

The Service Elimination Process: An Empirical Investigation into the British Financial Services Sector



By

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objec^t

**Dedicated to the Memory
of my Father Christos**

Abstract

The present study represents an in-depth empirical investigation into the service elimination process in the British financial services sector. It aims to make a contribution towards the concise development of the literature on service elimination and to provide empirically based recommendations, which can improve the way financial service elimination is practised.

The theoretical part of the study focused first on a review of the characteristics of services in general and of financial services in particular and of the service range management activities of financial institutions. Second, the literature on product and service elimination was reviewed. The bulk of this material refers to conceptual propositions and empirical evidence on elimination from manufacturing settings, while conceptual and empirical material from service and financial service settings is alarmingly sparse. The present study conceptualised the service elimination process as consisting of three broad stages, a) the pre-elimination stage, b) the actual service elimination decision-making process and c) the post-elimination stage. The study adopted a research approach based on the broad hypothesis that service elimination decisions are not made in a vacuum (as the limited literature on service and financial service elimination assumes explicitly or implicitly) but that they are influenced by contextual organisational and environmental characteristics of companies.

Based on the above conceptualisations, the research objectives were to a) identify the content of the service elimination process (i.e., the decision variables involved in the various steps of the process) b) measure the relative importance/frequency of use of the above content and c) measure the influence of a set of contextual independent variables on the relative importance/frequency of use of the content of the service elimination process. To meet the above research objectives, a

pluralistic research method was adopted. For the identification component of the research objectives qualitative research (in-depth interviews) was conducted, while for the measurement component quantitative research was conducted (mail survey).

The findings indicated that service elimination decisions were the outcome of a multi-step process, which with very few exceptions (i.e., the way in which British financial institutions identified financial services as candidates for elimination) was found to be largely informal and unsophisticated. Moreover service elimination was rated as the least important service range management activity and was allocated the least amount of resources (temporal, monetary and human).

The findings also suggested that the content of the service elimination process was both similar and different to elimination practice in manufacturing settings. Among the most obvious similarities was the paramount importance of sales and profitability considerations in making products and financial services candidates for elimination. Among the most striking differences was that while a product is fully eliminated, partial elimination was the predominant outcome of the service elimination process in the studied setting.

With regards to the contextual influence, it was found that the relative importance/frequency of the decision variables involved in the service elimination process varied in relation to the type and the size of individual financial institutions, the pursued overall business strategy, and degree of market orientation, the degree of formalisation of the service elimination process, the number of services in the range (service diversity), the type of financial service which is considered for elimination, the method of its delivery process, the intensity of competition and of the legislative environment and the volatility of the technological environment. As such, the findings confirmed the hypothesised dynamism of the service elimination decisions and

suggested that any attempt to describe the service elimination process in a *golden rule* way that fits all companies, all financial services and all environmental circumstances would be misleading.

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Chapter 1

Introduction

1.Motivation for the Study

The present study represents an in-depth empirical investigation into the service elimination process in the British financial services sector. The motivation for the study has been provided by the lacuna of non-empirically and empirically based knowledge on service elimination in general and on financial service elimination in particular.

Of course this motivation seems trivial because it is the kind of motivation of many (if not of all) ambitious researchers in their attempt to convince the audience that their study is original and that it is making a small contribution to the body of knowledge of the researched topic area. Objectively speaking it can be said that not all studies are characterised by the same degree of originality. The latter depends on, among other factors, the perspective that researchers adopt and the amount of empirically and non-empirically-based knowledge that already exists on a research topic. Subjectively speaking, the long-lasting attachment of researchers with their study and sometimes their obsession or familiarisation with the research topic are likely to make them overrate or underrate the degree of originality and contribution of their study.

However, by leafing through the pages of most marketing journals and textbooks on services marketing one can easily understand that the knowledge gap on service elimination is palpable. The typical textbook on services marketing either makes no reference whatsoever to service elimination (and this unfortunately is the norm) or it makes limited reference (and this is only the exception) that is however myopic, oversimplistic and generalised from manufacturing settings into service settings without prior empirical validation. As far as the empirical material is concerned, only a handful of papers on service elimination have been published in journals and conference proceedings. While this very limited empirical evidence provides some interesting

insights on a few aspects of service elimination in the British financial services sector, it is also characterised by a non-systematic, repetitive and static research approach, which makes little contribution towards concise development of the literature on service elimination. The inadequacy of the existing body of knowledge on service and financial service elimination will become obvious as the study unfolds. However, for the purpose of this introductory part it must be mentioned that considering the present status of the literature on services marketing, service elimination is not only out of the over-researched topic areas (e.g., service quality, service encounters, new service development). By contrast it is one that has been left in the fringes of topic areas to-be-researched.

Going back to the motivation for the present study, despite its trivial nature, it is strongly believed that it has a rationale. The lacuna of knowledge on service elimination is blatant. One does not have to be obsessed with service elimination in order to identify a small knowledge gap in the literature and fill it with empirical evidence. The gap is there and it is self-evident, wide and alarming. It will be shown later in the study that the absence of concise empirical evidence on service elimination creates an imbalance in the knowledge of academics and practitioners on service range management. It is thus believed that the empirical investigation of the service elimination process that this study will attempt will make an important contribution to the literature areas on service marketing in general and of financial services marketing in particular.

2.The Significance of the Product/Service Component of the Marketing Mix and the Importance of Service Elimination

Every component of the marketing mix (i.e., product, price, promotion, and place) makes its individual contribution towards the achievement of the objectives that companies set. Undoubtedly though the product is the central element of companies' marketing mix (Wind 1982; Ennew 1995b). In service companies the centrality of the product component (or the service component¹) is clearly stressed:

...however competitively priced, imaginatively promoted and effectively distributed that product may be, if it does not offer the key features that consumers expect, if it does not satisfy the needs of the target market then the organisation lacks an effective basis for long-term success in a competitive market (Ennew 1995b, p. 96)

The appropriate composition of the service range is of vital importance if service companies are to achieve a sustainable competitive advantage and to be successful in the long-term. Such a composition is the outcome of service companies being in touch with the market in order to identify the requirements of customers and to understand the contextual environment. However, even the most optimum composition of a service range under today's circumstances is not a guarantee that it will remain as optimum under the different circumstances of tomorrow. If it is important to develop an appropriate service range it is equally as important to audit it systematically and modify its content when necessary. In other words there is a need to manage the service range. The management of the content of the service range involves the development of new

¹ The term 'product' is a generic term that included goods, services and ideas. In the literature the term 'product' is often used to refer to services as well (e.g., the term 'service product'). Moreover products are often referred to as 'tangible products', 'tangible goods' or 'physical goods'. To avoid confusing the audience, in the present study the terms 'product' and 'service' will not be used interchangeably. Instead the term 'product' will incorporate terms such as tangible or physical goods, while the term 'service' will be used exclusively for services. However, when using quotations the terms will be used in the way the original authors wished.

services, the modification of existing services and the elimination of those services that no longer contribute to the achievement of companies' objectives or that are incompatible with new circumstances of the internal and external environment (a more detailed discussion about service range management follows in Chapter 2).

Developing new services is undoubtedly an activity of momentous significance to service companies and it is not argued here that service elimination must be the top-of-the-agenda priority of managers. Instead this study adopts the usefulness of the concept of 'interdependency' of the service range management activities (Ennew 1995b, p. 102), which stresses that the addition of new services in the range has important implications for service elimination and vice versa. Ennew (1995b, p. 107) comments that:

Excessive product proliferation can then result in overly long service lines, which can cause confusion amongst customers. Consequently, any line stretching exercise must consider not only the potential to add new lines but also the scope of rationalising existing lines.

Likening the service range to a shelf with finite space capacity can provide a good illustration of the concept of interdependency and can indicate the importance of the process of eliminating services. For reasons relating to physical or technological obsolescence, changes in the customers' requirements or legislative changes, new services have to be added onto the shelf in order for service companies to remain competitive. However, considering the finite capacity and the cost of replenishing the shelf, it is vital to reallocate the space in the most advantageous way for the company. This can be achieved by eliminating existing services, which for the above physical, technological, customer or legislation related reasons may no longer be necessary. However, in practice the situation does not seem to be as ideal. This is depicted in the following words of one service practitioner from the British financial services sector:

The removal of products from the range due to technical advance, changing market needs or whatever reason is always a difficult area. For this reason it is often neglected, but it can help considerably to streamline the organisation, improve selling efficiency and reduce overhead cost, thereby improving the profitability of other products if tackled correctly (Stevenson 1989b, p. 21).

It seems that service elimination may be a neglected service range management responsibility by service practitioners. One reason for neglect could be the pre-occupation of managers with the glamorous process of developing and launching new services, thus leaving existing ones that might be worthy of elimination to fade away and to consume unnecessarily the finite human, monetary and temporal resources of companies (Palmer 1998). However, the reasons for neglect are difficult to speculate at the present time, due to the absence of empirical material explaining the actual practice of service elimination.

3. Service Elimination: A Largely Under-Researched Topic Area

With regards to service range management, the development of new services has been traditionally the activity receiving most of the research attention of services marketing academics². By contrast the elimination of services has been traditionally the most under-researched service range management activity. It will be shown in detail in Chapter 3 that the empirically based knowledge on service elimination is in an almost

² The research on new service development is vast and an exhaustive classification of all published material is beyond the scope of this study. However an indication of the published work on new services development follows: Langeard and Eiglier 1983; Shostack 1984; Johne and Harborne 1985; Easingwood 1986; de Brentani 1989; Davison *et al* 1989; Scheuing and Johnson 1989a; 1989b; 1989c; Easingwood 1990; Cooper and de Brentani 1991; de Brentani 1991; Cooper *et al* 1994; Edgett and Parkinson 1994; Atuahene-Gima 1995; 1996; Johne and Pavlidis 1996; Tax and Stuart 1997; Avlonitis and Papastathopoulou 2000.

tabula rasa state. The very limited empirical research that has been conducted (Harness and MacKay 1994; Harness and MacKay 1997; Harness *et al* 1998; Harness *et al* 1999; Harness and Marr 2000) has provided some interesting insights into a few aspects of service elimination in the British financial services sector and has highlighted both similarities and differences with the elimination practice in manufacturing settings as described by the empirical research on product elimination. However, the very limited empirical evidence is also characterised by some important shortcomings³. First, it is based on very small and non-representative samples. Second, by focusing only on a few isolated aspects of the service elimination process (i.e., the problem situations leading to the consideration of elimination and the alternative strategies in order to implement financial service elimination decisions), it adopts a rather spasmodic research approach thus overlooking the continuity of the service elimination process and the interrelation between the various stages of that process. Third, it approaches the few researched aspects from a very static and descriptive-only angle, as if elimination decisions are made in a vacuum. Therefore it ignores the possibility that the content of the service elimination process (i.e., the decision variables that companies consider in making and implementing service elimination decisions) may vary in relation to the idiosyncrasies of individual companies (e.g., size, diversity of the service range, pursued overall business strategy, degree of market orientation), to the type and nature of the eliminated-to-be services and to the conditions of the external environment (e.g., the intensity of competition, the impact of the legislative environment, the technological turbulence). By addressing the above inadequacies of the very limited empirical material, the present study intends to offer the first systematic in-depth empirical investigation into the service elimination process of the British financial services sector.

³ These shortcomings are discussed in detail in Chapter 3, which discusses and critically evaluates the existing literature on product elimination and the very limited material on service elimination.

4. The Focus of the Study: The British Financial Services Sector

The choice of the British financial services sector to be the focus of the present study has been made for two reasons. First, it has characteristics that make it a prominent sector for the investigation of service elimination. Second, since the sector has been the focus of the limited empirical material on service elimination, it will provide a direct basis for comparison of the findings, with regards to the common researched aspects. The two reasons are analysed below in more detail.

4.1 A Prominent Sector for the Investigation of Service Elimination

The recent history of the British financial services sector makes it a prominent setting for the investigation of service elimination. The regulatory changes that have taken place during the last 30 years have led British financial institutions to put strategic emphasis on the proliferation of their service ranges (through the development of new financial services), while recently the focus has shifted to centralisation, consolidation and rationalisation (e.g., The Sunday Times 1999; Financial Times 2000b; 2000d; Montgomery and Kirwan 2000; The Banker 2000; The Sunday Times 2000c). Thus under the current circumstances in the British financial services sector, service elimination is a strategy that seems more relevant than ever, not only for the consolidation but also for the future expansion plans of British financial institutions.

