incrimination, Politeness

4. Due account of question order was taken as recommended by Judd (1991) and Oppenheim (1992)

5. Limitations: A common fault of structured interviews is the assumption that people actually have an attitude towards an issue and that they are able to articulate it within a set of prescribed responses (Fife-Shaw[69]). Thus questions attempt to measure two dimensions at once - attitude and strength of attitude. Where this was perceived as a problem, supplementary questions have been included.

QUESTIONNAIRE PRE-TESTING

The questionnaire was developed and pre-tested with the co-operation of acquaintances who had recent experience of house buying, leading to several revisions of the questions which improved comprehension and discrimination.

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[67]Even number format, with no middle point was rejected as Judd (1991) appears to suggest that its inclusion does not affect the relative proportions of those expressing an opinion. In the event the survey produced a surprisingly low middle point count.

[68]Oppenheim A N (1992) *Questionnaire Design, Interviewing Technique and Attitude Measurement*. Printer Publishers London (P 212)

[69]Fife-Shaw (1995) Questionnaire Design in Breakwell G M. ed. (1995) *Research Methods in Psychology*. Sage p 175-193

ACCESS TO SAMPLE SET

Enquiries through local estate agents provided the location of recently built housing estates. In most cases the sample set were prepared by letter of introduction dropped a few days prior to the survey.

RESPONSE

A total of 20 interviews were carried out over a period of seven days. Low house building activity during the preceding year made potential respondents scarce and necessitated that the investigation covered four sites, each by different builders. First time buyers were extremely scarce. The smaller dwellings traditionally associated with first time buyers were often found occupied by middle aged individuals, which reinforces the view that traditional social stereotypes can no longer be relied upon. The final sample comprised:

Group	Number	%
FTB	6	33%
FHO -Middle	9	45%
FHO - Upper	5	25%

Though this represented a slight difference from the notional target quota, distortions due to this factor were judged of far lower order than effects of other factors discussed in Chapter 6.

Whilst it was often difficult to find respondents to fit the quota, especially as prediction of the type of occupant of a dwelling was unreliable, my enquiries were well received most respondents were surprisingly welcoming and very happy to talk about their attitudes to house builders.

ANALYSIS METHOD

On completion of the survey, the data were coded and transposed into an Excel spreadsheet which functioned as a database and enabled data sorting for analysis.

The data coding allocated points from 1 to 5 corresponding to the Likert five point scale, where 5 points equated to the highest agreement (or most positive) with the statement, and 1 point equated to the lowest agreement (or most negative), irrespective of if the statement itself was positively or negatively loaded. Thus:

- Strong agreement to "I found the builders sales information very adequate" is awarded 5 points.

- Strongly dissatisfied response to "How satisfied were you to with the builder when you first moved in?" is awarded 1 point.

Two option questions were coded 1 or 5, while three option questions were coded 1, 3, or 5 using the same principle as above.

This system enabled responses to be collated, grouped and cross tabulated. The principle analysis tool was comparison, by group, of the average of the scores for a particular question; e.g. differences between the average responses of First Time Buyers against Former Home Owners on a particular issue. Differences between the average response of one group against another in excess of 1 point were considered significant. This method identified interesting differences in attitude which are discussed in the next chapter.

CHAPTER 6

ANALYSIS OF SURVEY RESULTS

SUMMARY POINTS - MAIN FINDINGS

The survey results reveal:

1. <u>Need</u>: There is a latent need for post purchase communication from the point where the builder leaves site. Absence of such results in a sense of abandonment, causing the purchaser to unfavourably re-appraise their purchase motivations in a dissonance reducing shift of attitude ('*Cognitive Shift*'). Ensuing gaps in meeting 'expectations' become greater, are largely attributed to the builder and lead to bad word-of-mouth. Relationship marketing would contain this.

2. <u>Opportunity</u>: Post purchase communication, such as relationship marketing would largely be welcomed. FTB's appear particularly malleable.   Purchasers are becoming more sophisticated as they transfer their expectations from other products. Opportunity for cross selling is evident.

3. <u>Caution</u>: Because of a *dissonance avoidance* phenomena, caution must be exercised in ensuring that the content of such communication is 'customer focused' (aimed at improving individual customers benefit from the product) rather than just company promotion or it will be ignored, or worse, cause dissatisfaction.

PRESENTATION OF RESULTS

Quantitative Data

Quantitative results are summarised in Appendix E.

Qualitative Data

Qualitative responses to questions 10 and 42 are set out in Appendix E.

Respondent Profile

Respondents were drawn from four sites in the South Bucks/Berks area, comprising of housing developments by Lovells, Bovis, Bewley and Banner.

The survey spanned ownership of between 1 and 21 months (Q. 2)

70% of purchasers moved less than 10 miles (Q. 4)

65% of respondents were under 34 years of age (Q. 45)

90% of respondents were under 45 years of age. (Q. 45)

No respondent had previously owned a house by the same builder (Q. 5)

No record of the gender of respondents was recorded, although it is believed that a rough balance between male and female was achieved.

ANALYSIS OF RESULTS

This section should be read in conjunction with 'Questionnaire - Summarised Quantitative Results' and 'Questionnaire - Summarised Qualitative Results to Q.10 and Q.24' in Appendix E.

This section presents first an analysis of the results against the categories derived from the hypothesis, which is followed by an analysis by groupings of identifiable differences:

1. First time buyers/former home owners,

2. Builder on site/builder off site

3. Respondents who would definitely consider buying brand new property again/all others

ANALYSIS BY CATEGORIES

Complexity(C)

Factors influencing the decision making process (Q.6) are illustrated on Survey Results Chart 1. It can be seen that location arguments figure highly, as does the external appearance and practical layout. Expectations of build quality also figure highly. The purchase 'complexity' is evident when build quality is contrasted against Q.16, where 55% of respondents disagree (many strongly) with the statement *"I think there is little to choose between one builder or another"* , and the low score for *"Builders name and reputation"* . Clearly house buyers believe that there are some good builders and some poor builders but either cannot, or do not, identify them when choosing a house. Instead they place their (unfounded) trust in a builder they know little about. This implies a high level of risk/uncertainty and applies equally to former home owners and first time buyers.

The role of '*advertising and publicity'* is simply explained by a comment from one respondent "*If it hadn't been for the ad' in the paper we wouldn't have known about the development*" .

Recommendations from others or reference to friends figured surprisingly low, indicating that the purchase decision was made without the 'reference groups' one would normally expect for other 'complex' products.

Complexity of the decision is supported by:

- 50% of respondents agreed that *"choosing a house is difficult because your choice says a great deal about you"* (Q.12)

- Risk minimisation - 70% of respondents believed that "*buying a new house is less risky than buying an older property*" (Q.13)

- Differences revealed in the search strategy (Q.7) and perceived prior knowledge (Q.14) between FTB's and FHO's is discussed in detail later

Dibb's belief that primary criteria are satisfied before a house is viewed (Chapter 4 Buying Behaviour) and that viewing resolves secondary criteria, was not

conclusively proven. The high average figure for FHO's viewing existing houses (8, Q7) tends to suggest that viewing addresses more than just secondary issues.

The need for technical information (Q.14) indicating desire to pursue complex decision making proved inconclusive, although four respondents strongly agreed with the statement. This question may have been subject to gender bias, and response may be dependant on who in the buyer's decision making unit is asked.

Dissonance (D)

With the exception of one, all respondents were either satisfied or very satisfied with their house (Q.17), respondents finding it easier to direct any dissatisfactions towards the builder (Q.21) than their own decision.

Changes in attitude (Q.18, Q.22), both to the house and builder appear to follow Festinger's theory where reversal of the decision is not possible. Self perceived change in attitude is resisted ('assimilation') but extreme dissatisfaction can cause 'contrast', again focused on the builder rather than the house. This adds weight to the argument for use of relationship marketing as positive reinforcement.

The degree of post purchase search (or interest in it) (Q.23, Q.24, Q.25) was surprisingly varied, the level being generally lower than could be expected for other 'complex' products (e.g. hi-fi, car, washing machine). Here it is suspected that a desire to search for confirming information is balanced against *dissonance avoidance* (avoidance of dis-confirming information) as the purchase decision is irreversible. The dominance of the need to complete the house move and settle in also lessens the opportunity for any such search.

This has important implications for relationship marketing. Any post purchase communication which focuses on the builder or other products offered by them is likely to be ignored as an act of dissonance avoidance, or runs the risk of creating dissonance and upsetting the customer.

Communication after leaving site, which focuses on the customer, is believed to be welcomed (Q.26 is distorted by the presence on the builder on site - see below) indicating a firm basis for relationship marketing by increasing comfort and reducing dissonance.

Expectations (E)

Customer expectations are influenced by their expectations of other products (Q.27 70% agree) which suggests that benchmarks should be taken from other products to avoid 'quality gaps'. It also indicates that as relationship marketing increases its role in other product fields it will become more welcomed in house building.

As to whether builders already offer comparable service levels to other products (Q.28) opinion is varied and subject to 'builder on site' distortion.

As mentioned in Complexity, purchasers appeared to have no prior brand beliefs. Instead they developed blind faith in the competence of the builder (Q.29). Cognitive dissonance theory would not allow them to do otherwise. Responses to Q.30 illustrate that such faith did not always have a positive outcome and indicates a quality gap. Responses to Q.31 (average 3.25) suggests scope to provide assurance above that of the NHBC warranty.

Repeat Purchase (P)

Six respondents actually set out to buy a new property, representing 30% of the sample. Of these only one was a first time buyer (Q.8). Two respondents mentioned that their previous house had also been new. 85% of respondents would consider buying a new house again (Q.33), 80% of respondents indicated that they would consider buying a brand new house by their builder again (Q.34). This potential allegiance to the builder here is contrasted by Q.39 which shows a low sense of loyalty to the builder and indicates scope for relationship marketing.

35% of respondents envisaged moving house within 5 years and 15% in 5 - 10 years, while 50% were uncertain (Q.35). This suggests that at least 35% of purchasers were viable targets for a 5 year relationship marketing programme.

Of the qualitative responses to Q.10, '*main reasons for buying a new house*'

- 11 respondents listed low maintenance/no decorating

- 4 respondents referred to 'ease of purchase' aspects

- 3 respondents listed price/value aspects

- 2 respondents listed location

Relationships (R)

This section was distorted by the 'builder on site/left site' phenomenon discussed later. Post purchase communication between builder and customer took the form of six month maintenance, a questionnaire and a welcome gift[70]. Four respondents received no post purchase communication at all. No respondent received a Christmas card which would have been indicative of relationship marketing type activity. Communication was broadly welcomed (Q.37) indicating opportunity for relationship marketing. A sense of abandonment was perceived by those respondents whose builders have left site (Q.38), see below. As already mentioned, surprisingly low levels of loyalty are indicated by Q.39. Although respondents who definitely would consider a brand new house (Q.33) had strong correlation with those who would buy from the same builder, they expressed no more than the average level of loyalty towards the builder, nor did they express much above average inclination to extend this relationship to their friends (Q.40).

Scope for establishing on-going communication tested in Q.41 is illustrated on Survey Results Chart 2. The greatest potential lies in those areas perceived by customers to give the greatest direct benefit e.g. discounts and special rate maintenance. The chart provides a useful guide for development of a relationship marketing programme and also indicates the scope for cross selling other products to existing customers. The issue of 'what is in it for the customer' is discussed in Chapter 8. Virtually all the qualitative responses to Q.42 '*What other benefit could*

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[70]Responses to Q.36 are somewhat distorted by the dominance of one builder in the study (Lovells) with a penchant for questionnaires and welcome gifts

the builder offer you?' could be summarised as improvements to after-sales customer relations, further reinforcing a latent need for ongoing communication.

FURTHER ANALYSIS

The survey results are further analysed below under the headings of:

- 'Builder left site' distortion

- Characteristic differences between First Time Buyers and Former Home Owners

- Customers who would definitely consider buying new again

SURVEY DISTORTION: 'BUILDER LEFT SITE' (TABLE 2) - A COMMUNICATION GAP AND JUSTIFICATION FOR RELATIONSHIP MARKETING

The survey revealed a marked difference in attitude towards builders (Table 2 at end of chapter). The majority of respondents disagreed with Q.38, that their respective builder had neglected or abandoned them, while 5 respondents were quite strongly in agreement. Whilst this difference could be attributed to some particular characteristic of the respective builders, it is probably more accurate to attribute it to the builder having left site, as no tangible difference between the quality of houses was observed. All respondents in disagreement with the statement still had builders working on part of the site, who were available to sort out any minor anomaly. The sense of abandonment and neglect appears to occur after the builder leaves site.

The loss of the 'relationship' with the builder (Q.26) is transformed into lower satisfaction (Q.18) and a loss of confidence (Q.39). This lower satisfaction appears to cause a marked re-appraisal of purchasers initial attitude towards their builder, accounting for the dramatic difference of view to Q.21 *"How satisfied were you with your builder when you first moved in?"* . This phenomenon takes the form of dissonance reduction and could be described as a *'cognitive shift'*. The result is a lower sense of loyalty (Q26) and negative word-of-mouth (Q.40). A latent need for reassurance is revealed by Q.32.

The above is perhaps the most important finding of the research. The implications of the cognitive shift phenomenon are that a purchaser continues to evaluate their purchase over a period of time and that their attitudes towards it are strongly influenced by the level/accessibility of communication.

This has enormous relationship marketing ramifications, indicating that post purchase relationships can significantly enhance attitudes and lead to improved word of mouth recommendations. The attitude while the builder is on site indicates a goal for relationship marketing after leaving site!