Until the early 1970's the British financial services sector has been highly regulated. In the 1940's despite the absence of official norms and rules, the regulatory authorities condoned restrictive practices and self-imposed constraints of financial institutions concerning the range of business activities and the anti-competitive mechanisms (Revell 1973). Thus the lines of demarcation between different types of

financial institutions were clearly defined and the competition between them was minimal. The regulatory framework in the British financial services sector started to become more strict after the Second World War. For example the institutionalisation of the Companies Act 1948 and the Building Societies Act 1962 intended to protect the banking cartel (Hall 1987), to limit the business activities of building societies and to keep a low level of competition (if existing at all) by controlling prices (Gentle 1993). The 1970's were characterised by mixed intentions with regards to the regulatory framework. On the one hand it was the era of the first signs of deregulation, as the institutionalisation of Competition and Credit Control abolished the interest rate control of clearing banks and changed the British financial system from bank- to market-oriented (Bank of England 1971). On the other hand, however, the focus was still on the regulation of the sector by the introduction of the Corset (the Supplementary Special Deposits Scheme), a mechanism to restrain periods of volatile monetary expansion without increasing the interest rates (Grady and Weale 1986). From the 1980's onwards the British financial services sector experienced unprecedented deregulation. The abolition of the Corset and of the foreign exchange controls and the institutionalisation of the Financial Services Act 1986, the Building Societies Act 1986, the Social Security Act 1986 and the Banking Act 1987, were 'a major turning point in the history of the financial services in this country' (Nellis and Lockhart 1995, p.5) and brought changes to the personal and the corporate financial markets (Morris 1989).

The new environment in the British financial services sector after the deregulation of the 1980's lowered the entry barriers for the sector's newcomers, blurred the previously clearly cut business boundaries between different types of financial institutions and created unprecedented competition between them (e.g., Carter *et al* 1989; Scarborough and Lannon 1989; Ennew *et al* 1990; Shelton 1990; Ennew *et*

al 1992; Devlin and Wright 1995). The new environment has had significant implications for the service, the price, the distribution and the promotion strategies of British financial institutions. With regards to the service range strategy, in their endeavours to cope with the new competition, to retain existing customers and to attract new ones, in the last twenty years financial institutions engaged in a prolific process of developing new financial services, a process that resulted in overpopulated service ranges (Dover 1987; Davison *et al* 1989; Easingwood and Storey 1991; Edgett 1993; Edgett and Parkinson 1994; Johne and Pavlidis 1996). The proliferated and largely supply-driven service ranges started to confuse customers, create difficulties for the allocation of scarce corporate resources and foster sales cannibalisation between similar financial services within the range (e.g., Dover 1987; Davison *et al* 1989; Ennew 1995b). Considering the vital role that a balanced service range plays in the success of companies, especially under very competitive market conditions (Ennew 1995b; Stevenson 1989b), the above negative consequences of excessive service range proliferation should have forced British financial institutions to re-consider their overly new service development orientation and to put forward attempts to rationalise their service ranges. The process of service elimination is a means to that end.

4.2 A Basis for Comparison

The second reason why this study focuses on the British financial services sector is the fact that the very few empirical attempts to investigate service elimination have also focused on the British financial services sector (Harness and MacKay 1994; Harness and MacKay 1997; Harness *et al* 1998; Harness *et al* 1999; Harness and Marr 2000). It will be shown in Chapter 3 that the present study adopts a much wider

research viewpoint by investigating more aspects of service elimination than the existing research did. However, focusing on the same sector as this existing research, provides a premise for the development of the conceptual framework and for the comparison of the findings, at least as far as the common researched aspects are concerned.

5. The Unit of Analysis: The Individual British Financial Institution

Defining the unit of analysis means defining what will be the centre of the data collection. This definition is important because it influences subsequent decisions relating to the sample size and sampling strategies (Patton 1990). This study will attempt an in-depth empirical investigation into the service elimination process by having as its unit of analysis the individual British financial institution.

6. What does this Study Mean by Service Elimination?

The special nature of services and in particular their intangibility and inseparability⁴ raises difficulties in defining what is a service. In the language of service range management for example, it can often be ambiguous without prior clarification to understand what is the entity of a new financial service that is developed and what is the entity of an existing financial service that is eliminated. This ambiguity emanates from the fact that sometimes it may be difficult to distinguish a financial service from its price or its delivery process (Ennew 1995b).

⁴ A detailed discussion on the special nature of services and financial services follows in Chapter 2.

The interest of this study is in the elimination of *individual financial services*, i.e., entities with individual stance in the service range of financial institutions. In other words the study is looking at the elimination of the individual business current account, the individual retail savings account, the individual mortgage or the individual life insurance policy, to name just a few financial services. As such, the study will not investigate the elimination of entire service lines (e.g., the elimination of all current accounts in the range). Also, the study will not look at the elimination of a service delivery method or process. As will be shown in later chapters, the latter can be part of the elimination of individual financial services, but they are not the focus of this research.

7. The Aim of the Study

The aim of the study is twofold:

- To give shape to the literature on financial service elimination by generating empirically based knowledge.
- To provide empirically based recommendations that can improve the way financial institutions practice service elimination.

8. The Adopted Research Viewpoint and the Research Objectives

The study adopts a holistic approach towards the empirical investigation of service elimination. Instead of focusing on isolated aspects, the study conceptualises service elimination as a process consisting of three broad stages: the pre-elimination stage, the actual service elimination decision-making process and the post-elimination

stage. As it will be explained in Chapter 3, each one of the three broad stages consists of a set of steps and each step contains a set of decision-variables, which form the content of the service elimination process.

Moreover, the study adopts the contingency approach, which suggests that the decisions of companies are influenced by organisational and environmental conditions (Allison 1970; Beach and Mitchell 1978; Grandori 1984). Therefore instead of viewing service elimination decisions as being made in isolation, the study hypothesises that they are an integral part of the organisational and external environmental context of financial institutions and are thus influenced by them. In other words, the service elimination process is conceptualised as a dynamic process.

Based on the above research approach, the research objectives are as follows:

- To identify the content of the service elimination process (i.e., the decision variables involved in each step of each stage of the process).
- To measure the relative importance/frequency of the above content.
- To measure the impact of the organisational and external environmental context of financial institutions on the relative importance/frequency of the above content.

9. The Adopted Research Method

Based on the aforementioned aims and research objectives as well as on the fact that the empirically based knowledge on service elimination is in its early infancy, it was felt appropriate to adopt a pluralistic research method. Thus, after having reviewed the literature material which was felt most relevant for this study, the primary data collection was based on the following order: a) qualitative data collection and analysis (in-depth interviews) and b) quantitative data collection and analysis (mail

questionnaire). A detailed presentation of the research methodology is discussed in Chapter 4.

10. An Overview of the Structure of the Study

As Table 1.1 depicts, the material of this study has been organised under eight chapters.

Table 1.1: The Structure of the Study

Chapter 1: Introduction
Chapter 2: The Special nature of services and the service range management in financial institutions
Chapter 3: Product and service elimination
Chapter 4: Methodology
Chapter 5: Qualitative findings
Chapter 6: Quantitative findings
Chapter 7: Discussion
Chapter 8: Conclusions

The present Chapter 1 aims to set the scenes of the study. Chapter 2 is the first part of the literature review. After making a brief reference to the evolution of the literature on services marketing in general, the chapter discusses the characteristics of services and financial services and concludes by outlining the service range management activities in financial institutions, of which service elimination is (or should ideally be) an integral part. Chapter 3 is the second and main part of the literature review. First, the chapter discusses and critically evaluates the conceptual and empirical literature on product elimination. Second, it presents the limited empirical work on financial service elimination. Third, by building on the existing literature on product and service elimination literature but also by highlighting its problems and inadequacies, the chapter presents the conceptual framework of the study. Finally, the discussion concludes with a

summary of the research questions. Chapter 4 presents a detailed explanation of the research methodology. First, it discusses some theoretical and philosophical foundations of research methods and then it presents the actual procedures followed for the design and implementation of the qualitative and the quantitative phases of the data collection. Third, it discusses issues relating to validity, reliability and data analysis and concludes with a presentation of the methodological limitations. Chapter 5 presents the qualitative findings and Chapter 6 presents the analysis and findings of the quantitative phase of the data collection. Chapter 7 discusses both the qualitative and quantitative findings and compares and contrasts them with the existing literature. Chapter 8 aims to present the implications of the findings for the literature on product and service elimination as well as for practitioners in the British financial services sector. This last chapter also informs the audience about the limitations of the findings and suggests a set of future research directions. Finally, the chapter concludes by underlining the study's contribution to knowledge.

Chapter 2

The Special Nature of Services and the Service Range Management in Financial Institutions

1. Introduction

As discussed in the previous chapter, the present study attempts an empirical investigation of the elimination process in financial service settings. This is one of the study's major contributions to knowledge advancement, because the existing elimination literature refers almost exclusively to manufacturing settings (these issues are tackled in detail in the next chapter). Therefore, within the present study's conceptualisation, the focus of the elimination process is not a product, but a financial service. Before proceeding to the analysis and critical evaluation of the limited elimination literature, it was deemed appropriate to provide the reader with a brief overview of some central aspects of the literature on services and financial services marketing.

The aim of this chapter is threefold. First it discusses briefly the evolution of the literature on services marketing and then presents the characteristics that make some aspects of the marketing of services and financial services different from the marketing of products. Finally the chapter concludes by conceptualising what are the activities of service range management within financial institutions and by identifying the factors by which they are influenced.

2. The Evolution of the Literature on Services Marketing

The need to address the different aspects of the marketing of services was, to a great extent, generated by service practitioners, who realised that they would be unsuccessful in marketing, say, a financial service by just applying the rules used for the marketing of a can of soup (Shostack 1977). From the 1950's until the early 1980's the few services-oriented marketing academics responded to the call of service practitioners

and released conceptual propositions, which captured the need for a different approach to the marketing of services (e.g., Regan 1963; Judd 1964; Rathmell 1966; George and Barksdale 1974; Kotler and Conner 1977; Thomas 1978). The academic conceptualisations of this era were the first step towards the development of a literature on services marketing and have been called *the crawling-out stage* (Fisk *et al* 1993).

Fisk *et al* (1993) commented that:

Academia by its nature is conservative and hidebound. New ideas and concepts gain acceptance slowly (p. 62).

This contention is illustrative of the reservations of the marketing academia (some of which persist even today) to accept that, despite similarities, the marketing of services has generic and contextual differences to the marketing of products. The fear of the manufacturing-oriented marketing academia was that the establishment of services marketing as a separate sub-discipline would challenge the universality of marketing theory, which in turn would question the coherence of marketing as a separate discipline (Lovelock 1981). However, that the marketing of services is completely different from the marketing of products was not what the early services-oriented academics and practitioners were trying to prove. By acknowledging the existence of similarities, the latter academics were devoted to showing that the marketing of services needed a different management approach (e.g., Regan 1963; Judd 1964; Rathmell 1966; Branton 1969; Blois 1974; Shostack 1977; Berry 1980).

The period between 1980 to 1985 was called *the scurrying about stage* of the development of the literature on services marketing (Fisk *et al* 1993). Following the difficult crawling-out era, the scurrying about period was characterised by a notable increase in the interest of practitioners and academics in the marketing of services. The contributions continued to focus on the reinforcement of the argument that, despite

similarities, the marketing of services required a different approach than the marketing of products (e.g., Berry 1980; Beckwith and Fitzgerald 1981; Lovelock 1981), which for the first time in 1985 was verified empirically (Zeithaml *et al* 1985). Moreover, the academia started to conceptualise new aspects of services marketing such as service quality (e.g., Parasuraman *et al* 1985), service encounters (e.g., Solomon *et al* 1985) and new service development (e.g., Langeard and Eiglier 1983). Some premier marketing journals opened their doors to the early service oriented individuals, acknowledging thus their risky efforts and devotion to the development of a sub-discipline within the discipline of marketing. Beyond their conceptual contribution, the publications of the scurrying about stage contributed indirectly as well to the growing body of knowledge on the marketing of services, by suggesting directions for future research in unexplored aspects of services marketing.

From 1986 to 1993 the literature on services marketing made a notable progress not only in terms of the growing number of publications in many journal outlets (some of which were only service-oriented journals) but also in terms of its increasing empirical orientation. During this period there was very little discussion about whether services require a different marketing management approach from products. The marketing of services had its own respected stance within the discipline of marketing. For the above reasons, this period has been referred to as *the walking erect stage* of the literature on services marketing (Fisk *et al* 1993). As well as expanding on aspects of the scurrying about stage (e.g., service quality and service encounters), research after 1986 focused on new aspects of services marketing, such as service design (e.g., Shostack 1987; Scheuing and Johnson; 1989a; 1989b; 1989c; Shostack 1992), customer retention (e.g., Crosby and Stephens 1987; Crosby *et al* 1990), relationship marketing (Tansuhaj *et al* 1988; George 1990) and internal marketing (e.g., Rogers *et al* 1994; Bak

et al 1994). The most important contribution of the walking erect stage was that there was such a thing as a literature on services marketing. Moreover, the special nature of services was obvious even to the eyes of the most product-oriented academics and practitioners.