Further, the cognitive shift phenomenon occurring when the builder leaves site renders impotent most customer satisfaction surveys carried out by builders. Future studies should take this into consideration.

CHARACTERISTIC DIFFERENCES BETWEEN FIRST TIME BUYERS AND FORMER HOME OWNERS (TABLE 3)

FTB's place more emphasis on builders name and reputation (or their superficial interpretation of it: Q.6). Lower levels of perceived prior knowledge were exhibited by FTB's than FHO's (Q14 average 2.2 against 3.6 respectively). They seek assurance via warranty (Q.6). They carry out a more superficial pre-purchase search (Q.7) with early cut-off and have greater inclination for post purchase confirmation (Q.23). These findings support the prior learning and dissonance reducing theories discussed in Chapter 4 Buying Behaviour. FHO's exhibit greater 'promiscuity' when choosing a house through their higher viewing (Q.7).

FTB's are more welcoming of post purchase communication and show a stronger interest in association with the builder and each other (Q.41). This indicates a higher degree of malleability of brand beliefs than FHO's. FTB's are much more certain about when they will next move house (Q.35), 67% indicating that they will move within the next 5 years and all within the next 10 years, whereas 72% of FHO's felt uncertain if or when their next move would occur. This strongly suggests that relationship marketing should be directed at FTB's as a priority.

REPEAT PURCHASE POTENTIAL: ANALYSIS OF CUSTOMERS WHO WOULD DEFINITELY CONSIDER BUYING A BRAND NEW PROPERTY AGAIN (TABLE 4)

Half of the respondents said they would definitely consider buying new again and are therefore prime targets for a relationship management programme . They appeared more influenced by external appearance or style (Q.6) than the others. They were less influenced by friends or advertising (Q.6) indicating a more individual, discerning taste. While all would consider buying again from the same builder (Q34: 50% 'Definitely', 50% 'Possibly') they feel no greater 'brand loyalty' (Q.39) nor any increased inclination to recommend their builder to their friends. They did, however, express higher interest in the 'owners club' (Q.41) which perhaps indicates closer identification with a 'lifestyle' than a builder. These findings suggests that relationship marketing should offer a blend of individuality and lifestyle. They also suggest that relationship marketing programmes should be matched by new product development programmes to maintain a high level of individuality and style in the product portfolio.

Tabulation of Comparison of Groups[71]

Significant differences identified:	Average response for group		
	'Off site'	'On site'	Difference
Group size:	5	15	
Question			
Q.18 Are you more or less satisfied now	2.0	3.3	-1.3
Q.21 How satisfied were you with your builder when you first moved in	2.6	4.1	-1.5
Q.26 I would have welcomed more communication from my builder after I moved in	4.2	2.3	1.9
Q.30 My confidence in my builder was proved correct	2.4	3.7	-1.3
Q.32 I would enjoy my house more if I had more confidence in my builder	4.2	2.3	1.5
Q.38 Since purchasing my house I feel that the builder has abandoned or neglected me	4.2	1.9	2.3
Q 39 I feel a sense of loyalty to my builder	1.2	2.6	-1.4
Q.40 I would recommend this builder to my friends	2.4	3.7	-1.3

Table 2: Comparison of groups 'Builder off site' and 'Builder on site'

[71]These tables compare the average of the responses for one select group against the average responses of the remainder group, according to the coding scale of 1 to 5 applied to the question responses. The higher the figure, the greater the agreement with the question statement (see Chapter 5 Primary Data Survey). The table highlights all those differences judged to be significant, i.e. where the average difference is greater than one point of the scale, equivalent to an attitude difference of , say, from 'neutral' to 'agree'.

Significant differences identified:	Average response for groups		
	FTB	FHO	Difference
Sorted by Q.1. Group size:	6	14	
Question			
Q.6 Builders name and reputation	2.8	1.7	1.1
Q.6 10 year warranty	3.5	2.2	1.3
Q.6 Ease of purchase	3.3	2.1	1.2
Q.7 How many houses viewed: new	1.5	3.8	-2.3
Q.7 How many houses viewed: old	4.5	8.0	-3.5
Q 14 Before I bought, I felt I knew quite a lot about house buying	2.2	3.6	-1.5
Q.23 Since buying my house I have taken more of an interest in houses	3.7	2.5	1.2
Q.37 Did you welcome this communication?	4.7	3.6	1.1
Q.40 Interest in Owners Club magazine	3.3	1.9	1.4
Q.41 Interest in organising events with owners of similar houses	2.3	1.4	1.0

Q.35 When do you next envisage moving house?

	Within 2 years	2 - 5 years	5 - 10 years	Uncertain
FTB Number	1	3	2	0
%	17	50	33	0
FHO Number	3	0	1	10
%	21	0	7	72

Table 3: Comparison of FTB's and FHO's

Significant differences and correlation:	Average response for group		
	Definitely	Others	Difference
Sorted by Q.33. Group size	10	10	
Question			
Q.6 influence of external appearance or style	4.4	3.4	1.0
Q.6 Influence of Positive comments from friends	1.2	2.3	-1.1
Q.6 Influence of advertising and publicity	1.6	2.7	-1.1
Q34 Would you consider a brand new house by this builder?	4.5	3.0	1.5
Q.39 I feel a sense of loyalty to my builder	2.1	2.4	small negative
Q.40 I would recommend this builder to my friends.	3.5	3.2	negligible
Q41 Interest in owners club	2.9	1.8	1.1

Table 4: Comparison of respondents who would 'definitely consider buying a brand new home' against 'others'

RELATIVE INFLUENCE OF FACTORS ON BUYING DECISION
(Average for sample. Question 6)

Advertising and publicity

10 year guarantee

Positive comments from friends

Immediate neighbourhood

Friends or family in area

Ease of purchase (trade-in deals etc.)

Practical design or layout

Expectations of build quality

NOT AT ALL -- **VERY GREATLY**

AVERAGE LEVEL OF INTEREST IN ADDITIONAL SERVICES FROM BUILDER
(Question 41)

Very interested — 5

Possible interest — 4

Neutral-uncertain — 3

Slightly disinterested — 2.5 / 2

Not interested at all — 1.5 / 1

Discounts from local DIY stores | Introduction to, and discounts, on other goods | Occasional "owners club" magazine | Events with owners of similar houses | Support for local community projects | Special rates for home maintenance and repairs

CHAPTER 7

ANALYSIS AND EVALUATION

Taken at face value, a reader might believe that the research and analysis so far has run a little off the track of accepted relationship marketing theory. This is not so! The approach taken enables some very powerful conclusions to be drawn. The process of trial fitting relationship marketing to the house building industry has revealed a great deal about the theory and the practice. This chapter examines the findings under three headings:

1. Critical Analysis of Relationship Marketing Theory
2. Relationship marketing and the house building industry
3. Methodology

ANALYSIS AND EVALUATION 1: CRITICAL ANALYSIS OF RELATIONSHIP MARKETING THEORY

The problem with analysing relationship marketing as a concept is that it lacks the purity of a good scientific theory. It has little direct theoretical grounding but instead could be accused of comprising a collective noun for an assortment of loosely linked, fashionable, un-quantifiable bandwagons supported by anecdotal evidence. Worse still is the ease by which it can be diluted into more of the old 'Customer is King' humbug that proliferates at superficial levels in so many industries.

Relationship marketing suffers from some popular assumptions and confusions. Trial fitting of the theory to the house building industry tests the concept to its limit and in the process explodes a few myths.

POPULAR ASSUMPTIONS AND CONFUSIONS

The greatest assumption is that relationship marketing will profitably increase loyalty and therefore repeat purchasing. This is supported by another assumption, that it is cheaper to retain customers than to attract new ones. In fact, as explored in the next section, relationship marketing may have negligible impact on customer retention and could be a complete waste of time and money in strongly transactionally orientated business. Kotlers belief that transactional marketing is a sub-set of relationship marketing is wildly simplistic because some businesses just don't have a relationship element; the ice-cream salesman outside the Tower of London would gain nothing from forming 'relationships' with the thousands of foreign customers he will never see again! The real value of relationship marketing theory is in considering if a business has a relationship aspect that may have been overlooked.

A clue to evaluating the potential of relationship marketing is to describe a business as comprising two vectors: 'Relationship' and 'Transaction', where tendency towards 'Relationship' is indicated by an 'on-going' nature, and tendency towards 'Transaction' is indicated by a 'one-off' nature, see Figure 10.
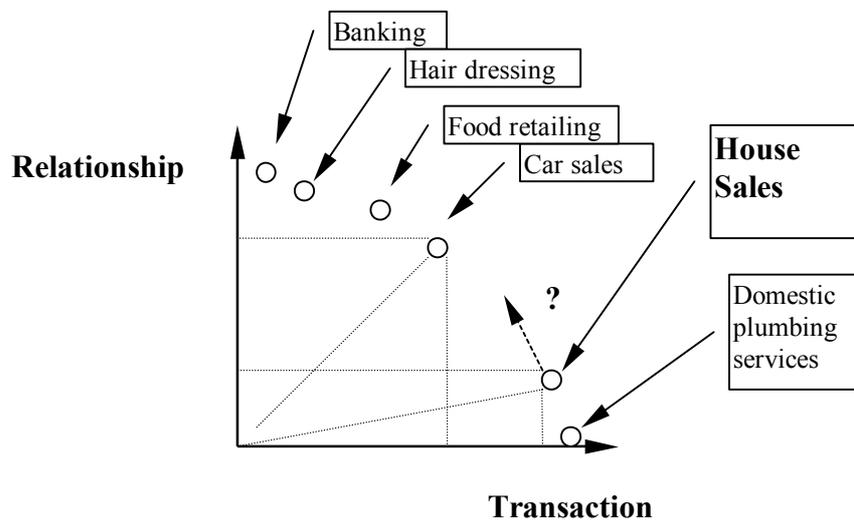
Figure 10: Businesses described by two vectors

This model serves as a guide to management on where a business is and could be. Thus banking services, hair dressing and food retail tend by their nature to be on-

going and have high 'relationship' components, whereas domestic plumbing services are much more transactionally orientated. Thus the study of relationship marketing in house building has been to establish if house sales can be moved from its present vector.

Further confusion exists with regard to the overlap between relationship marketing and other sales activity such as direct marketing, cross-selling, database marketing etc. which can be resolved by plotting the operation on the two vectors.

Undoubtedly the greatest scope for confusion concerns the nature of a relationship.

IS IT A RELATIONSHIP?

Holding a database of customers, contacting them from time to time, trying to retain them and sell them something more, is often classified as relationship marketing. This view leads to the view that all marketing is essentially relationship marketing, that the marketing mix needs to be expanded, and that transactional marketing is a subset of relationship marketing.

During the course of this study, it became clear that simple pursuit of the above was not enough to constitute a 'relationship'. This is something also questioned by Barnes (1994[72]) Hogg et al (1993[73]) and Mitchell (1995[74]), who observed "*That buyers are satisfied with your product does not mean they consciously wish to have a 'relationship' with you*".

At the heart of the concept is sustainable 'strategic advantage' sought through the relationship. This must imply a strong *synergistic effect* if it is to be durable. This implies that customers have a unique value to the company, and the company has a unique value to them. It implies that companies planning to develop a relationship

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[72]Barnes J G (1994) *Close to the customer: But is it really a relationship?* MEG Proceedings of annual Conference 1994 Vol. 1. pp 71-80
[73]Hogg M K, Long G. Hartley M (1993) *Touch Me, Squeeze me, freeze me: Privacy - The Emerging Issue for Relationship Marketing in the 90's* . MEG: Proceedings of Annual Conference Vol. 2 pp 504 - 514

marketing strategy must think about '*what is in it for the customers*'. Identification of valuable, unique benefits from the customer's side can be difficult, particularly in the house building industry.

This sort of thinking leads to the view that relationship marketing is not the 'catch-all' but is in fact a very special sector of marketing applicable only in selected cases. This synergistic 'what is in it for them' issue is really what distinguishes relationship marketing as a concept from database/direct/extended marketing mix approaches and is illustrated by the two dimensional matrix, Figure 11, which compares the advantage of the interaction with the customer to that of the company.
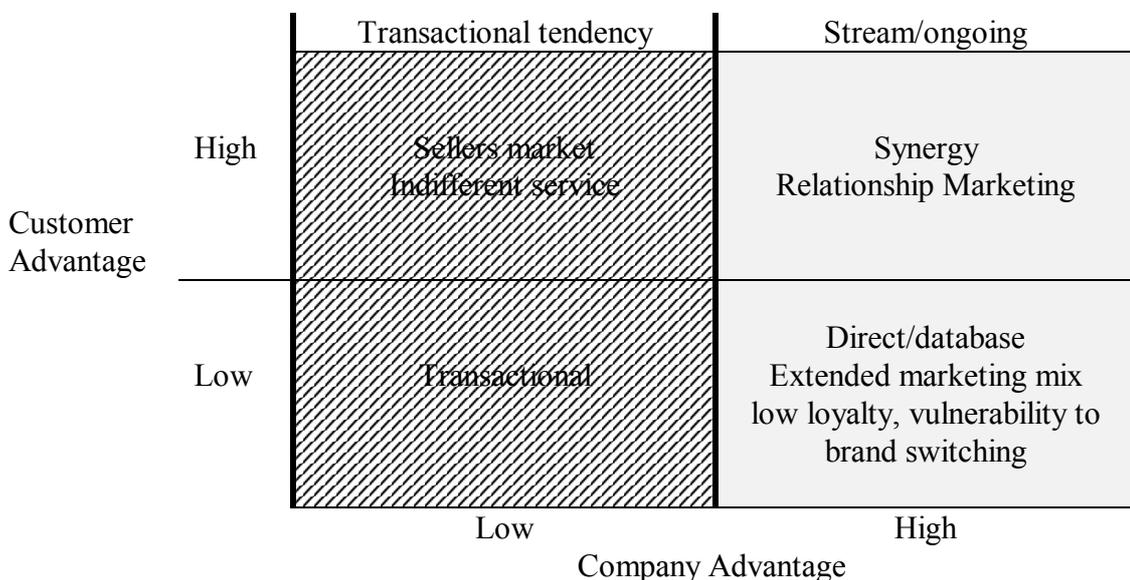
Figure 11: Customer/Company Advantage

Figure 11 shows that some interactions are destined to take a transactional format, while others can be considered as an ongoing 'revenue stream'. Only one sector, where the advantages to both customer and company are high can truly be considered as a synergistic relationship. (See Appendix F Analysis Supplemental - Beneficial Bank plc).

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[74]Mitchell A. (1995*) Directly right up my nose*. Marketing Week. March 1995 p 32 -33

This view is further developed in Figure 12 which distinguishes between 'transactional', 'ongoing/stream' and 'relationship' categories. Relationship marketing when graphically portrayed suggests an element of fusion between buyer and seller.

	Transactional		**Ongoing/stream**		**Relationship**	
	Seller	**Buyer**	**Seller**	**Buyer**	**Seller**	**Buyer**
	◯ ◯		◯ ◯		◯ ◯	
Time of Sale	◯◯		◯◯		◯◯	
Post Purchase	◯ ◯		◯ ⇄ ◯		⬭⬭	
	Separation		Ongoing repeat contact/business		Synergistic interaction	
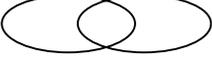
Figure 12: Views of Relationships

Taking this argument a stage further it can be seen that development of a synergistic relationship with selected customers is differentiation-focus based strategy[75] which is a world apart from house builders present bland marketing propositions.

Having established that relationship marketing in its purest form is really a fusion between company and customer, we are now in a position to analyse how close house building can be brought to this ideal.

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[75]Differentiation-focus see Porter M E (1985) *Competitive Advantage, Creating and sustaining superior performance* The Free Press. New York. Chapter 1 and, Johnson G, Scholes K (1989) *Exploring Corporate Strategy* 3rd End. Prentice Hall Chapter 6

ANALYSIS AND EVALUATION 2: RELATIONSHIP MARKETING APPLIED TO THE HOUSE BUILDING INDUSTRY

The industry review revealed the growing dominance of major builders in an environment of increasing industrial rivalry:

- Changing demographic composition of potential buyers was observed, the 1960's baby boomers now leading to a growth in the more lucrative former home owner market and a decline in first time buyers. In addition social trends, particularly divorce, is fragmenting the populous making correlation between house types and life stage more tenuous (as was evident during the survey). Major players can no longer consider the market in terms of broad stereotypes. They will need to get to know their customers more personally.

- The present affordability of houses is not matched by customer take up. Marketing is noted by an absence of a differentiation strategy by any player, in terms of brand identity or positioning, while an extensively out-sourced value chain renders different company offerings little more than 'badge engineering'. The marketing task is further compounded by external financial forces which effectively regulate the scope of pricing, serving as a barrier on which price/cost based differentiation will tend to founder. The buying behaviour theory review has illustrated how little is really known about how customers buy products such as houses.

Clearly players seeking competitive advantage would do well to consider a new marketing strategy.

THE CASE FOR RELATIONSHIP MARKETING

Results of primary research contained a number of indicators. Not only was there broadly a desire for better post purchase communication, but in its absence the

customer-builder relationship turns sour. This strongly supports the first part of this papers hypothesis: '*Purchase complexity and its dissonance reducing effect provides a firm opportunity to build brand beliefs and continued rapport with customers*'.

Customers transfer their expectations from their experiences with other products and, as relationship marketing grows in popularity in other sectors, it may become expected in house building. Further, the buyer behaviour review and customer survey indicated difference in buying behaviour patterns between different classes of customers, particularly those with greater or lesser 'prior knowledge', creating diverse information and 'educational' requirements which are best addressed though personal rather than mass market communication.

Potential Retention Rate: Will Relationship Marketing Work?

Given the above, to what extent can house building be moved from its present 'transactional' oriented vector to a 'relationship' vector, and would it be a viable marketing strategy?

One approach to answering these questions is to consider the potential customer retention rate. While accurate projection is difficult from this study, due to the small survey sample size, a simplistic approach would be to consider:

- 30% of the survey sample would definitely consider buying again from the same builder (Q34)
- 50% of these envisage moving house within 5 years[76]

This gives a potential retention rate of 15% over a five year period. Considering a major builder has unit sales of 2000 pa over a rolling five year period giving a customer database of 10,000, applying the 15% retention rate produces 1,500 retained customers each year, equivalent to three quarters the annual unit sales!

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[76]Q4 coincidence with Q34

On the one hand such customer retention would be subject to the builders ability to provide the requisite product within the 'radius of migration'[77] coincident with the customers purchase triggers[78]. On the other, relationship marketing would be expected to improve retention rates in a 'virtuous circle' phenomena over the long term.

From the above we see the potential to push three quarters of the business towards relationship orientation (Figure 13):
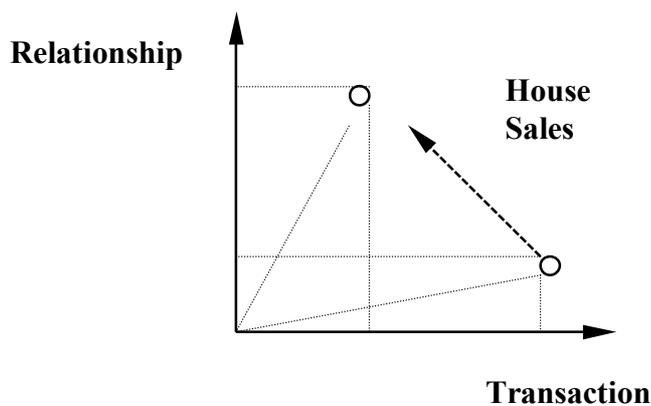
Figure 13: Potential move to relationship orientated vector

Sadly this still indicates the need to employ existing marketing to attract the remaining customers. Viewed from this perspective, relationship marketing could be seen as an additional expense, the costs of which are discussed below.

Marketing Costs and Benefits

Projection of costs and financial benefits are difficult to quantify. Because of an inescapable churn, relationship marketing is seen as supplementing existing marketing, rather than replacing it, which implies additional cost. However increased profitability can be derived from a reduction in net marketing expenditure if the relationship marketing activities were run on a self-financing (self-liquidating) basis, to produce a positive cash flow on activities such as cross-selling.

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[77]70% customers move less than 10 miles, 85% move less than 30 miles, see Results Q.4
[78]First timer buyers have 65% probability of moving within 5 years, see Results Q.35

THE RELATIONSHIP VEHICLE - AN ONGOING STREAM OF BENEFITS

From a conceptual point of view relationship marketing appears to be a viable strategy. The problem with trying to implement a relationship marketing scheme for house building is that there has to be a viable reason for keeping the relationship going from the customers side. In house building the relationship component is not, however, as obvious as it is in, say, car sales where ongoing servicing is a prerequisite. It is therefore the marketers task to create and implement an ongoing stream of real benefits which serve as a 'relationship vehicle' which is sufficiently attractive to lock the customer in across purchase triggers. To succeed, the vehicle must be capable of sustaining customer contact over an extended period spanning many years, which customers perceive as relevant to them, otherwise it will be ignored. Due to the dissonance avoidance effect, it must go beyond the realms of the superficial 'customer magazine' to consider the *'what is in it for the customer'* factor, in an effort to develop some degree of company-customer 'fusion' as mentioned in the previous section. Discounts, cross selling, home maintenance and involvement in the local community may be just such vehicles, as suggested by the results to Survey Question 41. In addition, the bulk buying power of a major company gives competitive advantage over smaller players in provision of preferential deals on say, white goods, kitchen refurbishment[79], building/extension work etc. while its access to specific customers may enable it to undertake back-to-back promotions with other manufacturers/service providers.

In proposing a relationship marketing strategy two points are worthy of note:

1. It should be remembered that the primary objective is not diversification but to support the main brand.

2. Every element of a relationship marketing program introduces another 'moment of truth'[80] which must exhibit the same level of competence and credibility present in the initial product sale.

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[79]E.g. Builders could offer to re-equip houses of say, 10 year age with the latest units as used on new houses at a very competitive price

[80]Moments of truth, see Carzlon J (1987) *Moments of Truth* Harper & Row New York

BENEFITS OF SCALE

There are a number of reasons why relationship marketing may only be a strategic option to the largest companies:

- The larger the scale the greater the likely coincidence of matching customer needs at their buying triggers.

- To employ relationship marketing a company would need to maintain viable product offerings which attract and retain customers through their life stages and geographic migration. This implies a large customer base, broad portfolio and a national operation.

- No matter how good the product or customer loyalty, house marketing has an inevitable attrition rate simply because the product cannot be available at every geographic location. The scale of operation would need to compensate for the loss factor.

- Identification of meaningful customer segments for marketing purposes also requires a sizeable base, (15,000 minimum as suggested by ACORN). Scale enables the builder to take advantage of integration with off-the-shelf geographically presented demographic and psychographic (GIS[81]) segmentation packages such as Mosaic, Psyche and Illumine[82].

This suggests that builders are in a stronger position to employ relationship marketing with increasing size, as this implies larger customer data base. Wimpey and Costains, with their unit sales of 6000 pa (equating to a database of 60,000 over 10 years) appear to be in the strongest position to employ the technique from a scale point of view.

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[81]GIS (graphical information systems) marketing packages appear ideally suited to house building insofar as they present marketing information against a geographic street-plan overlay of neighbourhoods in a language which is familiar to the industry

[82]Off the shelf packages based on 1991 census data and other syndicated studies: Mosaic & Psyche by CCN Marketing, Illumine by Eurodirect.

APPLICATION OF RELATIONSHIP MARKETING : SENSITIVITY TO ORGANISATIONAL ISSUES

The author foresees a number of organisational and cultural implications arising out of the application of relationship marketing in the house building industry which should be considered prior to implementation:

- the need to revise land purchase/development strategy

- the need to develop a coherent brand

- the organisational and attitude changes towards marketing and IT

- the adoption of a deliberate strategy in an emergent thinking industry

A relationship marketing strategy impacts on house builders land purchase/development strategy[83], since this becomes focused at providing future products within the migration radius of existing customers and matched to their customer profile.

Since relationship marketing implies identification, focusing and tracking of marketing effort on specific segments it requires the relationship company to develop and manage a coherent brand proposition, brand values and identity with which customers can relate. This could be summarised as *"Know who they are, know who you are, and make sure they know who you are!"*" This is at odds with builders present, rather schizophrenic, propositions and portfolios. For a national builder this would imply creating a 'national brand' from the variety of multi-local identities[84]. The extensively out-sourced value chains endemic in the industry may be an obstacle to this.

In a similar vein, one of the claimed benefits of relationship marketing is the concentration of the marketing function into a centralised resource. This is likely to

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[83]Land purchase strategy - arguably the most important strategy of a house builder

[84]One possible method of bringing together multi-local identities across the UK is to employ a similar technique as that used by BMW when they addressed brand identity across Europe (see: Broadbent T (1994*) How 15 years of consistent advertising helped BMW treble sales without losing prestige* IPA Advertising Effectiveness Awards. Intercom Group London, and: Kern H, Wagner H, Hassis R (1989) in Hankinson G, Cowkin P (1993) *Branding in Action* McGraw Hill England pp 15 - 23)

Another approach may be to use stratified brands as per Toyota/Lexus

both necessitate reorganisation and dramatically raise the importance of marketing activity, thus changing the power structure within the company.

Relationship marketing introduces a new reliance on information technology into an industry that thinks in terms of materials, labour and subcontracts. The dialogue of IT is bound to be considered foreign and viewed with some scepticism, while acceptability of IT as a basis for decision will be met by some resistance.

The move to Relationship Marketing implies a change to a 'deliberate' strategy[85] in the way the product portfolio is shaped and managed over time to match the client base. This represents a fundamental change in mind-set and risk management strategy in an industry which otherwise prides itself on its 'emergent' responsiveness. To be implemented, relationship marketing would need the support of both the boardroom and company's investors. This suggests it would be easier to adopt in those companies with tight control over their equity.