By implication the era from 1994 until the present can be called *the post-walking erect stage* of the literature on services marketing. There are two characteristics of this stage, as far as the conducted research is concerned. First, there has been a massive increase in the number of conceptual and empirical contributions on aspects that were first tackled in the scurrying about and the walking erect stage, such as *service quality* (e.g., Zeithaml *et al* 1993; Andaleeb and Basu 1994; Zeithaml *et al* 1996; Berry and Parasuraman 1997; Hurley and Estelami 1998; Hartline and McKee 2000), *service encounters* (e.g., Abernathy and Butler 1993; Price *et al* 1995; Mittal and Lassar 1996; Grove and Fisk 1997; Smith *et al* 1999; Meuter *et al* 2000) and *new service development* (e.g., Edgett 1994; Cooper *et al* 1994; Atuahene-Gima 1995; de Brentani and Ragot 1996; Tax and Stuart 1997; Johne and Storey 1998; Kelly and Storey 2000). Second, research attention expanded in new aspects of services marketing such as *branding* (e.g., Morgan and Dev 1994; Andreassen and Lanseng 1997; Mittal and Lassar 1997), *internationalisation of services* (e.g., Scott and van der Walt 1995; Winsted and Patterson 1998), *green issues in services marketing* (e.g., Grove *et al* 1996), *direct services marketing* (e.g., Thwaites and Lee 1994); *sponsorship in services marketing* (Thwaites 1994) and *franchising in services marketing* (e.g., Rao and Singhapakdi 1997). Although the aforementioned new topics are just some of those that have been researched in the post-walking erect stage, they are an indication of the diversity that characterises today the literature on services marketing. A literature area, which not too long ago was struggling for academic attention.

3. Definition of Services and Financial Services

3.1 Services

Despite the rapid growth of the literature on services marketing and the fact that today the service sub-discipline has its individual stance within the discipline of marketing, the academia has not agreed upon a single definition of services. Indeed from a historical point of view any attempt to reach agreement on one single definition was surrounded by considerable difficulties and confusion. The American Marketing Association defined services as:

Activities, benefits and satisfactions, which are offered for sale or are provided in connection with the sale of goods (Committee of Definitions 1960, p. 21).

The early attempts of individuals in the 1960's and 1970's to define services faced difficulties mainly because of the belief of this crawling-out era that the individual stance of services was meaningless because most material products had a built-in service component. Stated from the economist's perspective, the central issues of consumption are satisfaction and welfare and there is no basic difference if the latter derive from products or from services (Gomberg 1961; Branton 1969). As a result, the early attempts of individuals to find a definition did not focus on what services were but rather on what products were not. For example Rathmell (1966) noted that products are tangible economic entities, which can be seen, touched, tasted, heard or smelled, while services are 'everything else' (p. 32). Rathmell added that while products take the form of objects, articles or devices, services are deeds, performances and efforts. Similarly,

Blois (1974) mentioned that services are activities offered for sale, which yield benefits and satisfaction but which do not lead to a physical change in the form that products do.

Peripheral to the aforementioned as well as to other early attempts to define services (e.g., Regan 1963; Judd 1964), were the characteristics of intangibility, inseparability (simultaneous production and consumption), heterogeneity and perishability. Despite the fact that the above characteristics could have made a clear distinction between products and services from a marketing perspective even in the 1960's, it was probably too early to include them in a definition. However, these terms provided the premise for more contemporary definitions of services. Although there is no agreement upon a single definition, it can be said that

Services include all economic activities whose output is not a physical product or construction, is generally consumed at the time it is produced, and provides added value in forms (such as convenience, amusement, timeliness, comfort or health) that are essentially intangible concerns of its first purchaser (Zeithaml and Bitner 1996, p. 5).

The growth of the service sectors of national economies around the world has resulted in the provision of numerous different services, an exhaustive identification of which would be a difficult task. However, a typical service sector of a developed economy provides health services, information services, leisure and hospitality services, security services, travel services, transportation services, educational services, legal services, repair services, postal services, facilities management services, consultancy services and financial services (e.g., Gronroos 1979; Lovelock 1983; Easingwood 1986; Lovelock 1996, Zeithaml and Bitner 1996; Bateson and Hoffman 1999).

3.2 Financial Services

According to Meidan (1996, pp. 84-85) a financial service is:

A service or package of services that (1) is typically provided for any one customer by one financial organisation (that is, the customer does not normally purchase different parts of a package from different financial firms), and (2) is aimed at a particular market.

It is worth mentioning that any attempt to define financial services exhaustively is surrounded by difficulties due to the complexity and diversity of the financial services sector (Gentle 1993). The Financial Services Act 1986 (the first among a set of Acts which changed radically the structure of the British Financial Services Sector) defined financial services in a rather narrow sense, since it was concerned only with investments (Cartwright 1999). The present study adopts a broader conceptualisation of the term, by accepting that financial services satisfy the following six generic needs of individual and organisational customers: a) the need of money (loans), b) the need to earn a return on money (savings and investment), c) the need to secure and move money (security and money transmission), d) the need to manage risk (insurance), e) the need for advice and expertise, f) and the need for housing (mortgages) (e.g., Price Waterhouse 1988; Stevenson 1989a, Ennew 1995b; Meidan 1996). In order to provide solutions to the financial needs of customers the different types of financial institutions (e.g., banks, building societies, insurance companies) offer a wide range of financial services to retail customers and to corporate customers, which is illustrated in Table 2.1.

Table 2.1: Financial Services

Money Transmission	Mortgages	Personal Lending	Savings	Investment	Insurance
Standard current account	Fixed rate	Overdrafts	Basic deposit account	Unit trusts	House insurance
Interest bearing account	Flexible	Car loans	High interest accounts	Personal equity plans (PEPs)	Life insurance
Worldwide currency transfers	Low start	Home improvement loans	Tax-exempt special savings accounts (TESSAs)	Unit-linked life policies	Car insurance
			Money market deposit accounts	Share dealing	Health insurance
			Foreign currency accounts	Spot and forward foreign exchange dealing	Accident, fire, marine insurance
			Safe deposit boxes	Equity portfolios	
				Asset allocation	
				Unit trust portfolios	
				Bond portfolios	

Source: Ennew (1995b), with additions

4. The Characteristics of Services and of Financial Services

Despite dissenting voices (Wyckham *et al* 1975; Enis and Roering 1981; Middleton 1983; Foxall 1984) the special nature of services can be encapsulated by the characteristics of intangibility, inseparability, heterogeneity and perishability. As well as sharing these generic characteristics, financial services have two additional ones, namely the fiduciary responsibility of financial institutions for the services they provide to the customers and the enduring two-way information flows between the financial institutions and customers (e.g., Marsh 1988; Devlin and Wright 1995; McKechnie and Harrison 1995). Each one the characteristics are discussed briefly in the following subsections.

4.1 Intangibility

Despite the fact that indirect reference to the intangibility of services can be traced to the mid-thirties, when services were viewed as lacking physical attributes (Fisher 1935; Clarke 1940), the term was first used in the 1960's (Regan 1963; Rathmell 1966). Intangibility is referred to as the total lack of perception of a service's characteristics before and (often) after it is performed (Flipo 1988). As Flipo mentions, intangibility is the most readily available concept that researchers and practitioners use in attempting to show how services differentiate from products (e.g., Thomas 1978; Berry 1980; Zeithaml *et al* 1985). It can also be argued that it is the characteristic from which the other three derive. Shostack (1977) conceptualised it as something more than a mere modifier by stating that:

..It is wrong to imply that services are just like goods except for intangibility.

By such logic apples are just like oranges, except for their 'appleness'.

Intangibility is not a modifier, it is a state.

The adequacy of intangibility to distinguish services from products has been challenged on various rationales. First, it has been argued that the inability of customers to physically evaluate services before delivery is also present in some products (Wyckham *et al* 1975; Brown and Fern 1981). Second, the very lack of perception of services prior to delivery has been challenged by Middleton (1983), on the basis that repeated use of a service could nullify any notion of intangibility. Third, the most meaningful challenge of the notion of intangibility was the molecular model of Shostack (1977), which depicted that there are no such things as pure products and services, but what really exists are tangible dominant and intangible dominant entities. However, despite the fact that products may contain a service element and the fact the services are often accompanied by tangible cues in order to be made less abstract to customers, services

remain inherently intangible since they contain ‘heavy’ and ‘uncontrollable’ intangible factors (Flipo 1988, p. 293).

The characteristic of intangibility is inherent to almost all financial services (e.g., Stevenson 1989a; Ennew 1995b; Meidan 1996). To illustrate, the only perception in the mind of a customer who buys a pension scheme is the intangible promise by the financial institution that after a number of years he or she will be eligible to a pension. Even if a financial service is accompanied by small but important peripheral tangibles such as plastic cards or information bulletins (McGoldrick and Greenland 1992), little, if any, meaningful help is offered to the total perception of customers of the financial service.

4.2 Inseparability

Although products are first produced, then purchased and ultimately consumed, services are first purchased, then produced and consumed simultaneously. Inseparability refers to the simultaneous production and consumption of services, which was bundled by Eiglier and Langeard (1977) in the term *servuction*, i.e., the production and consumption of services. The important aspect of inseparability of services is the interaction of the front-line staff of service companies with the customers, i.e., the service encounter (e.g., Berry 1980; Lovelock 1983; Zeithaml *et al* 1985; Kelly *et al* 1990).

The presence of front-line staff and customers at the service encounter represents a challenge for both parties. On the one hand, for the front-line staff it is not enough to deliver a service in the right time and at the right place but it is equally important to deliver it the right way. On the other hand, the satisfaction that customers

will get from the servuction process depends to a great extent on their ability to facilitate the service encounter. Thus a failure of the front-line staff to be caring, polite, responsive and knowledgeable in the eyes of customers and a failure of customers to perform their role in the right way can disturb the servuction process (e.g., Shostack 1982; 1984; Kelly *et al* 1990; Schlesinger and Heskett 1991; Shostack 1992; Keaveney 1995).

The simultaneity of production and consumption is applicable to many financial services (e.g., McKechnie 1992; Ennew 1995b). A customer who pays the commission for a money transmission service, consumes the service at the point of purchase, be it a branch, a telephone line or a computer. However, the principle of simultaneous consumption is not applicable to some financial services. For example, a long-tail insurance service is first bought, then produced but it will be consumed only after a number of years (McGoldrick and Greenland 1992; Diacon and Watkins 1995).

4.3 Heterogeneity

The personal interaction between service employees and customers creates the potential for high variability in the performance and ultimately in the quality of services, which is referred to as heterogeneity (e.g., Regan 1963; Rathmell 1966; Shostack 1977; Lovelock 1980; Eiglier and Langeard 1977; Thomas 1978; Zeithaml *et al* 1985). The characteristic of heterogeneity is particularly applicable to labour intensive services, which require the physical presence of customers at the service encounter. This is so because the quality of the same service can vary from one service firm to another and from customer to customer. Moreover, the behaviour of different employees within the same service firm, or even the behaviour of the same employee at

different times during the day, can be sources of variability in the quality of services (e.g., Langeard *et al* 1981; Lovelock 1983; Zeithaml *et al* 1985). The major problem with heterogeneity is the difficulty in the standardisation and quality control of services, which can be achieved easily for products (e.g. Knisely 1979; Lovelock 1981). Remedial actions that have been suggested include the *industrialisation* (Levitt 1976) or *blueprinting* (Shostack 1982; 1984) of service delivery processes, by training service employees to follow a number of pre-determined and standardised steps.

The fact that different services are characterised by different degrees of heterogeneity, has been a premise for critique. For example, Wyckham *et al* (1975) and Middleton (1983) argued that heterogeneity cannot distinguish services from products because not all services are heterogeneous and not all goods are homogenous. Despite the fact that the infusion of technology in the production and delivery of many financial services (such as ATMs, e-insurance and telephone banking) has decreased the potential for variability, the characteristic of heterogeneity remains central to their nature (McKechnie 1992; Ennew 1995b; Ennew and Watkins 1995; McKechnie and Harrison 1995). The delivery of many financial services still remains high-contact and labour intensive. For example the level of satisfaction that a customer receives when visiting a bank to transfer money or to ask for a loan largely depends on his/her behaviour and on the behaviour and performance of the front-line employees of financial institutions.