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[85]See Mintzberg H. Quinn J B (1991) *The Strategy Process: Concepts Contexts, Cases* 2nd edn Prentice Hall USA

ANALYSIS AND EVALUATION 3: METHODOLOGY

APPROACH TAKEN

Due to the highly exploratory nature of this study, which test-fits the relatively new concept of relationship marketing in an extreme and largely un-researched market, I felt it necessary to adopt both inductive and deductive approaches, thus encompassing what Wallace describes as 'The Wheel of Science' (Figure 14):

INDUCTION   Theories   DEDUCTION

Empirical
generalisations   Hypotheses

Observations
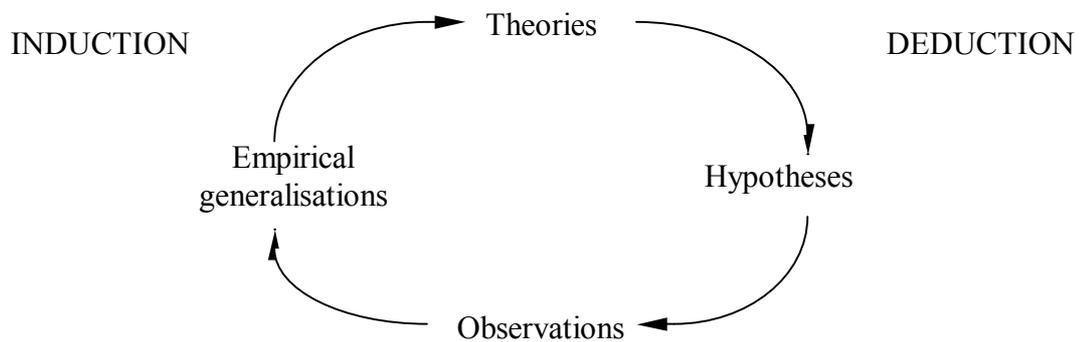
Figure 14: Wallace - The Wheel of Science[86]

The approach enabled a certain amount of triangulation, giving a balanced view on the issue. Future studies based on this work may not require such an extensive search and could take a more experimental approach.

EVOLUTION OF METHODOLOGY

The methodology evolved during the research. Originally it had been intended to compare and contrast house building against relationship marketing activities in other industries serving as role models, such as car sales and retailing multiples. Although much could be learned from such comparison this avenue was dropped in favour of greater grounding in issues directly pertinent to house buying.

QUANTITATIVE PRIMARY RESEARCH

This study was initially planned to be carried out in conjunction with a major house builder, thus gaining access to a larger sample group. To my knowledge, research of

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[86]Wallace W (1971) *The Logic of Science* Aldine-Atherton Chicago, (in source unknown)

this nature has not been undertaken before, so it could have provided commercially valuable information. Sadly, after extended discussion with the particular builder they could still not comprehend the benefits of pursuing this line of enquiry and would not commit their support. The study was therefore completed solely with my own resources.

Such a survey would no doubt have been skewed heavily towards the experiences of customers of that particular builder and may not have produced results of greater interest or external validity. Restriction of the sample size, together with the comparison of experiences across customers of four different builders enabled more in-depth investigation. The results identified 'builder-on-site' distortion and the important dissonance related 'cognitive shift' phenomena occurring after the builder leaves site, which is a crucial factor underpinning the argument for relationship marketing. This may not have been discovered in a more superficial study.

QUESTIONNAIRE - QUESTIONS AND PRE-TEST

During the pre-testing of the questionnaire, responses to several questions, particularly Q23, Q24 and Q25, did not fit within my own 'mind-set', nor the theoretical responses expected of 'complex' products. Despite the great temptation to omit these questions they were retained on the grounds that the responses could not be easily explained away. The data gathered against them contributed to the observance of a dissonance avoidance phenomena which would have major impact on the success of post purchase communication in a relationship marketing campaign.

RELATIONSHIP MARKETING THEORY

In terms of testing the underlying theory the methodology has important implications. Only by looking slightly beyond accepted confines of relationship marketing theory and trial fitting it in an extreme case has it been possible to purify the concept into its focus orientated synergistic/fusion form.

CHAPTER 8

CONCLUSIONS

This dissertation began by considering three characteristics of house building as a basis for relationship marketing; the high churn, the complexity of the purchase decision and the availability of a 'data base' of customers. Industry analysis, buyer behaviour theory review and a customer attitude survey have revealed that there exists the need, opportunity and motivation for a move to relationship marketing.

There is little doubt that the very structure of the housing market is a significant handicap to the ability of major house builders to achieve competitive advantage. Players face the simultaneous effects of increasing industrial rivalry as the dominance of major players concentrates the market while demographic and social changes render the old customer stereotypes useless. Demographic changes forecast imply that the former home owner will increasingly become a more important market sector than the first time buyer. Clearly a new marketing strategy is required which takes into account these factors, and relationship marketing would appear to fit the bill.

The ability of house builders to exploit relationship marketing will be dependant on four key factors:

1. Sufficient scale of operation to provide a segmentable database and product availability
2. Board and shareholders support for a move from emergent to deliberate planning
3. Reorientation of the organisation and integration of the relationship marketing concept with its accompanying IT support
4. Development of coherent brand values and identity

A move towards relationship marketing in the house building industry is a cultural and organisational change, requiring the wholehearted support of a company's

directors and its investors. The above factors effectively eliminate consideration of relationship marketing by most of the major builders. In so far as competitive advantage is defined as *"the extent to which the firm can muster resources denied the competition"* (Glaser[87]), relationship marketing offers a powerful tool to those in a position to adopt it.   From a scale viewpoint house builders Wimpey and Costains appear to be in the strongest position, yet from organisational, cultural and equity control viewpoints other players may be better placed.

House building will always contain a substantial 'transactional' element due to the high degree of influence external factors have on the buying decision. In addition, creation of a coherent 'relationship vehicle' which is both meaningful from the customers side and sustainable over long repurchase interval is not a simple task[88]. For these reasons relationship marketing in the house building industry cannot be expected to take its purest synergistic/fusion form. Relationship marketing must supplement, rather than replace existing marketing activity, with the consequent cost implications. This can be balanced against the possibility of funding the operation out of cross-selling activities and the scope that it appears to offer to build brand differentiation in a way that traditional house marketing has not achieved.

The research has shown that to be successful, formulation of a relationship marketing program must give special consideration to the *dissonance avoidance* and *cognitive shift* phenomena revealed in this paper, (which are peculiar to non-reversible complex decisions) or it will be ignored or could create dissonance thus damaging any existing relationship.

First time buyers, whose numbers have peaked in recent years, exhibit greater post purchase dissonance related search and are therefore more malleable to building of brand beliefs. This, together with the more predictable re-buy period, makes them a good starting point for a relationship marketing programme.

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[87]Glaser S (1994) *The Strategic Imagination* Management Decision Vol. 32 No 6 pp 31-34. MCB University Press
[88]Design of 'relationship vehicles' is beyond the remit of this paper. It would involve: 1) Profiling, segmentation, clustering and qualifying customers within a database. 2) Development of ongoing relationship/communication programmes to suit identified clusters though their life stages.

Buying behaviour theory in the area of complex decision making cannot simply be described in a single model and requires a composite model approach as adopted in this paper. Existing theoretical models have not been extensively tested on such a 'complex' product as a house, indicating the low theoretical basis of existing house marketing.

The relationship marketing concept suffers from being too 'multi-faceted' and its psychological/buyer behaviour roots do not become apparent until tested in as extreme case as this. It is not the all embracing marketing concept, of which transactional marketing is a sub-set. By testing its trial fit against the transactionally orientated house building customer-industry interface it can be seen as representing a different 'dimension' or marketing 'vector' and is in essence a differentiation-focus based strategy.

Levitt believes "*Relationship management is a special field all its own*"[89]. This paper, on the other hand, argues that relationship marketing requires a focused strategic view and represents such a fundamental change of management mind-set that its application, certainly in the unfocused house-building industry, must become an integral function of the strategic and tactical activities

The hypothesis of this paper: "*Purchase complexity and its dissonance reducing effect provides a firm opportunity to build brand beliefs and continued rapport with customers and that given a large enough operation and customer base the prospect of repeat purchase becomes real enough to employ relationship marketing techniques*" is broadly proven, but should be appended with "*..even though a high attrition rate is inevitable*".

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3) Tracking/monitoring/feedback systems to ensure that the process is paying off
[89]Levitt T (1986) *The Marketing Imagination* p 126

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CHAPTER 9

RECOMMENDATIONS

House builders face increasing industrial rivalry as the dominance of major players concentrate the market. To achieve competitive advantage players, should not accept their present bland, 'stuck in the middle', 'transactional' strategies. Relationship marketing provides a differentiation-focus route which this paper has shown as being both feasible from an industry side and supported from the customers side.

This report recommends that house builders:

1. Seriously examine the possible use of relationship marketing. A starting point would be to re-examine current practices from a relationship marketing perspective and to establish relationships with recent first time buyers. Consideration should be given to the compatibility of relationship marketing orientation against the organisation structure, and that of competitors, to determine:
    - If relationship marketing is feasible within their own organisational setting.
    - The competitive advantage obtainable and the appropriate response should it be adopted by a competitor.

2. Re-appraise the value of post purchase communication and the use of customer satisfaction questionnaires in the light of customer dissonance related 'cognitive shift' revealed in this study.

3. Recognise the differing information and communication needs of first time buyers and former home owners revealed in this study

This paper further recommends:

1. Reinforcement of the findings by more extensive quantitative research.

2. A revision in the popular understanding of the relationship marketing concept towards that of a focused specific synergistic/fusion strategy rather than a generic title for the whole of marketing, and the comprehension of marketing as comprising relationship and transactional vectors.

APPENDIX A - RELATIONSHIP MARKETING SUPPLEMENTAL

RELATIONSHIP MARKETING SYSTEM - HOUSE BUILDING MODEL

A model developed by the author in a earlier paper (Taylor 1994[90]), see Diagram 1[91], uses customer data as a basis for two main functions:

1. Acquisition of new customers
2. Retaining and developing existing customers over lifetime

The system in Diagram 1 revolves around a database of existing customers (1), say, residents of houses built in last 10 years. Central to the relationship marketing concept is the use of information to gain a better understanding of the customer. Information stored combines general customer data, ad-hoc surveys or external surveys (such as ACORN) and other customer specific information drawn from 'relationship' interaction. This information forms the basis of market segmentation which looks for clustering in, say, lifestyles, sagacity (life-stage), geographic location, etc. which is then used to tailor marketing communications and promotion effectively:

- New Customer Acquisition Programme (2): From the segmentation process, a 'profile' of typical customer characteristics for each market segment can be constructed. This might include family size, ages, profession, income, distance from place of employment, local facilities used, newspapers and other media taken. This profile then forms the basis for sorting databases obtained from outside sources (and data drawn from lead generating activities) to gain details of likely future customers for direct marketing targeting or "narrowcasting" through targeted marketing campaigns (3).

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[90]Taylor G K (1994) *Relationship Marketing in the House Building Industry*. Unpublished MBA Assignment
[91]For simplicity aspects such as communication with suppliers, data on products etc. have been omitted

- Customer Retention Programme (4): This function is dedicated to retaining customers by ensuring their satisfaction with the product. Customers who leave the 'fold' can at a later date become targets for the new customer acquisition programme. Monitoring of attitudes, awareness, customer satisfaction and customer retention rates are key elements. The diagram also highlights the aspect of brand building and word-of-mouth promotion, perhaps through positive reinforcement techniques.

- New Product and Product Portfolio Development (5): People's requirements change according to their life stage. First time buyers of two bedroom houses can be expected to move within a few years, while family homes change less frequently . Efficient promotion of new houses would target owners to coincide with their desire to move on, while efficient portfolio management would match the product range to customer expectations (customer satisfaction and attitudes) and a forecast of customer sagacity profile.

- Customer Development Programme (6): Here relationship marketing has three functions, two of which overlap with other programmes:
    1. To ensure that customers are retained in the 'fold' whenever they move house
    2. To cross-sell additional products/services to existing customers
    3. To build a bond with the company, increasing the strength of the 'brand' through customer referral and word-of-mouth campaign which will improve prospective customers pre-disposition to the product

HOUSE BUILDING RELATIONSHIP MARKETING MODEL
INTERRELATIONSHIP OF INFORMATION AND PROCESSES
(see Appendix A for explanation)

KEY — Data/Process Flows

Other Links

Marketing Programmes

Other products/service

Customer Development Programme

Product Portfolio

Customer lifestyle
(Needs through life forecast)
Sagacity matching

New Product &
Portfolio
Development

Add-Hoc
Surveys

Existing
Customer
Data base

Customer Satisfaction
monitoring

Word of mouth

Attitude/Awareness Monitoring

Brand Building
Campaign

Targeted Marketing
Campaign

External Databases

Purchase

Customer Profile(s)

Re-purchase

New Customer Acquisition
programme

Customer Retention
Programme

lost customers

1   2   3   4   5   6

Relationship Marketing in the House Building Industry   **Graham K Taylor June 1995**

APPENDIX B METHODOLOGY SUPPLEMENTAL

Figure 15: Relationship Strategy Framework (Christopher et al 1991) p 35
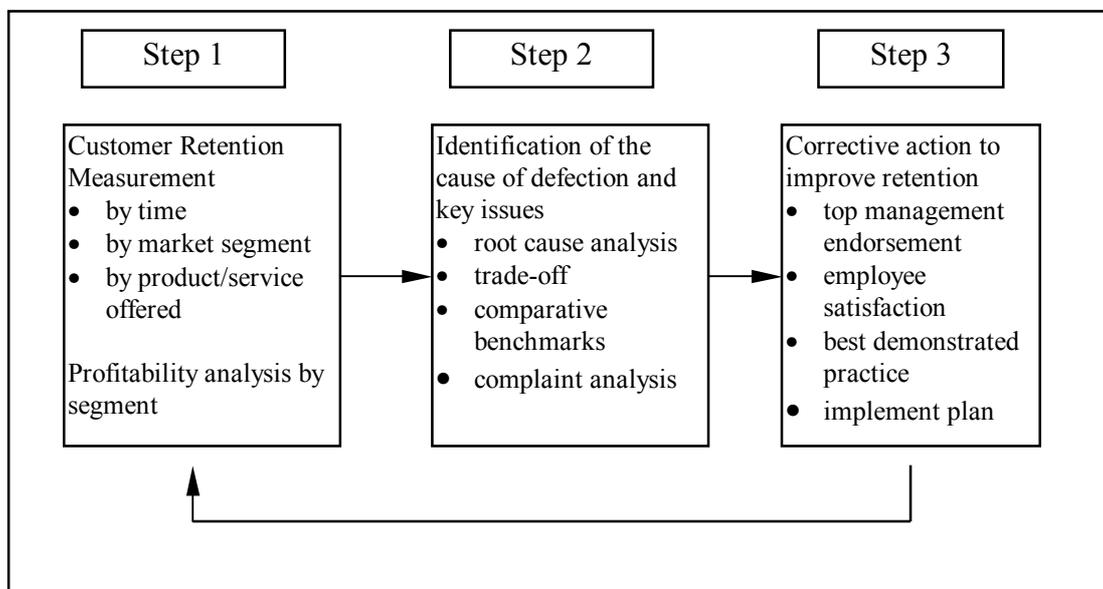
Figure 16: Clark & Payne Three Step framework[92]

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[92]Clark M. Payne A (1994) *Achieving Long term Customer Loyalty: A strategic approach*. MEG Proceedings of annual conference Vol. 1 p 169-178

Relationship Marketing in the House Building Industry   **Graham K Taylor June 1995**

Experimental and Quasi-experimental methods

It is possible to interpret the investigation as one of a causal relationship "Will building a customer relationship promote customer retention?". Research method theory for causal relationships (Judd[93], Holbert & Speece[94]) leads down the 'experimental' route and consideration was given to this form of approach. However, problems arise in this particular case in maintaining internal and external validity due to:

- The subjective nature of the 'customer relationship' construct

- The multi-dimensional and perceptual possibilities of the 'identity' (brand identity) of the notional builder with which the subject is to have the relationship

- Time scale to re-purchase, and hence duration of experiment

Although rejected due to the limited resources of the researcher, experimental and quasi-experimental research are supported as valid processes for pursuing the line of enquiry in more depth. For example, before embarking on a full scale relationship marketing strategy, quasi-experimental research can be used to test market the concept, along the lines:

$$Group\ 1 \quad\quad 0_1 \quad X \quad 0_2$$
$$Group\ 2 \quad\quad 0_3 \quad\quad\ 0_4$$

Where:

- Group 1 is a selected set of customers to receive 'relationship marketing' treatment 'X',

- Group 2 are other customers, which form the control set

The customer groups are tested at the beginning of the period $(0_1, 0_3)$ and at the end of the period $(0_2, 0_4)$ respectively, to identify whether changes in attitudes, and more

[93] Judd C, Smith E, Kidder L (1991) *Research Methods in Social Science* The Dryden Press
[94] Holbert N B. Speece M W (1993 *Practical Marketing Research - An Integrated Global Perspective* Prentice Hall

importantly retention rates, can be observed and measured against the respective costs of communication. Several problems are foreseen in this method:

- It may be difficult to separate Group 1's communication from that of Group 2, making the cost evaluation complicated

- The trial will have to be conducted over a period of several years, corresponding to the re-buying period

- The high cost of overheads involved in supporting a full relationship management operation for a only sample customer set. While this may be resolved by offering a cheaper 'surrogate' service to Group 1, potential distortion could be introduced as a result

Barclaycard are currently undertaking experimental research into three possible relationship marketing customer magazine formats along the above lines[95].

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[95]Barclaycard - testing three customer magazine tittles against different sections of database: "Out of the Blue", "Additions", "Merits". See Croft M *Glossing the Image*. Marketing Week Customer Loyalty Supplement 24 March 1995. pp 15 -17

APPENDIX C - INDUSTRY REVIEW SUPPLEMENTAL

Boom-Bust of the House Building Market

It is very difficult to separate cause from effect. However, it is fair to say that during the boom period relatively low interest rates and de-regulation of banking services combined to offer cheap mortgage finance to an increasingly affluent (yuppie) and swelling rank of potential first time buyers with property aspirations.

The property market can be thought of as a chain (where many involved are both buyer and seller). Demand from First time buyers fuelled price rises and trading higher up in the chain. Such demand began an inflationary spiral bringing with it gazzumping and price speculation. The demand was dramatically curtailed by the ending of multiple tax relief in 1988 and the impact of a jump in interest rates, from 8.32 % (1986) to 11.34% (1991)[96], which effectively increased the cost of home ownership to a first time buyer by 36%. As a result, property values stalled and in some cases plummeted. Recent buyers found themselves financially over exposed, facing the onset of negative equity, many unable to meet repayments. To potential entrants, the market was no longer an investment.

Effect on Builders Strategic Position

During the boom phase, demand outstripped supply of new property. As a result property could be priced highly, while being underpinned by the appreciation in general market levels of 11% - 25% pa. Material and skilled labour shortages arose and build quality was often sacrificed for the shorter build times which maximised return. Organisations grew swiftly and land prices spiralled, both often financed by debt. When the bubble burst, builders found themselves financially overexposed, typically facing:

- Dramatic drop in turnover
- High gearing with increasing debt servicing costs
- Over valued land banks
- Sprawling organisational overheads

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[96] Average Mortgage Rate after tax , Source: *Housing Finance*. No 23 August 1994

Since 1990 players have re-structured, written off/sold expensive land banks, and re-geared by raising new equity. An illustrative comparison of financial performance of the top 17 house builders is tabulated later in this appendix.

'Affordability'

The housing market collapse coincided with a burst in the 1980's employment bubble, which ended the concept of job-for-life security and 1980's salary aspirations. At the height of the boom, buyers, lenders and builders had speculated, not just on increasing prices, but also on increasing salaries which would make those properties affordable. By 1988 the building societies lending yardstick: 'Loan = Three x Income' was being stretched to the limit, with some companies offering a multiplier of more than four. Appendix C Chart 'Trends in House Market Since 1980(1)' illustrates the movement in average income of borrowers, the burden of loan repayment on income and the average Price/Income ratio since 1980.

The correlation between housing booms and the variables:

- First time buyer activity

- Mortgage availability

- Cost of servicing loans

- Income/Salary

are supported by Hall and Richarson (1979[97]) in their formulation of the NHBC First Time Buyer Ability to Buy Index and, Pannell and Williams (1994[98]). Pannell and Williams point out that "*An individual's perception of the 'affordability' of a particular property is likely to be based not just on the immediate mortgage repayments involved but also (at least implicitly) on a consideration of how quickly*

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[97]Hall M. Richardson M (1979) *Forecasting Housing Booms and Slumps*. The Housing Research Foundation
[98]Pannell W, Williams P (1994) *House Prices and Affordability*, Housing Finances No 23 August 1994 pp 7 - 12

debt and debt service costs may diminish over time"[99] This was a major consideration during the 1980's where salary increases could be expected to quickly offset mortgages servicing costs . Appendix C Chart 'Trends In House Market Since 1980 (2)' illustrates the NHBC index as compared with house building starts, and dramatically illustrates the way in which the ability to buy stalled and dived between 1988 and 1990. The chart also indicates the rise in average house prices during that period. Curiously, the index shows that since 1992 the ability-to-buy has exceeded that of the boom years, yet market growth has been very slow.

TABLE: ILLUSTRATIVE PERFORMANCE COMPARISON OF TOP HOUSE BUILDERS
Sources: Derived from company reports/ New Homes Marketing Board/Credit Lyonnais Laing

Company	Notes	Year End	Group T/O £m	Group PBIT	Housing T/O	House building operating profit	Group Net Assets	Completions	Av selling price £'000	Profit per completion £000	Profit margin as % sales	Approximate Market Share
Wimpey Homes (George Wimpey Plc)		Dec-93	1,587	32	544	25.4	535.9	6,936.00	78.43	3.7	5%	4.7%
McLean/Tarmac Homes		1993			547	57.3		6,837.00	80.01	8.4	10%	4.6%
Barratt		Jun-94	499	40	374	40	205.4	4,988.00	74.90	8.0	11%	3.4%
Beazer		Sep-93	276	38	276	38	224	4,805.00	57.44	7.8	14%	3.2%
Wilcon (Wilson Connolly plc)		Dec-93	274	28	212	23	227	3,840.00	55.21	5.9	11%	2.6%
Hassall (Rane plc)		Jun-94	457	15	207	14	120	2,923.00	70.72	4.8	7%	2.0%
Bryant (Bryant Group Plc)		May-93	310	23	224	17	215	2,815.00	79.68	6.2	8%	1.9%
Persimon plc		Dec-93	169	20	169	18	145	2,771.00	60.99	6.5	11%	1.9%
Lovell plc	3	Sep-94	250	8	45	3	62	2,770.00	97.83	7.2	7%	1.9%
Ideal (Trafalgar House)	1	Sep-93	3,879	-248	167	-4	290	2,554.00	65.39	-1.6	-3%	1.7%
Laing (John Laing plc)		Dec-93	1,263	20	210	3	134	2,430.00	86.21	1.1	1%	1.6%
Westbury Plc		Feb-94	152	10	152	10	96	2,428.00	62.60	3.9	6%	1.6%
Bellway plc		Jul-94	201	27	201	27	148	2,299.00	87.39	11.7	13%	1.6%
Fairview New Homes Plc	2	Dec-93	93	14	93	14	28	2,074.00	44.84	6.8	15%	1.4%
David Wilson		Dec-93	185	34	156	22	232	1,860.00	83.92	11.9	14%	1.3%
Bovis (P&O)		Dec-93	5,746	648	182	8	4,150	1,838.00	99.02	4.5	5%	1.2%
Redrow Group plc		Jun-94	156	21	168	22	115	2,038.00	82.38	10.9	13%	1.4%
Combined market share												38.0%
Total market completions (NHBC GB 1993)												148,000

Notes
1 Housing T/O includes Construction. Data separating housebuilding from construction activities not available
2 Either very low average unit price or inexplicable mismatch between financial and output figures, possibly due to nature of business relationships
3 Distortion due to Lovell's major involvement in 'Partnership' housing associations projects. 460 Residential homes constructed in year.

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[99] Pannell W, Williams P (1994) *House Prices and Affordability*, Housing Finances No 23 August 1994 pp 11

APPENDIX C CHART: TRENDS IN HOUSE MARKET SINCE 1980 (1)
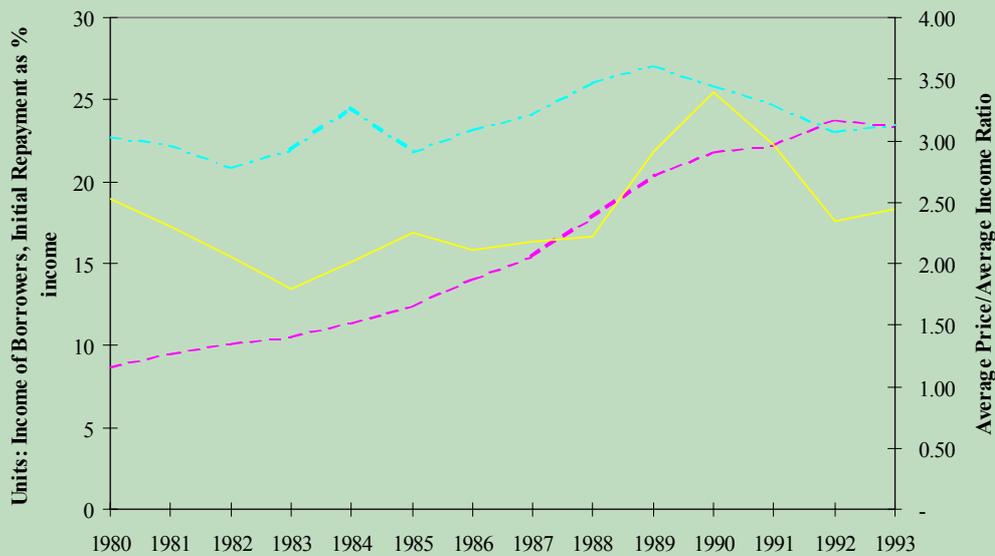
--- New Dwelling Average Recorded Income of Borrowers (000's) ——— First Time Buyer Initial Repayment as % Average Income

-·-· Average Price to Average Income Ratio

APPENDIX C CHART: TRENDS IN HOUSE MARKET SINCE 1980 (2)
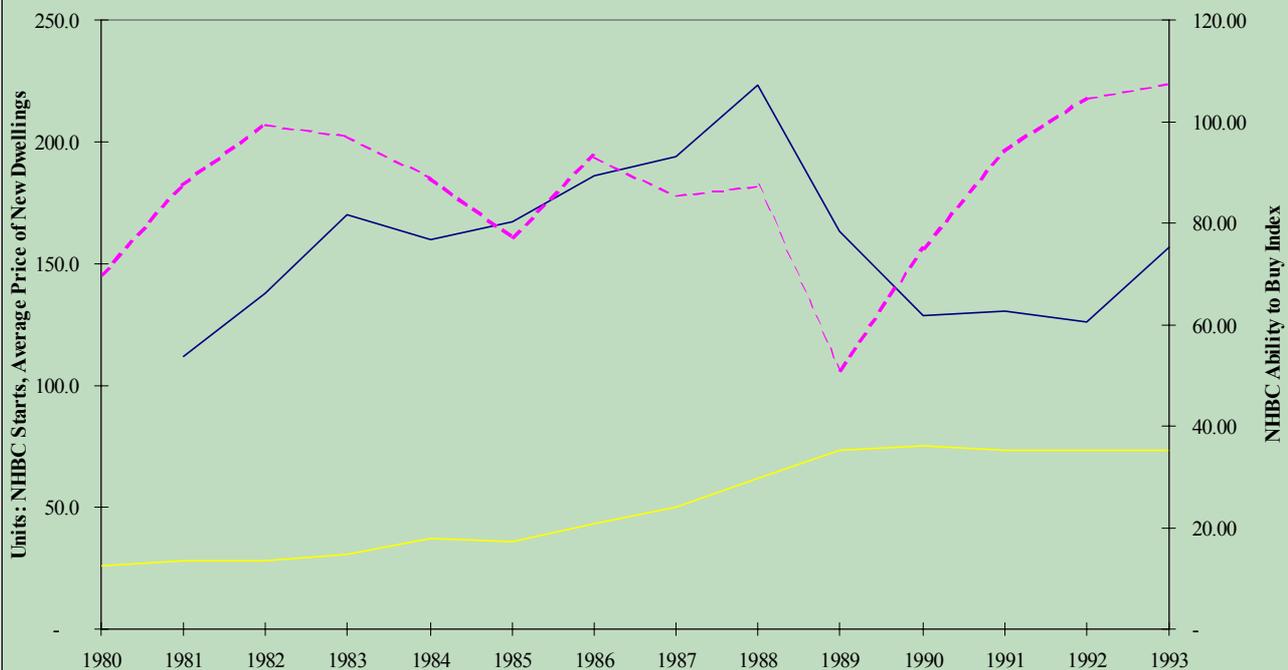
Note: NHBC Ability To Buy Index: The higher the index the greater the ability to buy