4.4 Perishability

The fact that services cannot be saved or stored has been referred to as perishability (e.g., Bessom and Jackson 1975; Bateson 1979; Lovelock 1981; Zeithaml *et al* 1985). This characteristic causes difficulty in the synchronisation of supply and

demand for services (Sasser 1976; Thomas 1978). As Zeithaml *et al* (1985) illustrated, the income that could have been generated from a hotel room that has not been booked or from an airline seat that has not been purchased within a capacity period (e.g., a day or a season) is lost because the excess capacity cannot be stored and sold subsequently, as happens in the manufacturing sector. However, the adequacy of perishability to distinguish services from products is criticised on the basis that in the manufacturing sector too the management of demand for some products is surrounded by difficulties. Middleton (1983) noticed that under conditions of fierce competition and financial stringency, the impact on profit of unsold stocks is as severe for manufacturers of fast moving consumer goods as it is for the service industry.

The characteristic of perishability and the resulting difficulty in demand management are applicable to financial services as well (e.g., Lewis and Chiplin 1986; McKechnie 1992; Ennew 1995b; Ennew and Watkins 1995; McKechnie and Harrison 1995). For example, the demand for mortgages depends upon the level of interest rates, while the demand for life insurance is influenced by the general economic activity, the fluctuations of which are often difficult to forecast, thus making any excess capacity of mortgages and insurance perish (Wilson 1983; Gentle 1993).

4.5 Fiduciary Responsibility

Financial institutions are responsible to their customers for the management of their funds as well as for the nature and quality of the information that they provide them with. This is referred to as fiduciary responsibility (e.g., March 1988; Devlin and Wright 1995; McKechnie 1992; McKechnie and Harrison 1995; Llewellyn 1995; Hudson *et al* 1996; Salt 1997; Cartwright 1999; Ryley and Virgo 1999). Although every ethical organisation has responsibility for the quality of the products or services that it is

selling to the market, fiduciary responsibility is particularly important in cases involving financial services. First, the complex nature of many financial services makes it difficult for the unfamiliar customers to comprehend every detail of the way in which they are operationalised (e.g., the way in which the annual charge for a life insurance scheme is calculated) (Ennew and Watkins 1995). As a result, customers have to rely on the explanations provided by the financial institutions. Second, even if customers are knowledgeable about financial services, the only outcome from a transaction with financial institutions is a promise, which is to be (dis)confirmed later in the future. As a result, customers have to rely on the credibility of financial institutions (Lewis and Chiplin 1986; Diacon and Ennew 1996; Cartwright 1999). Third, the 'raw materials' which financial institutions use to produce many financial services (e.g., loans) are the deposits that their customers have entrusted them with (Ennew and Watkins 1995).

From the above reasons fiduciary responsibility is of paramount importance in the relationships of financial institutions with their customers. A failure of the former to adhere to the principals of fiduciary responsibility (e.g., premium service quality, best advice, commission disclosure) would have serious impact upon the welfare of individual and organisational customers (Cartwright 1999). A recent example was the failure of Royal Scottish Assurance to provide customers with correct pricing of endowment policies. The latter resulted in customers paying less in premiums than they should in order to be allowed to repay the mortgage at the maturity of the endowment policy (Financial Times 2000c).

4.6 Two-Way Information Flows

Rather than involving ad hoc transactions, many financial services involve a sequence of long-lasting two-way transactions between the financial institutions and the

customer. These transactions involve an exchange of private and confidential customer related information, which will be used as a gateway by financial institutions to further develop their relationships with existing customers as well as to attract new ones (McKechnie 1992; McKechnie and Harrison 1995).

5. Service Range Management in Financial Institutions

In business organisations every element of the marketing mix has its important role in creating superior customer satisfaction. Undoubtedly, though, the *product* is the central element of the marketing mix, in terms that the remaining elements of price, promotion and place focus on it. This remains the case for financial services, despite the fact that their high intangibility often makes it difficult to distinguish, say, the price of a financial service from the financial service itself (Ennew 1995b). The need for special attention to the management of the product component started to become evident in the 1920's when the diversity of manufacturing companies' product ranges started to increase. It was the era when the concept of product management started to make sense (Kotler 1997).

5.1 Definition of Product/Service Range Management

According to Wind (1982, p. 6) product management is defined as the process of ...generating, analysing, organising, planning, implementing, and controlling the organisation's existing and new product efforts so as to satisfy the needs and wants of chosen customer segments, while satisfying organisational objectives.

Despite the fact that Wind's definition refers to manufacturing settings, there is no reason to question the applicability and relevance of its principals in financial service settings. Indeed, Ennew (1995b) mentions that due to the greater immutability of financial services, the concept of product range management is even more important in financial service settings. Accordingly, Stevenson (1989b) views service range management as an important ingredient of financial institutions marketing process, adding that its main objectives are to ensure that all financial services in the range are competitive and that they generate the target level of return for the organisation. Similarly Strieter *et al* (1999) summarise the benefits of financial service range management as a) the improvement of customer focus and of product specialisation and b) the optimisation of the use of the corporate resources.

5.2 The Activities of Service Range Management and the Forces of Influence

The activities of service range managers within financial institutions are diverse (e.g., Stevenson 1989a; Easingwood and Arnott 1991; Strieter *et al* 1999). From a marketing-mix point of view, Stevenson (1989a) referred to over 30 service range management activities and the empirical research of Easingwood and Arnott (1991) identified 26 very similar activities. In the same line, the study of Strieter *et al* (1999) identified 12 broad activities, which are shown in Table 2.2. Despite the difference in the number of tasks, which different commentators suggested and identified empirically, any price, promotion and distribution strategy revolves around the central element of financial institutions' marketing mix, i.e., the financial service (Ennew 1995b). Ultimately all pricing, promotional and distribution decisions concern the existing and new financial services. Empirical evidence suggests that 80% of the time of financial service range managers is devoted to the management of the content of the

service range (Strieter *et al* 1999). So a simplistic but, at the same time, core, conceptualisation of financial service range management is that it is concerned with the development of new financial services, the modification/improvement¹ of existing financial services and (ideally) with their elimination (Hise 1977; Cardozo 1979; Wind 1982; Hise and McDaniel 1984; Easingwood and Arnott 1991; Ennew 1995b).

Table 2.2: Service Range Management Activities from a Marketing Mix Point of View

Pricing new and existing financial services
Developing profitable marketing programs
Improving/enhancing existing financial services
Developing new financial services
Defining market needs
Defining advertising objectives
Developing annual marketing plans
Forecasting sales
Repositioning financial services
Environmental scanning
Strategic planning
Coordination of the above activities

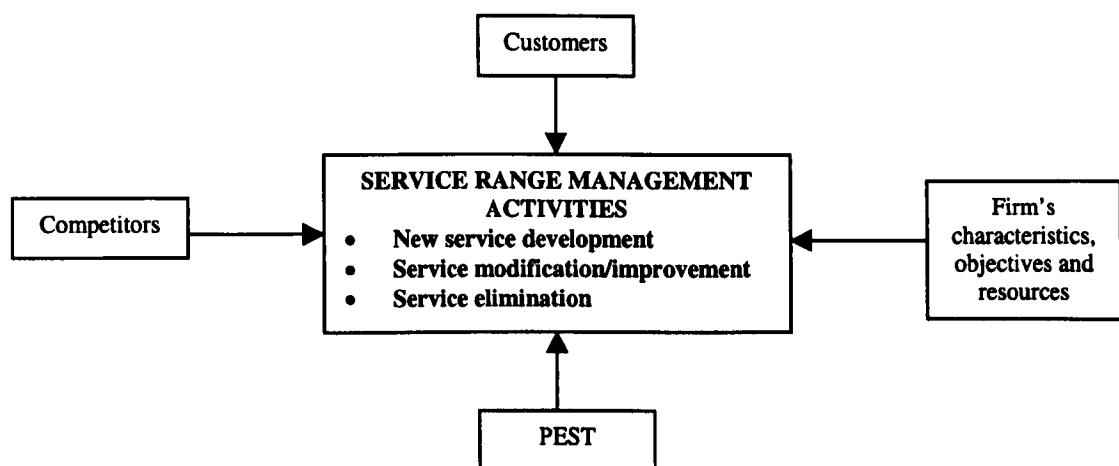
Source: Strieter et al (1999)

As in every business organisation, service range managers within financial institutions have to price, promote and distribute the existing financial services in the range. Also, they often have to modify the above pricing, promotion and distribution policies when they develop and launch new financial services or when they modify existing ones. Of course, before making decisions about the content of the marketing-mix, management has to take into consideration the market position of the company (e.g., leader or follower), the available corporate resources and the pursued corporate and marketing objectives. Finally, management has to monitor the needs of existing and potential customers, the actions and reactions of competitors and the developments of

¹ The activities of new service development and of modification of existing services can also be used interchangeably. This is because new services are often modifications of existing ones in the form of style changes for example (Lovelock 1984; Johne and Storey 1998).

the PEST environment. As Figure 2.1 illustrates, the core activities of financial service range management do not take place in a vacuum. They are rather influenced by the customers and the competitors of the firm, by the idiosyncrasies of the firm as well as by forces of the external environment (e.g. Wind 1982; Ennew 1995b). Moreover, there is interdependency between the three service range management activities, in terms that a decision to develop new financial services should (ideally) be accompanied by a pruning of the service range (Ennew 1995b).

Figure 2.1: Service Range Management and the Forces of Influence



5.2.1 Customers

Customers are the lifeblood of business organisations and this is why the latter focus on how they can retain their existing customers and on how they can attract new ones. During the last decade financial institutions have had to deal with an increasingly knowledgeable and demanding customer base (e.g., Easingwood 1986; Edgett and Thwaites 1990). As a result, decisions to develop, improve or eliminate financial services must be precipitated by an understanding of customers' needs, wants,

expectations and reactions. Failure to understand customers results in supply-driven financial service ranges.

5.2.2 Competitors

Wind (1982) mentions that monitoring competitors during service range management would not be an important task in a monopolistic or oligopolistic market. However, this is not the case in the highly competitive financial services sectors of many countries, including the UK. Therefore, a regular monitoring of competitors should be an integral antecedent of any new service development, modification and elimination activity in financial institutions. From a development/improvement angle, and given the ease in which financial services can be copied (de Brentani 1989), a close monitoring of competitors could identify opportunities for fast imitation for financial institutions, which could help them to avoid the risk of being the first in the market. In addition to imitation, a close monitoring of competitors could point at original niches in the needs of customers, thus resulting in unique and superior new financial services (e.g., Cooper and de Brentani 1991; Edgett and Jones 1991). Ideally, from an elimination angle a close monitoring of competitors seems equally as important. To illustrate, knowledge of the reasons why a competitor eliminated a financial service may present either an indication that the rivals should do the same or an opportunity for the latter to retain the similar financial service and increase their market share.

5.2.3 Firm Characteristics, Objectives and Resources

According to Wind (1982) it is difficult to describe the management of the product range in a golden rule way because different approaches and practices are appropriate for different companies. This seems to be applicable in financial service

settings too. Thus, any decision to develop, modify or eliminate financial services is likely to be influenced by organisational characteristics, such as the size of the company, the pursued objectives and the amount of the available human, financial and physical resources (e.g., Edgett and Jones 1991; Edgett 1993; de Brentani 1995a; 1995b).

5.2.4 PEST

The product/service range management activities of companies are influenced by the political, the economic and the socio-technological forces of their external environment (e.g., Wind 1982; Thwaites 1989; Edgett and Thwaites 1990; Ennew *et al* 1992; Ennew 1995b; Nellis *et al* 2000). With regards to the political environment, the legislative power of governments could generate opportunities to financial institutions for the development of new services but could also present threats for existing financial services (Edgett and Thwaites 1990; Ennew 1995b). The condition of the economic environment could raise opportunities for new financial service development (e.g., during a period of general economic growth) but could also point at a rationalisation of financial service ranges (e.g., in a period of consolidation and recession) (e.g., Ennew *et al* 1992). Similarly, technological change offers opportunities for the development of new financial services on the one hand (e.g., Moutinho and Meidan 1989) but also points at elimination by making existing financial services technologically obsolete.

6. Summary

The discussion in this chapter started with a historical review of the development of the literature on services marketing and then shifted to a description of

the special nature of services and financial services. It was discussed that, in addition to the four generic characteristics of services in general, financial services have an additional two special properties, the fiduciary responsibility and the enduring two-way information flows between customers and financial institutions. The discussion next shifted to the analysis of the core activities of financial service range management, which are the development of new financial services the modification/improvement of existing ones as well as the elimination of existing ones.

From the three core activities of service range management within financial institutions, the present study will focus on an in-depth empirical investigation of service elimination. As it will become evident in the chapter that follows, service elimination is a largely neglected topic area in the literature on services marketing in general and on financial services marketing in particular. This neglect creates an obvious knowledge gap about what is the content of the service elimination process and about the contextual forces that influence it. Yet, in view of the shift of many financial institutions from diversification to rationalisation (Harness and Marr 2000; Nellis *et al* 2000), service elimination becomes (or should become) a tool of strategic importance for a competitive and well-balanced range of financial services.

Chapter 3

Product and Service Elimination

1. Introduction

The aim of this chapter is twofold. First it reviews the main literature area of interest to the present study, i.e. the elimination literature. Second, by critically evaluating that literature the chapter identifies the knowledge gaps and presents the conceptual framework on which the primary research is based. The structure of the chapter is discussed below.

First, the literature on product elimination is reviewed from a historical perspective. Although the published material in this area is not vast, it has been classified under three periods namely *the early theoretical contributions*, *the early empirical research* and *the more in-depth empirical research* and has been reviewed from a historical perspective.

Second, the literature on service elimination is reviewed, where the conceptual and empirical material is scarce. On the one hand most of the reviewed textbooks on services marketing make no reference to service elimination (e.g., Lovelock 1996; Zeithaml and Bitner 1996; Bateson and Hoffman 1999). The handful of textbooks that make limited reference, they describe service elimination by using the conclusions of the empirical research on product elimination, thus overlooking the possible differences that the special nature of service may account for (e.g., Hise 1977; Palmer 1998). On the other hand, the work on service elimination that appears in journals is limited (Harness and MacKay 1993; 1997; Harness *et al* 1998; Harness *et al* 1999; Harness and Marr 2000) and revolves around a few isolated aspects, thus not adopting a holistic research approach to service elimination.

Finally, the chapter focuses on the presentation of the conceptual framework of the study and on a summary of the research objectives and questions.

2. Product Elimination: Definition and Importance

The question of product elimination involves manufacturers making decisions on whether or not it is in their best interests to discontinue the production and marketing of products. Products can become candidates for elimination if they are no longer contributing towards the corporate objectives for sales and profitability, if they do no longer satisfy the needs of customers, or if they do not comply with developments from the external environment of a company, such as regulation and technological change (Avlonitis 1986a; Avlonitis *et al* 2000).

The term elimination is defined as the ‘exclusion of an object from further consideration’ (The Concise Oxford Dictionary 1990). This intrinsic end-game nature of the term elimination could well be one of the reasons why many manufacturing companies view product elimination as a dull process, as far less interesting, challenging and important than the process of developing new products (e.g., Avlonitis 1983/1984). However, from the earliest to the latest academic notes on product elimination (e.g., from Alexander (1964) to Avlonitis *et al* (2000) and Tomkovick and Miller (2000)) a central argument is that eliminating products is as important a process as developing new ones. Sometimes it may be uninspiring and depressing, but first and foremost it is a process as vital, challenging and complex as NPD. As Avlonitis (1986a, pp.1-2) comments,

Product elimination is an integral part of a company’s innovation process, it is indeed as important as new product development, since they both require innovative thinking and play a significant role in determining the overall growth and profitability of an individual company. Product additions may contribute to an increase in sales volume and profits; product elimination, likewise, may not only eliminate unnecessary costs associated with “weak”

products, but may also result in increased total sales revenue and profits through reallocation of resources to more productive efforts.

Other authors agree and stress the importance of product elimination. Table 3.1 summarises the main reasons why product elimination is indeed a very important product range management activity.

Table 3.1: Reasons why Product Elimination is Important

- | |
|--|
| • Executive time can be freed up and devoted to more promising products in the range or to more critical activities within the company. |
| • Identification of products, which are responsible for off-balance sheet hidden costs. |
| • Contribution to the creation of a more balanced product portfolio. |
| • Contribution towards a better allocation of company's scarce resources. |
| • Better value can be delivered to the customer, since management's attention focuses on products that satisfy what the market really needs. |
| • Sales force can concentrate their attention and efforts on fewer and more profitable products. |
| • Sales and profitability can increase, enhancing thus the company's chances and potential for future growth. |
| • Fewer products in the range means less stock in the warehouse and thus improved distribution and less inventory holding costs. |

Source: Smith 1962; Alexander 1964; Kotler 1965; Rothe 1970; Eckles 1971; Winkler 1972; McSurely and Wilemon 1973; Hise and McGinnis 1975; Johnson 1975; Avlonitis and James 1982; Avlonitis 1983b; 1983-1984; 1984; Gupta 1986; Avlonitis 1990; Avlonitis et al 2000, Tomkovick and Miller 2000.

3. The Stages of the Literature on Product Elimination: A Historical Review

Product elimination is one of the least researched areas in the literature of product management. Adhering to the glamour of the NPD process, marketing academicians have over-addressed new product development. Since the 1950's an immense number of articles and books has been presenting empirical findings on the new product development process and on the importance of adding new products to the range, while comparatively very little attention has been devoted to the 'uninspiring' process of product elimination. The first thorough empirical endeavour to explore product

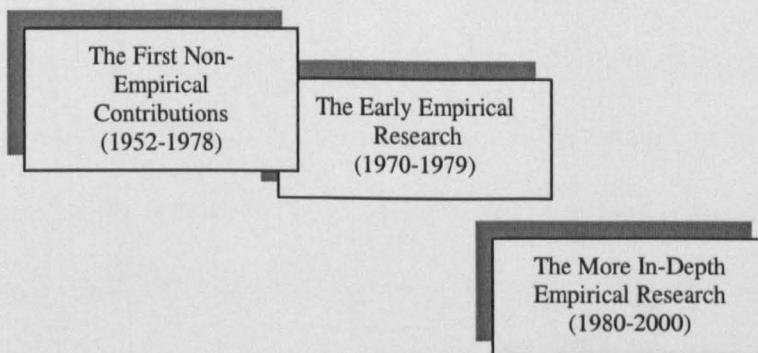
elimination decision-making was made by Avlonitis in the 1980's. His landmark findings from the British engineering industry challenged the way in which the few theoretical and empirical contributions had been addressing product elimination, gave a structure to the empirically based knowledge in the field and offered directions for more empirical research in other countries and industry settings. One of the wishes in the 1980's was to see the literature on product elimination 'advance from infancy to adolescence' (Avlonitis and James 1982, p.46). However, today the empirical research on product elimination can still be characterised as 'occasional' (Avlonitis *et al.*, 2000) rather than systematic.

From a historical perspective, the small literature on product elimination can be classified under three main stages as follows (see also Figure 3.1):

- the stage of the first non-empirical contributions (1952-1978),
- the stage of the early empirical research (1970-1979), which has an overlapping period with the first stage and
- the stage of the more in-depth empirical research (1980-2000).

Each one of the three stages made a contribution towards the development of the literature on product elimination and is discussed separately in the sub-sections that follow.

Figure 3.1: The Stages of the Literature on Product Elimination

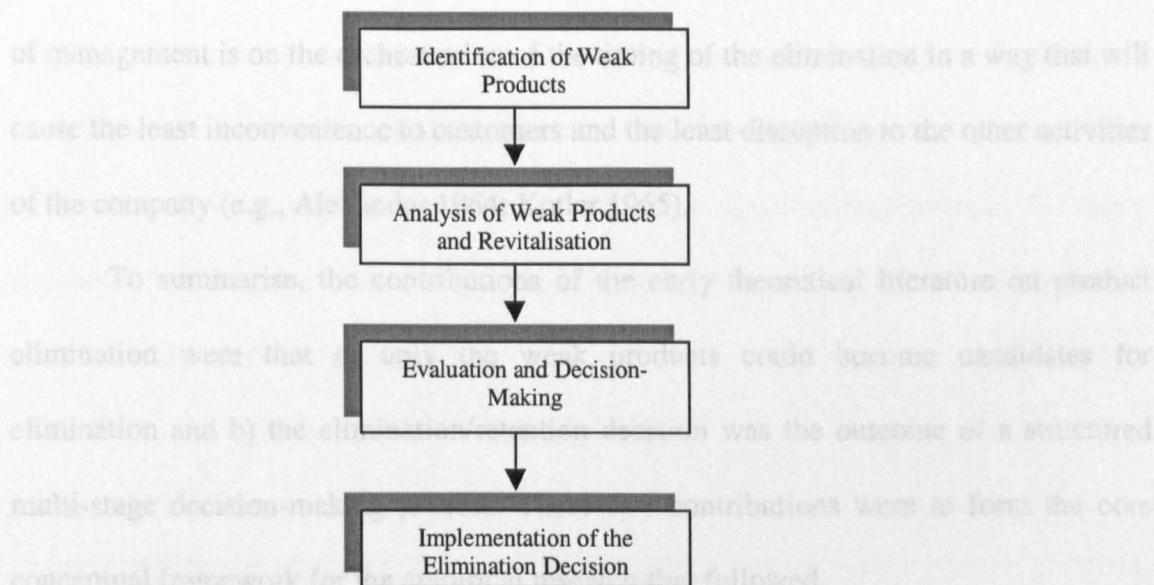


3.1. The Stage of the First Non-Empirical Contributions

In the period from 1952 to 1978, the academic knowledge on product elimination was very limited. The early writers were more focused on suggesting how companies should manage product elimination, rather than on collecting primary empirical data on how the latter was actually managed by business practitioners. Despite the absence of empirical evidence, the early work on product elimination made two contributions towards theory development.

First it was explicitly or implicitly assumed that elimination was a strategy only for weak products, i.e. for the ones that had reached the maturity and decline stages of their life cycle and were under-performing in terms of sales and profits. Moreover, the theoretical authors were dwelling on the vital role of the task to identify under-performing products in terms of sales and profits and to eliminate them (e.g., Houfek 1952; Sonnecken and Hurst 1960; Kratchman *et al* 1975; Wind and Claycamp 1976).

The second contribution of the early theoretical papers has been the conceptualisation of the product elimination decision-making process. In detail, it was argued that the elimination of a product was not a simple decision that could be made overnight but that it was the outcome of a structured 4-step decision-making process, which is illustrated in Figure 3.2 (e.g. Hurst 1959; Alexander 1964; Kotler 1965; Worthing 1971; Hamelman and Mazze 1972; McSurely and Wilemon 1973).

Figure 3.2: The Product Elimination Decision-Making Process

Source: Hurst 1959; Alexander 1964; Kotler 1965; Worthing 1971; Hamelman and Mazze 1972; McSurely and Wilemon 1973

3.2 The Steps of the Product Elimination Decision-Making Process

The first step of the process involves a regular audit of the product range. The performance of all the products is evaluated against quantitative audit criteria and the weak products are identified (e.g., Clayton 1966; Hamelman and Mazze 1972). Once the audit is complete, the identified weak products enter the stage of analysis and revitalisation, where the aim is to find the reason behind their poor performance and to consider a set of possible revitalisation alternatives (e.g., Alexander 1964; Browne and Kemp 1976). By the time management concludes that nothing can be done to revitalise the poor performance of weak products, the product elimination decision-making process reaches the stage of evaluation and decision-making. The activities in this stage are of a more *macro* than *micro* orientation, because the attention of managers moves from the individual product to the evaluation of the impact of its possible elimination upon the company as a whole (e.g., impact upon the sales and profits of other products in the range, upon the capital structure or upon the employee relationships). Finally, once management has made the elimination decision, the next step is its

implementation. In this last stage of the elimination decision-making process the focus of management is on the orchestration of the timing of the elimination in a way that will cause the least inconvenience to customers and the least disruption to the other activities of the company (e.g., Alexander 1964; Kotler 1965).

To summarise, the contributions of the early theoretical literature on product elimination were that a) only the weak products could become candidates for elimination and b) the elimination/retention decision was the outcome of a structured multi-stage decision-making process. These two contributions were to form the core conceptual framework for the empirical research that followed.

3.2. The Stage of the Early Empirical Research

The first pieces of empirical research on product elimination appeared in the early 1970s in the US. They employed both qualitative and quantitative data collection methods and sampled mainly manufacturers of consumer products (Table 3.2).

Table 3.2: The Early-Empirical Phase-Research Methodologies

Author	Year	Industry Sector	Country	Data Collection Method	Sample Size
Rothe	1970	Manufacturers of consumer products	US	Mail survey	100 questionnaires
Eckles	1971	Veterinary sector & electrical manufacturers	US	Qualitative research	10 in-depth interviews
Banville & Pletcher	1974	Electrical housewares & fans industry	US	Qualitative research & mail survey	21 companies
Hise & McGinnis	1975	Fortune 500	US	Mail survey	96 questionnaires

The cornerstone for the conceptual frameworks of the first empirical papers was the 4-step product elimination decision-making process. The research focused on an

investigation of its structure, of the decision variables that manufacturers considered in each of the four steps and of the extent to which the process was formalised. Other central research questions revolved around the perceived importance of product elimination, the organisational participants in the decision-making process, the major problems that the companies were facing during the process and the ethical dimension of elimination decisions (Table 3.3).