——— NHBC Starts (000) GB   (Ex N Ireland)   Average Price of New Dwellings (UK) (000's)

-- - NHBC First Time Buyer Ability to Buy Index (Average for year)

TRENDS IN HOUSE MARKET SINCE 1980

Year	NHBC Starts (000) GB (Ex N Ireland)	NHBC First Time Buyer Ability to Buy Index (Average for year)	Average Price of New Dwellings (UK) (000's)	New Dwelling Average Recorded Income of Borrowers (000's)	First Time Buyer Initial Repayment as % Average Income	Average Price to Average Income Ratio
1980		69.75	26.25	8.655	18.9	3.03
1981	112.0	87.50	28.12	9.481	17.3	2.97
1982	138.1	99.50	28.21	10.124	15.4	2.79
1983	170.1	97.25	30.82	10.555	13.5	2.92
1984	159.7	89.00	37.08	11.342	15.1	3.27
1985	167.6	77.25	36.10	12.385	16.9	2.92
1986	185.7	93.25	43.56	14.095	15.8	3.09
1987	194.2	85.50	49.69	15.435	16.3	3.22
1988	223.2	87.25	61.87	17.798	16.7	3.48
1989	163.4	51.00	73.54	20.378	21.8	3.61
1990	128.8	75.00	75.04	21.795	25.5	3.44
1991	130.5	94.00	73.51	22.269	22.2	3.30
1992	126.0	104.50	73.19	23.796	17.6	3.08
1993	157.0	107.50	73.23	23.376	18.3	3.13
Notes:	1	2	3	4	5	6

Notes
1 Source: NHBC Private House-building Statistics 1994
2 Source: NHBC Private House-building Statistics 1994
3 Source: Housing & Construction Statistics. Great Britain HMSO
4 Source: Housing & Construction Statistics. Great Britain HMSO
5 Source: Housing Finance No 23 August 1994
6 Ratio of Average Price of New Dwellings (note 3) and Average Recorded Income of Borrowers (Note 4)

Five Forces Strategic Analysis

Porter's 5 Forces[100] is a useful tool for illustrating the changes in power within the industry's environment during the boom - bust - recovery period:

	Boom Years 1980 - 1988	**Bust Years 1989-1992**	**Recovery 1993**
Suppler bargaining power	Medium: Demand outstripping supply of materials, land, labour, leading to spiralling prices	Low: Suppliers weakened by fall off in trade	High: Materials restricted due to capacity cutbacks
Potential Entrants	Medium: Opportunity to enter thriving industry restricted by availability of funds and resources	Low: Losses and long term outlook make industry unattractive. Players leaving industry	Low: Low profit margins and poor immediate outlook dissuade potential entrants
Buyer bargaining power	Low: Seller's market with prices escalating at 11 - 25% pa	High: Over capacity and falling prices. House builders were laden with debt and needed cash	Medium: Buyers and house builders are better funded, but negative equity and employment security hold market back
Threat of Substitutes	Low: Product seen as investment, part of culture, symbol of success	High: Potential/marginal customers held back on purchase or turned to rented accommodation	Low: Despite boom-bust experience aspirations of ownership remains part of British culture
Industry Rivalry	Medium: Building and selling as fast as possible. Players rivalling for resources, especially skilled labour and materials	Medium: Players try to control losses and stay in business.	High: Players looking to build profits through higher volume and lower margins

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[100]Porter M E (1985) *Competitive Advantage, Creating and sustaining superior performance* The Free Press. New York. P 5

Lenders Effect on Constraining House Prices

The dominance of lenders in providing a high percentage of house purchase funds (in the UK market) creates a self levelling effect, which is rather circular (Figure 17) and negates attempts at price based differentiation. Prices are effectively controlled by the simple formula:

House Price (Loan) = f(3 x Income of responding market)

This golden rule exists so long as lenders and borrowers have confidence in factors such as the economy, unemployment, borrowers general ability to repay, etc. and consider the property adequate security. Variation in the multiplier ('3' - essentially the 'house price/earnings ratio') reflects the level of 'confidence'[101]. Control of the percentage of advance against the 'property valuation' is a second string to this bow[102].
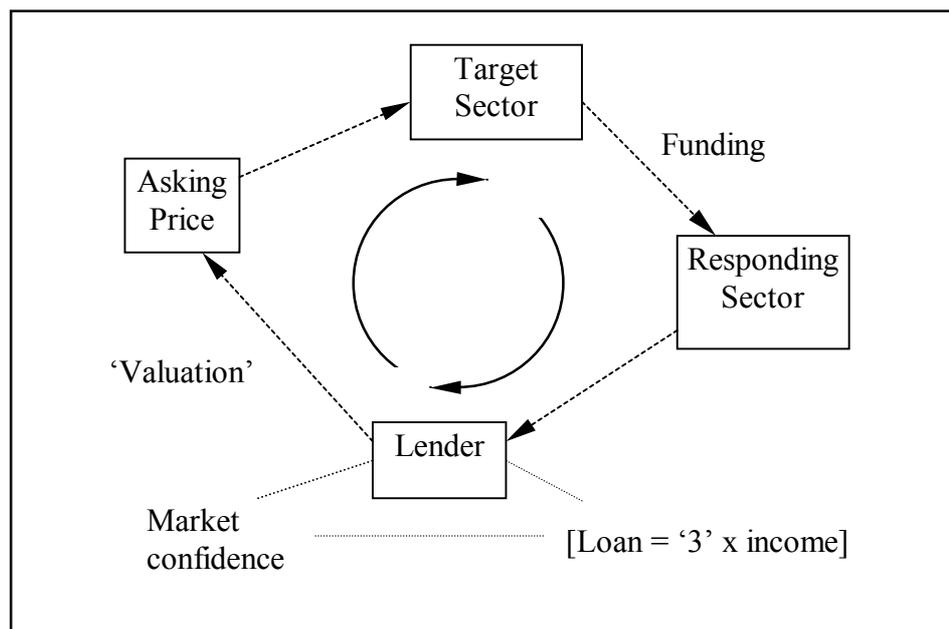
Figure 17: Circular nature of property pricing

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[101]In the long term changes away from 'job for life' security may have a significant effect on house prices.
[102]Pannell & Williams suggests that control of the percentage of advance is also equivalent to control of interest rates - either way it affects the 'affordability' of property and therefore its price.

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Thus, house prices are very contrived[103], yet all the players I discussed this with seemed blissfully ignorant of this fact! As a result it is very difficult to 'premium price' a house without drastically changing the target market.

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[103]One can hypothesise that, if lenders chose to reduce the multiplier to 2, house prices would drop due to lack of funding, but would then stabilise at a lower level, with builders and land owners adjusting their practices accordingly. (However, since maximisation of loan corresponds with maximisation of mortgage interest income, mortgage companies are unlikely to do this!) Increasing the multiplier leads to higher prices but instability, as was found in the 1980's (Note 1 below). Similarly, if neighbourhood values rise/fall they begin to attract a different set of 'responding' customers, while the value of niche properties is dependant on the sellers ability to reach the right target market.
Note 1: Nationwide Building Society record a house price/earnings ratio 'multiplier' of 4.65 for Quarter 2 1989

HOUSE TYPE SEGMENTATION

House Types and Price - England 1993

Source: NHBC PRIVATE HOUSE-BUILDING STATISTICS 1994 (1994 Quarter 3)

	Percentage of house type in total 'starts'	*Average Prices £000's*	*Relative Value of Market (house type x average price)*
Detached Houses	32%	104.00	47%
Detached Bungalows	3%	86.00	4%
Semi-detached houses	22%	54.00	17%
Terraced houses	23%	56.00	18%
Attached bungalow	3%	50.00	2%
Flats & maisonettes	17%	51.00	12%

Percentage of house type in total 'starts'

- Flats & maisonettes 17%
- Attached bungalow 3%
- Terraced houses 23%
- Semi-detached houses 22%
- Detached Bungalows 3%
- Detached Houses 32%

Average Prices £000's

Relative Value of Market (house type x average price)

- Flats & maisonettes 12%
- Attached bungalow 2%
- Terraced houses 18%
- Semi-detached houses 17%
- Detached Bungalows 4%
- Detached Houses 47%

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APPENDIX D - BUYING BEHAVIOUR SUPPLEMENTAL

BUYING BEHAVIOUR MODELS

Engel et al

This model sets out a comprehensive interrelationship between elements in the process. Engel considers the whole process to comprise:

- Input: which is essentially stimuli that can be self generated, arising out of the external search process which is part of everyday learning, or from deliberate stimulation such as advertisements

- Information processing: taking account of its cumulative nature

- Decision process: recognising the role played by beliefs and attitudes in determining the extent of the process

The whole behavioural model is subject to environmental and individual influences.

The model is criticised by Howard for failing to explain when operational variables will influence others and failing to predict customer behaviour in a given situation.

Howard/Sheth

The Howard/Sheth model has similar properties to the Engel et al model. It claims to take account of the subjectivity of both the perceptual and learning constructs. Attitudes and confidence in the understanding gained from evaluation combine to determine the output. Howard/Sheth see the behavioural model as comprising of:

- Inputs - the sources of information

- Perceptual constructs: concerning the way inputs are selectively received, distorted and weighted

- Learning constructs: concerning the thought process acting upon the perceived inputs

- Outputs: having formed an intention the consumer engages the decision making process (Attention - Brand Comprehension - Attitude - Intention - Purchase) which Howard/Sheth see as the output.

Engel, Blackwell & Miniard Consumer Behavior Model

Engel, Blackwell, Miniard (1990) in, Rice C (1993) Consumer Behavior Oxford, Butterworth- Heinemann Ltd

Input   *Information*   *Decision Process*   *Variables influencing*
                 Processing   *decision process*

Need recognition

Exposure

Memory   Internal search

Attention

Stimuli

Comprehension

Search

Acceptance

Alternative evaluation   Beliefs

Retention   Attitude

Intention

Environmental influences
Culture
Social class
Personal influences
Family
Situation

Individual differences
Consumer resources
Motivation and involvement
Knowledge
Attitudes
Personality
Lifestyle
Demographics

External Search

Purchase

Outcomes

Dissatisfaction   Satisfaction

Dotted lines indicate post purchase feedback

Howard/Sheth Consumer Behavior Model

Source: Rice C (1993) Consumer Behavior Oxford, Butterworth- Heinemann Ltd

Inputs   *Perceptual constructs*   *Learning constructs*   *Outputs*

Stimulus display

Significance
a Quality
b Price
c Distribution
d Service
e Availability

Symbolic
a Quality
b Price
c Distinctiveness
d Service
e Availability

Social
a Family
b Reference groups
c Social class

Overt Search

Stimulus ambiguity

Attention   Perceptual bias

Intention   Purchase

Confidence

Attitude

Motives   Choice criteria   Brand comprehension

Intention

Attitude

Brand comprehension

Attention

Satisfaction

Dotted lines indicate post purchase feedback

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APPENDIX E - PRIMARY RESEARCH SUPPLEMENTAL

QUESTIONNAIRE

Please answer by marking in the appropriate boxes   **Case No:**

Q. no.	Line. no.					
		Are you the owner of this house? (If yes, continue)				
1.		Are you a first time buyer or a former home owner? *If former home owner, how many houses have you bought before*	*First time buyer*		*Former home owner:*	*Number of former homes bought? -*
2.		How long have you lived here?				*Months:*
3.		How many bedrooms in the house?	*More than 4*	*4*	*3*	*2*	*1*
4.		How far have you moved?	*Miles:*		*Over 100 miles :*		
5.		Have you owned a house by this builder before?				*Yes*	*No*

Q. no.	Line. no.		**Very Greatly**				**Not at all**
6.	C	On a scale of 1 to 5, 1 being the lowest and 5 the highest, - Please indicate how any of the following influenced you to buy this house:					
1.		• Advertising and publicity	5	4	3	2	1
2.		• Builders name and reputation	5	4	3	2	1
3.		• 10 year warranty	5	4	3	2	1
4.		• Recommendations from others	5	4	3	2	1
5.		• Positive comments from friends	5	4	3	2	1
6.		• Previous experience of builder	5	4	3	2	1
7.		• Immediate neighbourhood	5	4	3	2	1
8.		• Location in relation to local amenities (schools, shops, transport etc.)	5	4	3	2	1
9.		• Friends or family in area	5	4	3	2	1
10.		• Close to place of work	5	4	3	2	1
11.		• Ease of purchase (trade-in deals etc.)	5	4	3	2	1
12.		• External appearance or style	5	4	3	2	1
13.		• Practical design or layout	5	4	3	2	1
14.		• Special features of property	5	4	3	2	1
15.		• Expectations of build quality	5	4	3	2	1

7.	C	When you were looking for a house, including show houses, how many did you actually view?	*No. Brand New*	*(Inc Show houses):*		*No. Old (pre-owned):*	
8.	P	Did you deliberately set out to buy a new house?				*Yes*	*No*
9.	P	Did you consider buying a "second hand" property				*Yes*	*No*
10.	P	"What were your main reasons for choosing to buy a <u>new</u> house?					