Table 3.3: The Early Empirical Phase-Research Questions

Author	Research Questions
Rothe 1970	<ul style="list-style-type: none"> • Importance of elimination decisions • Organisation and participation in elimination decisions • Structure of elimination decisions • Degree of formality of elimination decisions • Typical management problems with elimination programs
Eckles 1971	<ul style="list-style-type: none"> • Why products should be eliminated • When products should be eliminated
Banville & Pletcher 1974	<ul style="list-style-type: none"> • Variables involved in an elimination decision • Relative importance of those variables • Interaction between variables
Hise & McGinnis 1975	<ul style="list-style-type: none"> • Formality of elimination procedures in terms of written policies • Steps of a formal elimination procedure • Degree of computerisation of the various steps • Responsibilities assigned for product elimination decisions • How often products are considered for possible elimination • Percentage of products actually eliminated • Ethics of product elimination

The findings of the early empirical research, which both supported and contradicted the non-empirical contributions, can be classified under four clusters.

First, it was found that the elimination of a product was not a one-off decision but the outcome of a multi-step decision-making process, which was very similar to the 4-step product elimination decision-making process that the non-empirical conceptualisations were suggesting.

Second, it was found that the two late stages of the PLC model were positively and strongly related with the possibility of a product being eliminated. The limited early

empirical evidence found that the sales, profitability and market share performance were either the only (Rothe 1970; Eckles 1971) or the predominant audit criteria (Banville and Pletcher 1974; Hise and McGinnis 1975) for the recognition of the weak products, which automatically became candidates for elimination. This finding provided support for the non-empirical assumption that elimination was a strategy only for mature or declining products.

Third, it was found that product elimination was not as important a function as the theoretical literature advocated. In particular, the companies studied by Rothe (1970) rated product elimination activities to be one third as important as new product development activities.

Finally, product elimination decision-making was found to be largely informal (Rothe 1970; Hise and McGinnis 1975), mainly in terms of lack of computerisation, assignment of responsibilities and written policies. This contradicted the call of the theoretical literature for a high degree of formality during product elimination decision-making.

To summarise, the early empirical evidence found that a) the elimination/retention decision was the outcome a multi-step decision-making process b) candidates for elimination were only the weak products of the range, i.e. those with declining sales and profitability, c) product elimination was not as important as other product range management activities and d) the product elimination decision-making process was largely informal.

3.3. The Stage of the More In-Depth Empirical Research

Despite its contribution, the early empirical evidence on product elimination had shortcomings. First, it was very limited and replication was needed before any

generalisations could be made. Second, it focused on manufacturers of consumer products and its results were only from one country, the US. Third, it focused mainly on a description of the decision variables that manufacturing companies considered in each one of the steps of the product elimination decision-making process. In that way it overlooked the possible impact of the characteristics of the individual company and of the forces of the external environment on the content of the product elimination decision-making process.

From the early 1980s the number of empirical publications on product elimination increased significantly, compared to the very limited research activity between 1970 and 1979. As Table 3.4 illustrates, the new empirical research used both qualitative and quantitative data collection methods and investigated product elimination decision-making in the UK as well. It can be also seen that the work of Avlonitis was the major contributing force in this stage.

Table 3.4: The More In-depth Empirical Phase-Research Methodologies

Author	Year	Industry Sector	Country	Data Coll. Method	Sample Size
Avlonitis	1982	Manufacturers of industrial products	UK	Qualitative research & Mail survey	20 in-depth interviews 94 questionnaires
Avlonitis & James	1982	"	UK	"	"
Avlonitis	1983a	"	UK	"	"
Avlonitis	1983b	"	UK	"	"
Avlonitis	1983-1984	"	UK	"	"
Avlonitis	1984	"	UK	"	"
Hise <i>et al</i>	1984	Fortune 1000 largest industrial firms	US	Mail survey	299 questionnaires
Avlonitis	1985a	Manufacturers of industrial products	UK	Qualitative research & Mail survey	20 in-depth interviews 94 questionnaires
Avlonitis	1985b	"	UK	"	"
Avlonitis	1985c	"	UK	"	"
Avlonitis	1985d	"	UK	"	"
Avlonitis	1986b	"	UK	"	"
Saunders & Khan	1986	FMCG companies	UK	Qualitative telephone interviews & mail survey	14 telephone interviews & 23 questionnaires
Avlonitis	1987a	FMCG & industrial products	UK	Mail survey	33 in-depth interviews 166 questionnaires
Avlonitis	1987b	"	UK	"	"
Hart	1988	"	UK	Qualitative research & Mail survey	"
Hart	1989	"	UK	"	"
Hart	1990-1991	"	UK	Qualitative research	"
Avlonitis	1990	"	UK	Qualitative research & Mail survey	33 in-depth interviews 166 questionnaires
Avlonitis	1993	"	UK	"	33 in-depth interviews 166 questionnaires
Vyas	1993	One manufacturer of electrical appliances for the consumer and industrial market	US	Case study	1 company
Greenley and Bayus	1994	FMCG and manufacturers of industrial products	UK&US	Mail survey	175 US & 106 UK questionnaires
Saunders & Jobber	1994	Fortune 500, Times top 1000	UK&US	Mail survey	24 in-depth interviews 129 questionnaires
Avlonitis <i>et al</i>	2000	FMSG and industrial products	UK	Mail survey	166 questionnaires

As in the early empirical research, the 4-step product elimination decision-making process was the skeleton for the conceptual framework of most of the research from the 1980's until the year 2000. However, the 4-step model was not only examined in isolation but also in relation to some characteristics of the individual company (such as size, product diversity and operations technology) and of some forces of the external environment (such as competition and technological change). The above interrelationships were to prove that product elimination decision-making is indeed a very complex and dynamic process. Table 3.5 summarises the research questions of the more in-depth empirical research.

Table 3.5: The More In-depth Empirical Phase-Research Questions

Author	Research Questions
Avlonitis 1982	<ul style="list-style-type: none"> • Identification of the problem situations evoking product elimination decisions • Relative importance of problem situations and the impact of the internal and the external environment
Avlonitis & James 1982	<ul style="list-style-type: none"> • Is product elimination a strategy only for mature or declining products? • Are comprehensive and systematic procedures central to product elimination decision-making? • What is the role of formality during product elimination-decision making
Avlonitis 1983a	The ethical implications of product elimination decisions
Avlonitis 1983b	<ul style="list-style-type: none"> • Alternative elimination implementation strategies • Factors influencing the phase-out strategy and the timing of an elimination decision • Actual implementation of an elimination decision and factors considered
Avlonitis 1983-1984	<ul style="list-style-type: none"> • Importance of product elimination • Management's approaches to elimination decisions • Shortcomings of approaches employed • Problems encountered in the product elimination decisions
Avlonitis 1984	<ul style="list-style-type: none"> • Examination of the evaluation and decision-making stage • The evaluation factors and their relative importance • Impact of the internal and the external environment
Hise <i>et al</i> 1984	<ul style="list-style-type: none"> • Are product elimination programs effectively established and implemented? • Factors distinguishing companies with product elimination programmes from those without product elimination programmes
Avlonitis 1985a	<ul style="list-style-type: none"> • Participants in product elimination decisions • Impact of the internal and the external environment
Avlonitis 1985b	<ul style="list-style-type: none"> • Examination of the analysis and revitalisation stage of the product elimination decision-making process • Diagnosis of what is wrong with a weak product • Alternative corrective actions and their importance • Impact of the internal and the external environment
Avlonitis 1985c	<ul style="list-style-type: none"> • The influence of the techno-economic environment on the content of product elimination decisions
Avlonitis 1985d	<ul style="list-style-type: none"> • Formality and product elimination process • Relationships of formality with company's context, content of the elimination process, and effectiveness of the elimination process
Avlonitis 1986b	<ul style="list-style-type: none"> • Description of management's approaches to the identification of weak industrial products

	<ul style="list-style-type: none"> Identification, importance and interrelationships of the audit criteria used by management for the identification of weak products Examination of the possible impact of variables of the internal and external environment upon the weak product identification behaviour of manufacturers of industrial products.
Saunders and Khan 1986	<ul style="list-style-type: none"> Implementation of elimination decisions. The synchronous deletion and replacement of products
Avlonitis 1987a	<ul style="list-style-type: none"> Linkage between a type of product elimination decision and the achieved performance outcome
Avlonitis 1987b	<ul style="list-style-type: none"> Classification schemata describing product elimination decisions in manufacturing industries Scenarios characterising product elimination activities in manufacturing firms Importance of those scenarios
Hart 1988	<ul style="list-style-type: none"> Circumstances triggering product elimination decisions
Hart 1989	<ul style="list-style-type: none"> Extent to which product elimination decisions are executed as part of the overall product/market strategy
Avlonitis 1990	<ul style="list-style-type: none"> Examination of the association between a product elimination decision and the different stages of the PLC model
Avlonitis 1993	<ul style="list-style-type: none"> Evaluation factors considered in product elimination decision-making Influence of contextual conditions during weak products' evaluation process
Vyas 1993	<ul style="list-style-type: none"> Examination of the whole product elimination decision-making process of a manufacturer of electrical appliances (case study)
Greenley & Bayus 1994	<ul style="list-style-type: none"> Comparative examination of the product elimination decision-making practices in UK and US manufacturers of consumer and industrial products
Saunders & Jobber 1994	<ul style="list-style-type: none"> Comparative examination of the launch and elimination strategies of UK and US firms.
Avlonitis <i>et al</i> 2000	<ul style="list-style-type: none"> Extent to which product elimination scenarios are related to specific environmental and organisational conditions Extent to which the different elimination scenarios influence the number of stages considered in the product elimination process Interrelationships between the content of stages and elimination scenarios

The main findings of the more in-depth empirical research can be summarised in five areas as follows.

First, product elimination decision-making does not take place in a vacuum, but is dynamic. As a result, it is influenced by the importance of the individual product, the idiosyncrasy of the individual company (e.g., size, product and market diversity, operations technology) and the characteristics of the external environment (competition, technological change) (e.g., Avlonitis and James 1982; Avlonitis 1985c; 1987a; Greenley and Bayus 1994). This dynamism highlighted the inadequacy of the early empirical evidence.

Second, products can become candidates for elimination not only after a regular audit of the product range, but also due to less expected precipitating circumstances that

could force companies to consider elimination as an option (e.g., Avlonitis 1982, Hart 1988). Thus, the engagement of companies into the product elimination decision-making process is not only managed but also forced.

Third, and related to the above, the late stages of the PLC model proved to be neither a necessary nor a sufficient condition for elimination. In other words, not all weak products are candidates for elimination, nor are elimination candidates only those products that have reached the maturity and the decline stages of their life cycle (Avlonitis and James 1982; Avlonitis 1987; 1990). Newly developed products with satisfactory sales and profits can become candidates for elimination if, for example, there is a coercion of forces, which are beyond the immediate control of management, e.g. new government legislation or parent company decisions and policies. Also, products with declining sales and profitability can be retained in the range if companies follow a full-line policy in order to enable their customers to make one stop shopping. This finding challenged the assumption (and finding of the early empirical evidence) that elimination is a strategy only for mature or declining products.

Fourth, support was provided to the conceptualisation of the product elimination decision-making process as a 4-step model. However, the number of steps that companies were undergoing, as well as the number of variables that they considered in each step, proved to vary in relation to the importance of the product to the company or to the urgency of the precipitating circumstance that triggered engagement into the decision-making process (Avlonitis and James 1982; Avlonitis 1987a; Avlonitis *et al* 2000).

Fifth, contrary to the non-empirical descriptions but in line with the early empirical findings, product elimination decision-making proved to be largely informal,

even among the largest and most leading manufacturing companies of the studied settings (Avlonitis and James 1982; Avlonitis 1983-1984; Avlonitis 1985d).

4. An Overview of the Literature on Product Elimination

4.1 Problem Situations Evoking the Product Elimination Decision

A classic assumption of the early theoretical approaches to product elimination was that a product becomes candidate for elimination either if it fails to meet a set of pre-defined financially-related corporate objectives, such as sales, profits, market-share and contribution to the coverage of overhead expenses, or if it reaches the decline stage of its life cycle (Houfek 1952; Alexander 1964; Kotler 1965; Worthing 1971; Kratchman *et al* 1975; Browne and Kemp 1976). This assumption remained unchallenged by the early empirical research, which continued to link elimination only with unsatisfactory sales and profit performance (Rothe 1970; Eckles 1971; Banville and Pletcher 1974). However, the more in-depth empirical research challenged the above assumption by finding that a closer look at a product, with elimination as a option, could be the outcome of an array of different problem situations, most of which were irrelevant to its sales and profit performance. Thus, a product could become a candidate for elimination due to coercion of external forces (such as government policies and regulations or changes in the requirements of third-parties concerning the specifications of a product), parent organisation decisions, adoption of a variety reduction policy, mergers and acquisitions, development of a new product, poor product performance and a decline in market potential (Table 3.6) (Avlonitis 1982; Avlonitis and James 1982; Avlonitis 1986a; Avlonitis 1987a; 1987b; Hart 1988).