Of the following statements please indicate if you Strongly Agree, Agree, Neutral/uncertain, Disagree, or Strongly Disagree:-

11.	C	"I found the builders sales information very adequate"	*Strongly Agree*	*Agree*	*Neutral/ uncertain*	*Disagree*	*Strongly Disagree*
12.	C	"Choosing a house is difficult because your choice says a great deal about you"	*Strongly Agree*	*Agree*	*Neutral/ uncertain*	*Disagree*	*Strongly Disagree*
1.3	C	"When you bought, did you believe that buying a brand new house is less risky than buying an older property"	*Strongly Agree*	*Agree*	*Neutral/ uncertain*	*Disagree*	*Strongly Disagree*
14.	C	"Before I bought this house, I felt that I knew quite a lot about house buying"	*Strongly Agree*	*Agree*	*Neutral - uncertain*	*Disagree*	*Strongly Disagree*
15.	C	"I like to see technical information about the house before I buy (e.g. building materials, wiring, heating, insulation details)"	*Strongly Agree*	*Agree*	*Neutral - uncertain*	*Disagree*	*Strongly Disagree*
16.	C	"I think there is little to choose between one builder or another"	*Strongly Agree*	*Agree*	*Neutral - uncertain*	*Disagree*	*Strongly Disagree*

About the house

17.	D	How satisfied were you with your house when you first moved in?	*Very satisfied*	*Quite satisfied*	*Neither satisfied or dis-satisfied*	*Slightly dis-satisfied*	*Strongly dis-satisfied*
18.	D	Are you more <u>or</u> less satisfied now?	*Much more*	*A little more*	*Neutral - uncertain*	*slightly less*	*much less*
18.	D	"Since moving in, I have learned things about my house which have reinforced my decision to buy it"	*Strongly Agree*	*Agree*	*Neutral - uncertain*	*Disagree*	*Strongly Disagree*
20.	D	"Since moving in, I have learned things about my house which have made me regret buying it"	*Strongly Agree*	*Agree*	*Neutral- uncertain*	*Disagree*	*Strongly Disagree*

About the builder

21.	D	How satisfied were you with the	*Very*	*Quite*	*Neither*	*Slightly*	*Strongly*

		satisfied	satisfied	satisfied or dis-satisfied	dis-satisfied	dis-satisfied
		builder when you first moved in?				
22.	D	How has your attitude towards the builder changed since then?	Much better	Slightly better	Neutral-uncertain	slightly worse	Much worse
23.	D	"Since buying my house, I have taken more of an interest in houses"	Strongly Agree	Agree	Neutral-uncertain	Disagree	Strongly Disagree
24.	D	"After I bought my house, I compared it with others"	Strongly Agree	Agree	Neutral-uncertain	Disagree	Strongly Disagree
25.	D	"I deliberately found out more about other houses built by this builder after I moved in"	Strongly Agree	Agree	Neutral-uncertain	Disagree	Strongly Disagree
26.	D	"I would have welcomed more communication from my builder after I moved in"	Strongly Agree	Agree	Neutral-uncertain	Disagree	Strongly Disagree
27.	E	"My expectations of the service provided by builders is influenced by the level of service I expect when I buy other products (such as new car, washing machine)"	Strongly Agree	Agree	Neutral-uncertain	Disagree	Strongly Disagree
28.	E	"Builders currently offer the level of service that I expect from other products"	Strongly Agree	Agree	Neutral-uncertain	Disagree	Strongly Disagree
29.	E	"I was confident my builder would do a satisfactory job"	Strongly Agree	Agree	Neutral-uncertain	Disagree	Strongly Disagree
30.	E	"My confidence in my builder was proved correct"	Strongly Agree	Agree	Neutral-uncertain	Disagree	Strongly Disagree
31.	E	"I would like greater assurance than the NHBC warranty provides"	Strongly Agree	Agree	Neutral-uncertain	Disagree	Strongly Disagree
32.	E	"I would enjoy my house more if I had more confidence in my builder	Strongly Agree	Agree	Neutral-uncertain	Disagree	Strongly Disagree

33.	P	Would you consider buying a brand new property as your next house?	Definitely	Possibly	Neutral-uncertain	Unlikely	Definitely not
34.	P	Would you consider buying a brand new house by this builder again?	Definitely	Possibly	Neutral-uncertain	Unlikely	Definitely not
35.	P	When do you next envisage moving house?	Within 2 years	2 - 5 years	5-10 years	Uncertain	
36.	R	If the builder has been in touch with you since you moved in, in what form has this taken?	Sixth - month Inspection/repair	Question-naire	Welcome letter	Christmas card	Other
37.	R	Did you welcome this communication with the builder?			Yes	indifferent	no
38.	R	"Since purchasing my house I feel	Strongly Agree	Agree	Neutral-uncertain	Disagree	Strongly Disagree

that the builder has neglected or abandoned me"

39. **R** "I feel a sense of loyalty to my builder"

Strongly Agree	Agree	Neutral-uncertain	Disagree	Strongly Disagree

40. **R** "I would recommend this builder to my friends"

Strongly Agree	Agree	Neutral-uncertain	Disagree	Strongly Disagree

41. **R** If your builder arranged the following, how interested in them would you be?-

Discounts from local DIY stores

Very interested	Possible interest	Neutral-uncertain	slightly dis-interested	Not interested at all

Introduction to, and discounts on other goods

Very interested	Possible interest	Neutral-uncertain	slightly dis-interested	Not interested at all

Occasional "owners club" magazine

Very interested	Possible interest	Neutral-uncertain	slightly dis-interested	Not interested at all

Organising events with owners of similar houses

Very interested	Possible interest	Neutral-uncertain	slightly dis-interested	Not interested at all

Support for local community projects

Very interested	Possible interest	Neutral-uncertain	slightly dis-interested	Not interested at all

Special rates for home maintenance and repairs

Very interested	Possible interest	Neutral-uncertain	slightly dis-interested	Not interested at all

42. **R** What other benefit could the builder offer you?

43. Which company built your present house?

44. Number of children living here

45. Which age group do you fall into?

Up to 24	25 - 30	31 - 34	35 - 45	46 & over

46. Any other comments?

QUESTIONNAIRE RATIONALE

Classification of Questions

COMPLEXITY (C)
Risk, uncertainty, difficult to pre-evaluate, personal style,
wide search or superficial search, prior knowledge, perceived significant
differences/few differences, negative consequences, probability of consequences
(Risks of older houses vis new houses)

DISSONANCE (D)
Change of perception once bought, feeling better about it, searching for more
information (to justify purchase), taking a greater interest in subject or vendor,
contacting vendor.

EXPECTATIONS (E)
Quality gaps, brand beliefs, common expectations, greater expectations, shortfalls,
of product or builder or brand. What customers want.

REPEAT PURCHASE (P)
When will customers buy again, will they buy new again, will they buy from same
builder again, loyalty.

RELATIONSHIPS (R)
Does customer welcome closer contact, regular contact, what can builder offer to
keep relationship going, do they feel that the builder should not just walk away, Do
they feel distanced by NHBC. Do they believe in their brand, do they tell others?

Q. No	Line no	Question	Reason	Classification
		Are you the owner of his house?	Validity of test	
1	1	Are you a First time buyer or a Former home owner? (Number of former homes bought)	Sample frame/post purchase segmentation Number of former homes may relevant to 'prior knowledge/expectations	
2	2	How long have you lived here?	Break down by post purchase period	
3	3	How many bedrooms in the house?	Sample frame/life stage	
4	4	How far have you moved?	Radius of migration	
5	5	Have you owned a house by this builder before?	Prior level of brand loyalty	
6	6	Please indicate if the following influenced you to buy this house:	Explore the extent of the pre-purchase search, key influences and	C

Q. No	Line no	Question	Reason	Classification
		• Advertising and publicity • Builders name and reputation • year guarantee • Recommendations from others • Positive comments from friends • Previous experience of builder • Immediate neighbourhood • Location in relation to local amenities (schools, shops, transport etc.) • Friends or family in area • Close to workplace • Ease of purchase (trade-in deals etc.) • External appearance or style • Practical design or layout • Special features of property • Expectations of build quality	pre-purchase expectations. To scale and quantify external influencing factors	
7	22	When you were looking for a house, including show houses, how many did you actually view? Old/New	Examines the extent of search, search cut off. Viewing of a show house is treated as a viewing of a new house.	C
8	23	Did you deliberately set out to buy a new house?	Determine allegiance to new property. Pre-purchase level of motivation	P
9	24	Did you consider buying a "second hand" property	Strength of allegiance to new property	P
10	25	"What were your main reasons for choosing to buy a <u>new</u> house?	Determines attractiveness of new homes. Open question	P
11	27	"I found the builders sales information very adequate"	To explore the extent to which pre-purchase literature (communication) helps reduce customer anxiety.	C
12	28	"Choosing a house is difficult because your choice says so a great deal about you"	Examines emotive aspects of decision making process	C
13	29	"When you bought, did you believe the buying a brand new house is less risky than buying an older property"	Examines perception of risk directly related to new houses	C
14	30	"Before I bought, I felt that I knew quite a lot about house buying"	Examines self perceived levels of 'prior knowledge' and communication as an educational requirement	C
15	31	"I like to see technical information about the house before I buy (e.g. building materials, wiring, heating, insulation)"	Tests desire to tackle the decision making process at a greater level, and builders communication requirement	C
16	32	"I think there is little to choose between one builder or another"	Tests perception of any brand differentiation	C
		About the house		

Q. No	Line no	Question	Reason	Classification
17	34	How satisfied were you with the builder when you first moved in?	Establish attitude benchmark	D
18	35	Are you more or less satisfied now?	Test change in attitude	D
19	36	Since moving in, I have learned things about my house which have reinforced my decision to buy it	Explores post purchase search and positive dissonance reduction	D
20	37	Since moving in, I have learned things about my house which have made me regret buying it	Explores post purchase negative activity	D
		About the builder		
21	39	How satisfied were you with the builder when you first moved in?	Establishes attitude benchmark	D
22	40	How has your attitude towards the builder changed since then?	Tests change in attitude	D
23	41	Since buying my house, I have taken more of an interest in houses	Determine extent of post purchase involvement	D
24	42	"After I bought my house, I compared it with others"	Explore degree of post purchase search	D
25	43	"I deliberately found out more about other houses built by this builder after I moved in"	Relate post purchase search to builder	D
26	44	"I would have welcomed more communication from my builder after I moved in"	Explore desire for post purchase reassurance and opportunity for positive reinforcement	D
27	45	"My expectations of the service provided by builders is influenced by the level of service I expect when I buy other products (such as new car, washing machine)	Explore transfer of expectations from product to product	E
28	46	"Builders currently offer the level of service that I expect from other products"	Linking builders to expectations. Explores scope for improving relationship and quality gaps	E
29	47	"I was confident my builder would do a satisfactory job"	Explores level of pre-purchase confidence	E
30	48	"My confidence in my builder was proved correct"	Post purchase experience	E
31	49	"I would like greater assurance than the NHBC warranty provides"	Explores scope for relationship marketing in assurance role	E
32	50	I would enjoy my house more if I had more confidence in my builder	Explores latent need for reassurance	E
33	52	Would you consider buying a brand new property as your next house?	Determine likelihood of buying again	P
34	53	Would you consider buying a brand new house by this builder again?	Determine level of loyalty to builder	P
35	54	When do you next envisage moving	Self estimate of purchase interval -	P

Q. No	Line no	Question	Reason	Classification
		house?	linked to life stage	
36	55	If the builder been in touch with you since you moved in, in what form has this taken?	Establish level of existing relationship and communication form. No communication = no entry in these fields	R
37	56	Did you welcome this communication with the builder?	Explore if relationship would be welcomed	R
38	57	"Since purchasing my house I feel that the builder has neglected or abandoned me"	Determine the latent desire for ongoing relationship	R
39	58	"I feel a sense of loyalty to my builder"	Establish level of brand loyalty	R
40	59	"I would recommend this builder to my friends"	Establish how much of a 'relationship' is transferable to others	R
41	60	If your builder arranged the following, how interested in them would you be? • Discounts from local DIY stores • Introduction to, and discounts on other goods • Occasional "owners club" magazine • Organising events with owners of similar houses • Support for local community projects • Special rates for home maintenance and repairs	Establish scope for on-going communication	R
42	67	What other benefit could the builder offer you?	Open searching question	R
43	69	Which company built your present house		
44	70	Number of children living here	Estimate life-stage	
45	71	Which age group do you fall into	Estimate life stage. Groups chosen to coincide with government statistical groupings	
46	72	Any other comments?	Spare open format field	

SUMMARISED QUANTITATIVE RESULTS

Question No			NUMBER OF RESPONSES				
	Line no.						
1 1	**Numbers of first time buyers/former home owners**	FTB	6			FHO	14