Table 3.6: Problem Situations Evoking the Elimination Decision

• Government policies and regulations
• Changes in the third-party specifications
• Decline in market potential
• Parent organisation decisions-policies
• Poor product performance
• Development of a new product
• Development of a variety reduction policy
• Rationalisation due to mergers and acquisitions

Source: Avlonitis 1982; Avlonitis and James 1982; Avlonitis 1986a; Avlonitis 1987a; 1987b; Hart 1988.

The identification of different problem situations in the phase of the more in-depth empirical research had important implications for theory and practice. First, it was highlighted that the elimination of a product is not only an internal matter to companies but that it can also be triggered by circumstances within the external environment, over which management has little or no control. Second, due to the fact that different problem situations are characterised by varying degrees of importance and urgency for action, there is a need for a contingency approach to product elimination decision-making. In other words, the problem situation that triggers possible elimination in the first place largely determines the duration of the product elimination decision-making process, as well as the decision variables that management considers in each stage of the process (Avlonitis 1982; Avlonitis and James 1982; Avlonitis *et al* 2000).

4.2 The Product Elimination Decision-Making Process

4.2.1 Identification-Recognition of Weak Products

The first theoretical approaches towards the identification of weak products can be categorised under three groups. First, there is the approach suggesting that every

product in a manufacturer's range is subject to a systematic periodical review on a pre-defined set of performance criteria, such as profits, sales, market share and market growth potential (e.g., Houfek 1952; Alexander 1964; Kotler 1965; Worthing 1971; Kratchman *et al* 1975; Browne and Kemp 1976). Second, are the approaches suggesting that products are regularly reviewed by sophisticated performance indices, which are operationalised by accountants (Clayton 1966; Wind and Claycamp 1976) or which are computer aided (Hamelman and Mazze 1972). Central to these sophisticated indices is the combined consideration of quantitative audit criteria (e.g., sales, profitability, cost, market share and market growth rate), which leads to a single performance indicator/threshold. Products, whose performance falls short of this threshold, are identified as candidates for elimination. Third, there is a product portfolio approach, suggesting the combined use of profitability, sales, market growth rate and market share related performance criteria, which lead to the classification of products under different performance quadrants in a matrix (e.g., Boston Consulting Group 1972; Fluitman 1973; Kotler 1974). Products falling under different performance quadrants are subject to different marketing strategies and the weak ones become candidates for elimination.

The early empirical research on the identification of candidates for elimination used the non-empirical approaches as a guide and focused on the measurement of the relative importance of the various suggested audit criteria. The non-empirical theory was partly confirmed, in terms that the studied manufacturers used audit criteria, such as sales volume, profitability, production cost, market share, market growth rate, operational problems, competitive activities and executive time required, in order to audit their product range and identify candidates for elimination (e.g., Rothe 1970; Eckles 1971; Banville and Pletcher 1974; Hise and McGinnis 1975). However, the early empirical research failed to either confirm or disconfirm the theoretical assumption that

manufacturers were using highly sophisticated weak product recognition indices and methods. Moreover, it failed to address the impact of the idiosyncrasies of individual companies and of their external environment on their weak product identification behaviour.

The more in-depth empirical research provided a more integrated approach towards the methods used to identify weak products. One the one hand support was provided to the early theoretical and empirical literature, in terms of the nature of the used audit criteria (Table 3.7). In particular, profitability and sales volume were the most important ones, followed by competitive activities and operational problems (Avlonitis 1986a; 1986b).

Table 3.7: Audit Criteria for the Identification/Recognition of Weak Products

• Past sales volume
• Future sales volume
• Market share
• Profitability
• Share of company's sales
• Market growth rate
• Competitive activities
• Operational problems (e.g. production, marketing)
• Products' position on the PLC
• Total generic demand trend

Source: Rothe 1970; Eckles 1971; Avlonitis 1986a; 1986b

However, the early theoretical literature was challenged in terms that the procedures that the majority of the studied manufacturers followed to identify elimination candidates were very informal and unsophisticated. Only a small minority of companies had a regular product review system, but even in these cases the high degree of formality and documentation (assumed by the non-empirical descriptions) was not present (Avlonitis 1986b). Moreover, it was shown that the importance that management placed on various audit criteria, varied in relation to organisational and

environmental characteristics of the individual company, such as size, product diversity, operations technology, technological change and market competition. For example, the importance of the audit criteria relating to the market performance of products (e.g., market share and market growth rate) was higher for large companies and for companies with more diverse product ranges than for small-sized companies with fewer products to offer. Also, the audit criteria relating to the financial performance of a product (e.g., sales volume and profitability) were assigned higher importance by companies facing intense competition than by companies which operated in oligopolistic and monopolistic markets (Avlonitis 1985c; Avlonitis 1986b).

4.2.2 Analysis of Weak Products and Revitalisation

The unsatisfactory performance of products against a set of audit criteria is not always a reason for elimination by itself, but can be the symptom of an underlying problem. The identified candidates for elimination can be subjected to further scrutiny if management needs to find out the reason behind their deviant performance and to try and revitalise them.

From the early stages of the literature on product elimination emphasis was placed upon the existence of a diagnostic procedure aiming to identify the cause(s) behind a product's deviation from pre-defined minimum performance standards (e.g., Alexander 1964; Weller 1969; Browne and Kemp 1976; Evans 1977). As discussed previously, pertinent to the early theoretical approaches was that a product's candidature for elimination was associated with its poor market and financial performance. This very myopic conceptualisation of what could trigger elimination made analysis/revitalisation a necessary step of the product elimination decision-

making process, because rarely are poor profitability or sales volume the real problems with a product. As Alexander (1964, p. 5) comments:

the fact that a product's market is declining or that its profit performance is substandard does not mean that deletion is the only remedy.

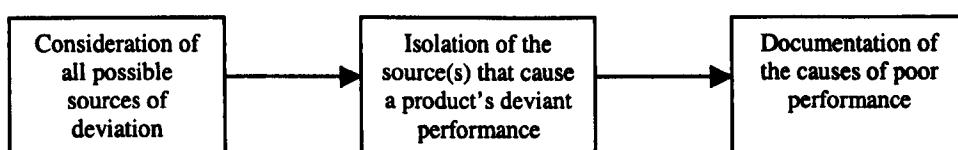
There are things other than elimination that can be put forward to restore a product's poor performance, including cost reductions, changes in the marketing strategy, price changes and cross-production (e.g., combined production of two products, in order to spread the standard overhead to more output units (Paggios 1990)). In the same line McSurely and Wilemon (1973) suggested that those products that have been identified as weak, must be given the opportunity to improve their performance prior to considering their elimination as a major alternative. The analysis and revitalisation efforts are traced in the second stage of McSurely and Wilemon's four-step PEIR model (Product Evaluation, Improvement and Removal model), namely the 'up-program'. The objective of this stage is to improve the performance of weak products. Several revitalisation strategies are put forward, including improvement of sales and profits by offering private branding, quality improvements, new image through advertising, styling changes, packaging improvements and price reduction. The selection of the appropriate revitalisation strategy should be made on the basis of how compatible it is with the corporate marketing programs. Browne and Kemp (1974) highlighted the importance of management's ability to answer the question 'why is a product weak?', because different causes of product deviation or poor performance may require different courses of alternative action, with elimination not being the only solution. An interesting point of Browne and Kemp's work is that a product's poor performance against one of the indicators used in the recognition stage, could be just a symptom of a problem which lies in the company's external environment. Thus, a product's declining

sales may be the outcome of changed circumstances in the marketplace, such as competition policies, economic trends or introduction of new technologies.

The results of the early empirical research verified the existence of an analysis and revitalisation stage in the product elimination decision-making process of the studied manufacturers. Eckles (1971) and Hise and McGinnis (1975) reported a set of corrective actions that companies used to restore the performance of previously identified weak products (Table 8). The single most important revitalisation alternative involved changes in the attributes of a product, while other important corrective actions were changes in the price, increase in sales efforts and changes in the communications strategy.

A more detailed empirical investigation of the analysis and revitalisation stage was conducted by Avlonitis (1985b; 1986). In line with the early non-empirical assumptions, Avlonitis's work indicated that prior to considering any revitalisation action, many of the studied manufacturers were undergoing a three-step diagnostic procedure. As illustrated in Figure 3.3, the diagnostic procedure starts with the experience and judgement of management about all possible sources that could cause a product's poor performance and continues with attempts to isolate the specific source(s) that cause(s) the problem. The diagnostic procedure concludes with the compilation of memos and reports stating the causes of a product's poor performance.

Figure 3.3: The Diagnostic Procedure of the Analysis and Revitalisation Stage



Source: Avlonitis 1985b

Having established the causes of a product's deviant performance, Avlonitis's findings confirmed that most of the studied manufacturers proceeded to the consideration of a set of alternative revitalisation actions (Table 3.8), the most important of which was product modification and improvements, followed by price changes and development of new markets. However, the relative importance of the alternative corrective actions was not the same for all companies and environmental conditions, but varied in relation to company size, to the volatility of the technological environment and to the intensity of market competition (Avlonitis 1985b; 1986). For example, price reductions as a corrective action were more important to companies operating in more competitive and therefore more price-sensitive markets than to companies facing oligopolistic or monopolistic market conditions.

Table 3.8: Alternative Corrective Actions

• Product modifications
• Increase in product's price
• Product improvement
• Decrease in product's price
• Development of new markets
• Increased promotional expenditure
• Increased effort by sales force
• Changed channels of distribution
• Additional market research
• Decreased effort by sales force

Source: Eckles 1971; Hise and McGinnis 1975; Avlonitis 1985b

Finally, contrary to the non-empirical literature, the conduct of analysis and revitalisation did not always prove necessary, but very much depended on the problem situation that triggered engagement into the elimination decision-making process in the first place. For example, no revitalisation action was worth undertaking if the elimination of a product was dictated by a government regulation (Avlonitis *et al* 2000).

4.2.3 Evaluation and Decision-Making

Once management has identified the candidates for elimination and once it has concluded that no corrective action is feasible and possible, the product elimination decision-making process enters the step of evaluation and decision-making. Here the attention of management shifts from the individual candidate for elimination to an assessment of the impact on the entire company if finally an elimination decision is made.

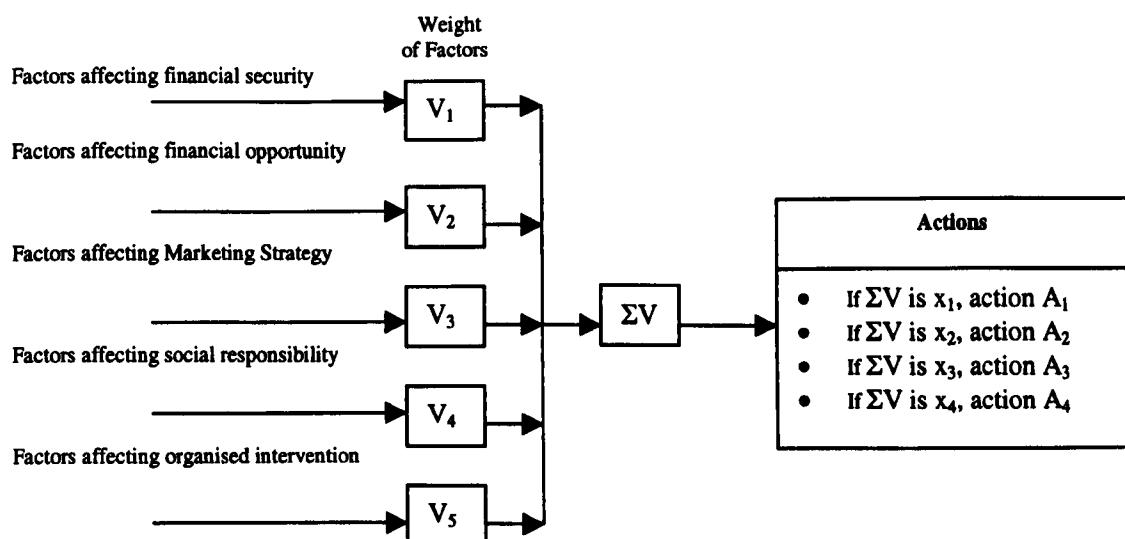
The theoretical literature described two approaches to the stage of evaluation and decision-making. The first approach involved the assessment of the impact of a product's possible elimination against isolated evaluation factors/criteria. The latter focused on the measurement of the impact on the other products in the line (e.g., potential loss of sales of other products, loss of economies of scale in production), on the ability of the company to secure competitive raw material prices with smaller orders, on the image of the company and on its relationship with employees (e.g., how many people would be made redundant?), unions (e.g., what would be the cost of litigation caused by unionised intervention), suppliers, distributors and customers (Hamelman and Maze 1972; McSurely and Wilemon 1973; Browne and Kemp 1976).