2 2 **How long have you lived here? (Months)**

0-6	7-12	12+
10	8	2

3 3 **How many bedrooms in the house?**

5+	4	3	2	1
0	5	4	7	3

4 4 **How far have you moved? (miles)**

0-5	6 - 10	11- 30	30 - 100	100+
9	5	3	2	1

5 5 **Have you owned a house by this builder before?**

	Yes	0	No	20

6 6. C **On a scale of 1 to 5, 1 being the lowest and 5 the highest, Please indicate how any of the following influenced you to buy this house:**

		5	4	3	2	1
7	· Advertising and publicity	4	1	0	4	11
8	· Builders name and reputation	1	2	3	5	9
9	· 10 year guarantee	4	1	5	3	7
10	· Recommendations from others	0	0	1	2	17
11	· Positive comments from friends	1	2	2	1	14
12	· Previous experience of builder	0	0	1	0	19
13	· Immediate neighbourhood	7	6	5	1	1
14	· Location in relation to local amenities (schools, shops, transport etc.)	3	6	3	4	4
15	· Friends or family in area	4	4	4	3	5
16	· Close to workplace	7	2	8	1	2
17	· Ease of purchase (trade-in deals etc.)	3	4	3	0	10
18	· External appearance or style	6	9	3	1	1
19	· Practical design or layout	5	12	2	1	0
20	· Special features of property	4	4	6	1	5
21	· Expectations of build quality	5	9	5	1	0

7 22. C **When you were looking for a house, including show houses, how many did you actually view?**

Average New	3.1		Average Old	6.95

8 23. P **Did you deliberately set out to buy a new house?**

Yes	6		No	14

9 24. P **Did you consider buying a "second hand" property**

Yes	15		No	5

26

Strongly Agree	Agree	Neutral-uncertain	Disagree	Strongly Disagree

11 27. C **"I found the builders sales information very adequate"**

2	12	5	1	0

		Very satisfied	Quite satisfied	Neither satisfied or dis-satisfied	Slightly dis-satisfied	Strongly dis-satisfied
12 C	28. **"Choosing a house is difficult because your choice says a great deal about you"**	1	9	5	5	0
13 C	29. **"Buying a brand new house is less risky than buying an older property"**	3	11	2	3	1
14 C	30. **"Before I bought this house, I felt that I knew quite a lot about house buying"**	2	9	2	5	2
15 C	31. **"I like to see technical information about the house before I buy (e.g. building materials, wiring, heating, insulation)"**	4	2	5	7	2
16 C	32. **"I think there is little to choose between one builder or another"**	0	5	4	5	6

About the house

		Very satisfied	Quite satisfied	Neither satisfied or dis-satisfied	Slightly dis-satisfied	Strongly dis-satisfied
17 D	34. **How satisfied were you with your house when you first moved in?**	12	7	0	1	0

		Much more	A little more	Neutral - uncertain	slightly less	much less
18 D	35. **Are you more or less satisfied now?**	2	1	12	4	1

		Strongly Agree	Agree	Neutral - uncertain	Disagree	Strongly Disagree
19 D	36. **"Since moving in, I have learned things about my house which have reinforced my decision to buy it"**	2	9	6	3	0
20 D	37. **"Since moving in, I have learned things about my house which have made me regret buying it"**	0	2	5	10	3

About the builder

		Very satisfied	Quite satisfied	Neither satisfied or dis-satisfied	Slightly dis-satisfied	Strongly dis-satisfied
21 D	39. **How satisfied were you with the builder when you first moved in?**	5	8	3	4	0

		Much better	Slightly better	Neutral-uncertain	slightly worse	Much worse
22 D	40. **How has your attitude towards the builder changed since then?**	0	2	13	3	2

		Strongly Agree	Agree	Neutral-uncertain	Disagree	Strongly Disagree
23 D	41. **"Since buying my house, I have taken more of an interest in houses"**	1	6	3	9	1

24 D	42.	"After I bought my house, I compared it with others"	2	9	0	8	1
25 D	43.	"I deliberately found out more about other houses built by this builder after I moved in"	0	2	0	11	7
26 D	44.	"I would have welcomed more communication from my builder after I moved in"	3	3	3	9	2
27 E	45.	"My expectations of the service provided by builders is influenced by the level of service I expect when I buy other products"	2	12	5	1	0
28 E	46.	"Builders currently offer the level of service that I expect from other products"	2	6	3	8	1
29 E	47.	"I was confident my builder would do a satisfactory job2	2	12	5	1	0
30 E	48.	"My confidence in my builder was proved correct"	2	9	5	3	1
31 E	49.	"I would like greater assurance than the NHBC warranty provides"	2	5	9	4	0
32 E	50.	"I would enjoy my house more if I had more confidence in my builder	3	2	8	7	0

	51		Definitely	Possibly	Neutral-uncertain	Unlikely	Definitely not
33 P	52.	Would you consider buying a brand new property as your next house?	10	7	2	1	0
34 P	53.	Would you consider buying a brand new house by this builder again?	5	11	1	0	3

			Within 2 years	2 - 5 years	5-10 years	Uncertain	
35 P	54.	When do you next envisage moving house?	4	3	3	10	

			Sixth month Inspection/maintenance	Question-naire	Welcome letter	Christmas card	Other
36 R	55.	If the builder been in touch with you since you moved in, in what form has this taken?	9	12	11	0	1

		Yes		indiffer-ent/NA		no
37 56. R	**Did you welcome this communication with the builder?**	10		9		1

		Strongly Agree	Agree	Neutral-uncertain	Disagree	Strongly Disagree
38 57. R	**"Since purchasing my house I feel that the builder has neglected or abandoned me"**	1	5	1	9	4
39 58. R	**"I feel a sense of loyalty to my builder"**	0	2	6	7	5
40 59. R	**"I would recommend this builder to my friends"**	3	6	7	3	1

		Very interested	Possible interest	Neutral-uncertain	slightly dis-interested	Not interested at all
41 60. R	**If your builder arranged the following, how interested in them would you be?**					
61	Discounts from local DIY stores	7	7	5	0	1
62	Introduction to, and discounts on other goods	7	12	1	0	0
63	Occasional "owners club" magazine	0	6	1	7	6
64	Organising events with owners of similar houses	0	1	3	4	12
65	Support for local community projects	4	8	7	1	0
66	Special rates for home maintenance and repairs	5	12	1	0	2

		0	1	2	3	4
44 70	**Number of children living here**	14	5	1	0	

		Under 25	25 - 30	31 - 34	35 - 45	46 & over
45 71	**Which age group do you fall into?**	4	5	4	5	2

QUALITATIVE RESULTS TO Q.10 AND Q.42

| Case No:	Q.10 P "What were your main reasons for choosing to buy a new house?"
1	QUICK TRANSACTION
2	PRICE/VALUE OF DOWNSTAIRS SPACE. AREA
3	AVOID NEED TO DECORATE
4	PART EXCHANGE SCHEME
5	PART EXCHANGE SCHEME. NO CHAIN. NO MAINTENANCE
6	CHOICE OF FITTINGS. NO MAINTENANCE/REDECORATING
7	NO MAINTENANCE. ALL NEW. MET OUR REQUIREMENTS
8	NO WORK NEEDED
9	NO CHAIN
10	NO SPECIAL REASON
11	ALL NEW
12	LOW MAINTENANCE
13	GOOD VALUE FOR MONEY
14	MAINTENANCE FREE
15	LOW MAINTENANCE
16	LOCATION. NOTHING NEEDED DOING
17	PRICE/VALUE. PEACE OF MIND
18	DON'T HAVE TO DECORATE
19	LOCATION
20	NO WORK REQUIRED - NO ADDITIONAL EXPENSE

Case No:	Q.42 R "What other benefit could the builder offer you?"
1	SWIFT FOLLOW UP OF COMPLAINTS. FOLLOW UP COMMUNICATION
2	BETTER FOLLOW UP. IMPROVED SERVICE - CORRECTING OF FAULTS
3	0
4	0
5	HIGHEST STANDARD. MAKE SUGGESTIONS ABOUT FUTURE HOME IMPROVEMENTS AND ALTERATIONS SUCH AS NEW SUN LOUNGE
6	BETTER CUSTOMISING OF HOUSE. NHBC ARE USELESS - NEEDS LEGISLATION.
7	ASSURANCE IF SOMETHING GOES WRONG
8	0
9	LANDSCAPE THE GARDEN
10	0
11	0
12	0
13	0
14	CUT THE BULLSHIT WHEN IT COMES TO MATCHING CUSTOMER EXPECTATIONS. BE MORE FLEXIBLE - OFFER MORE OPTIONS - PROBLEM WITH PRE-EXCHANGE COMMITMENT
15	UN-PROMPTED 6 MONTH FOLLOW UP
16	HOUSE SPECIFICATION - PUT SHED IN GARDEN?
17	0
18	0
19	0
20	INFORMATION ON WHERE TO GET ADDITIONAL MATERIALS, E.G. FENCES, TILES TO MATCH. INFORMATION ON HOME IMPROVEMENTS

APPENDIX F - ANALYSIS SUPPLEMENTAL

SYNERGISTIC RELATIONSHIP EXAMPLE: BENEFICIAL BANK PLC

Business operation: Provides credit card facilities to select customers through a 3 way 'relationship marketing' approach

Relationship: 3 way interrelationship between Beneficial bank/ 'Affinity-Partner'/Customer (card holder). See Figure 18 below
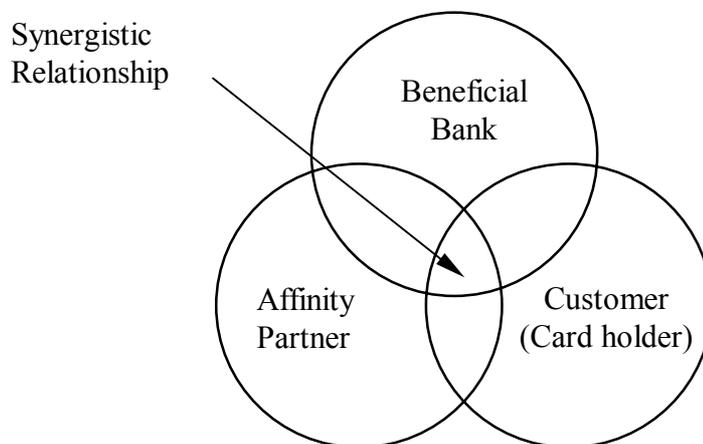
Figure 18: Synergistic relationship

The essence of the operation is that Beneficial Bank uses the membership list of 'affinity partners' (such as professional institutions) as a niche market sector, to offer special rate finance to the affinity partners members. Beneficial Bank's exposure to financial risk is inversely related to the level of affinity (sense of belonging and identification) that exists between the 'Affinity Partner' and its members.   Thus the members of the Institute of Management constitute a good risk and can be offered preferential rates. The characteristics of 'affinity partners' serve as a customer screening filter. The relationship enables Beneficial Bank to:

- 'Cherry pick' market segments which provide it with lower than average risk exposure,
- Make wider margins than the general market

- Achieve lower exposure to systematic business risk
- Reward affinity partner and customers through commission and attractive, differentiated products

Thus it can be seen that the interaction between the parties forms a synergistic 'virtuous circle':

Advantage to Beneficial Bank	Advantage to Affinity Partner	Advantage to Card holder
Low risk lending Higher profit margin Low systematic business risk	Commission paid by Beneficial Bank of spending of members Membership management service	Lower interest rates Special service Prestige identity

The balance of the interests of the three parties is maintained by a 'Relationship Manager' at Beneficial Bank.

Summary:

The Relationship enables Beneficial Bank to offer something special to each niche, while the higher margins obtained by such cherry picking protect it from the risk exposure faced by open market competitors

APPENDIX G - MISCELLANEOUS SUPPLEMENTS

UNSTRUCTURED/SEMI-STRUCTURED INTERVIEWS

- Mr P Warner (Chairman) & Mrs J Ross (Southern Area Sales & Marketing Director) Bovis Homes Plc (8/7/94)

- Mr C Honan (Regional Director) - Leech Homes (Southern) Ltd. subsidiary of Beazer Homes Plc. (21/10/94)

- Mr J A Theakston (Group Chief Executive Officer) Higgs & Hill Ltd. (28/10/94)

- Mrs S Silkstone. (Ex Eastern Region Area Customer Care Manager) Crest Nicholson Plc (27/1/95)

- Mr C Moher (ACORN) CACI Information Services (27/1/95)

- Mr M Sharpe (Sales and Marketing Director) Bovis Homes Ltd (7/2/95)

- Mr M Runnacles (Marketing Manager) BMW (UK) Ltd (8/2/95)

- Mr G Acton (General Manager - Marketing) Saab UK Ltd (22/2/95)

- Ms F Hoyle, Ms Main, Council of Mortgage Lenders (16/2/95)

- Mr D Heron (Field Sales Manager) Charles Church Ltd (6/3/95)

- Mr P Walker (Operations Support Executive), Ms S Woodward (Relationship Manager) Beneficial Bank plc (10/3/95)

- Ms M Smee (Assistant Director) The Data Consultancy (14/3/95)

 Trade and Professional Bodies

National House Building Council, Buildmark House, Amersham. Bucks

Chartered Institute of Building 01494 434477

Estate Agents Services Association 01717 229 4837

National Association of Estate Agents 01926 496800

Council of Mortgage Lenders 0171 437 0655

CACI Information Services (Acorn), CACI Ltd 0171 602 6000

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