The second theoretical approach went one step further, by assuming that the evaluation criteria that companies use are first weighed and then incorporated into indices. Through a scoring the latter would indicate to management if elimination or retention was needed (Berenson 1963; Alexander 1964; Kotler 1965; Clayton 1966; Hutchinson 1971; Worthing 1971). For example, Berenson (1963) proposed a set of dimensions, namely *financial security* (a company's basic profit needs), *financial opportunity* (opportunities for superior returns), *marketing strategy*, *social responsibility* and *organised intervention* on which the impact of a possible elimination

decision should be calculated. This was an index approach (Figure 3.4), because each of the dimensions was assigned a weight. All weights were subsequently added up to create a single summated factor score, which suggested elimination or retention. Kotler (1965) proposed a computer-aided evaluation process based on seven evaluation criteria very similar to the ones of Berenson's model. Each dubious product previously identified underwent screening. Each of the seven dimensions is assigned a weight and the computer-aided outcome is an index that helps management to decide on whether or not to eliminate a product.

No matter which one of the two approaches companies adopt, the non-empirical contributions described a very formalised and structured evaluation and decision-making stage, which assumed that management had the necessary resources and willingness to make an elimination/retention decision based on a combined and projected interpretation of quantitative and qualitative information.

Figure 3.4: Model for the Assessment of the Impact of Elimination Decisions



V = a measure of the relative importance of the criteria

ΣV = the sum of the measures

A = the action suggested by the ΣV

x = the specific action to which the level of ΣV is correlated

Source: Berenson 1963

As in the first two steps of the product elimination decision-making process, the focus of the early empirical research with regards to this stage was on the identification and the measurement of the relative importance of the evaluation factors that manufacturers actually used. Banville and Pletcher (1974) reported that in their studied manufacturing setting companies were using an array of different evaluation factors. Of primary consideration was the impact upon the sales and the profitability of the other products in the line, while channel and competitive reactions, availability of substitute products and impact on the company image were evaluation factors of secondary importance. Also, new product potential and the possibility of an organised intervention were less important, though considered, evaluation factors. Unlike Banville and Pletcher (1974), Hise and McGinnis (1975) found that the evaluation stage of the companies they studied was dominated by financial considerations, such as impact on the sales and profits of the other products in the range. The authors criticised this policy and mentioned that the non-consideration of the impact of elimination decisions upon the customer base of a company was likely to result in 'ill-advised' elimination decisions.

The evaluation and decision-making stage of the product elimination process was examined more closely in the stage of the more in-depth empirical research. Except for the identification and measurement of the relative importance of the various evaluation factors, the empirical work attempted to measure the impact of a set of variables from the internal and the external environment of companies on the relative importance of the evaluation factors and on the thoroughness of the entire evaluation and decision-making stage.

Again the major contribution was made by Avlonitis (e.g., 1984; 1986a; 1993), who identified 15 evaluation factors, which are illustrated in Table 3.9. The results of

Avlonitis were in line with the theoretical literature and with some of the early empirical findings (Banville and Pletcher 1974), in terms that the evaluation of an possible elimination was not only based on quantitative financial considerations (which however proved to be the most important ones), but also on qualitative marketing, managerial and external pressures considerations. However, even in complex product elimination cases, Avlonitis found that the evaluation was implemented in a very informal (though information rich) way, which did not have any resemblance to the formalised elimination/retention indices described by the non-empirical literature.

Table 3.9: Evaluation Factors Used to Assess the Impact of Possible Elimination

• Impact on full-line policy
• Impact on corporate image
• Impact on sales of other products
• Impact on customer relationships
• Impact on profitability of other products via production overhead allocation
• Impact on profitability of other products via distribution overhead allocation
• Impact on fixed and working capital
• Impact on the profitability of other products via sales overhead allocation
• New product potential
• Reallocation of capital and facilities to other opportunities
• Release of executive time spent on the product
• Impact on employee relationships
• Existence of substitute to satisfy the customer
• Competitive moves in case the product is eliminated
• Organised intervention

Source: Avlonitis 1984;1986a;1993

It was also confirmed that the stage of evaluation and decision-making was not static, but dynamic. First, the relative importance of the identified evaluation factors was not the same for all internal and external business contexts, but tended to vary by product type, product diversity and the intensity of market competition (Avlonitis 1984; 1985c; 1986). Second, the intensity of the entire evaluation and decision-making stage

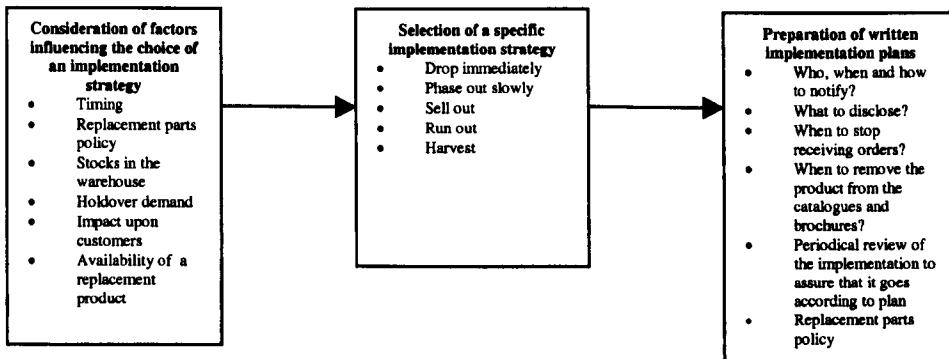
was very much a subject of the problem situation that triggered elimination consideration in the first place. To illustrate, manufacturers engaged in an extensive evaluation when the precipitating circumstances left the retention choice open. By contrast, no evaluation was needed when the elimination process was triggered by external forces, such as regulations or third party decisions. This was so because in the latter case the elimination was the only way forward and no retention was possible (Avlonitis 1987b; Vyas 1993; Avlonitis *et al* 2000).

4.2.4 The Implementation of the Elimination Decision

Once management has decided that for whatever reason a product should be withdrawn from the range, the elimination decision-making process enters the stage of implementation, where the objective is to withdraw a product in the most efficient and cost effective way. The smoothing role of the implementation stage was stressed from the very early stages of the literature on product elimination through to the early and more recent empirical contributions.

In the early theoretical contributions it was mentioned that a product's withdrawal should be implemented in a way that would cause the least disruption to the company's operations and the least possible inconvenience to the customer base (e.g., Alexander 1964; Browne and Kemp 1976). Thus as part of a very formalised implementation stage, manufacturing companies were assumed to perform a wide array of tasks, which are summarised in Figure 3.5.

Figure 3.5: Task Flow of the Implementation Stage (Non-Empirical Contributions)



Source: Alexander 1964; Talley 1964; Kotler 1965; Weller 1969; Michael 1971; McSurely and Wilemon 1973; Browne and Kemp 1976; Wind and Claycamp 1976.

Prior to choosing specific implementation strategies, it was assumed that manufacturers would consider the following important factors:

- **Timing:** The elimination of a product must be implemented in such a timing, so as to cause the least disturbance to customers (Alexander 1964).
- **Provision for replacement parts:** Management must provide for post-elimination maintenance, as far as spare replacement parts of the eliminated product are concerned. Replacement parts policy was assumed of greatest importance when the eliminated product was a durable one (e.g. machinery, or components of machinery equipment) (Alexander 1964; Kotler 1965).
- **Level of stock in the warehouse:** Management should try to use all stocks that are involved in the production of the product under elimination, such as raw materials, packaging material etc. This will enable the company to recover the maximum amount of capital that has been invested in the eliminated product (Alexander 1964; Kotler 1965; McSurely and Wilemon 1973).

- **Holdover demand and impact upon customers:** Sometimes management may find it appropriate for the good image of the company to sell the eliminated product to another firm, in order for the customers to continue using it (Alexander 1964).

The consideration of the above factors would lead manufacturing companies to the choice of an abrupt or a more gradual elimination implementation strategy (Alexander 1964; Kotler 1965; Weller 1969; McSurely and Wilemon 1973; Wind and Claycamp 1976). It is worth mentioning that since the non-empirical literature associated elimination with the maturity and decline stage of products' life cycle, it tended to suggest a *run out* implementation strategy, whereby the marketing costs of a product were kept to a minimum while the company could still enjoy the remaining cash flow power of declining products (Talley 1964; Michael 1971). Finally, once an implementation strategy was on its way, the literature assumed that management would assign to an individual or a group of individuals the task to prepare a written elimination implementation plan. The latter would specify, among other details, how and when employees, customers and third parties should be informed of the impending elimination decision (McSurely and Wilemon 1973).

In line with the theoretical assumptions, the early empirical research showed that prior to putting forward a specific implementation course, companies considered the factors mentioned above (e.g., timing, provision of replacement parts etc) (Eckles 1971). However, contrary to the theoretical suggestions, Rothe (1970) concluded that most of the manufacturers of consumer goods of his sample preferred a *quick drop* implementation strategy to a *run out* strategy.

The more in-depth empirical investigation of the implementation stage largely confirmed the theoretical literature, as it found that the studied manufacturing companies followed in general terms the three steps illustrated in Figure 3.5 above.

With regards to the factors that influenced the choice of a specific implementation strategy, it was found that *stock at hand, the extent of readiness of a replacement product* and the *market trends/holdover demand* were the most important considerations for the studied manufacturers, while the *status of replacement parts* and the *effect on customers* were less important considerations (Avlonitis 1983b; Avlonitis 1986a).

As regards the specific implementation strategies, as well as the ones suggested by the non-empirical contributions, Avlonitis' empirical evidence revealed two new ones (Table 3.10). The first was a *phase out immediately* strategy, which was similar to the drop immediately strategy in the sense that companies were committed to a quick withdrawal, but differed in the sense that companies wanted to satisfy the orders that customers placed until the day the elimination decision was made (Avlonitis 1983b). The second new strategy was to *drop a product from the standard range and reintroduce it as a special*. Under this strategy a product whose regular manufacturing process had been discontinued could be manufactured as a special order when there was some sizeable residual demand. Of course, since the product was no more a standard product, customers wishing to place special orders would be charged a higher price than the one before the elimination decision (*ibid.*). In terms of their relative importance, unlike Rothe (1970), Avlonitis (1983b) found that manufacturers of industrial products preferred a *phase out slowly* implementation strategy. The strategy to *drop a product from the standard range and to reintroduce it as a special* was the second most important, followed by the *phase out slowly* strategy, while the *sell out* implementation strategy was by far the least important among the studied engineering companies (*ibid.*). The different preference in the chosen implementation strategy, which was suggested by the studies of Rothe and Avlonitis, was also identified in a cross-sector study of Hart (1991). The findings showed that a quick drop strategy was more common to

manufacturers of consumer products, whereas manufacturers of industrial products adopted more gradual elimination implementation strategies.

Table 3.10: Elimination Implementation Strategies-Empirical Evidence

• Drop immediately
• Phase out slowly
• Sell out
• Drop from the standard range and reintroduce the product as a special
• Phase out immediately

Source: Avlonitis 1983b.

The relative importance of the influencing factors and of the implementation strategies depended upon: a) the life cycle stage of the to-be- eliminated product (Avlonitis 1990), b) a set of variables of manufacturers internal and external environment (e.g., size, product diversity, operations technology, technological change and market competition) (Avlonitis 1985c; 1986a) and c) the precipitating circumstance that triggered the elimination alternative in the first place (Avlonitis 1987b; Saunders and Khan 1986; Vyas 1993; Saunders and Jobber 1994; Avlonitis *et al* 2000). With regard to the latter, of particular interest is the work of Saunders and Khan (1986) and Saunders and Jobber (1994), who stressed the importance of a *phasing out slowly* strategy when the elimination of a product was triggered by the need to develop its replacement. The above work focused on the different ways in which manufacturers could organise and synchronise the elimination of an existing product with the launch of its replacement (Figure 3.6).

Figure 3.6: Implementation of Elimination Decisions-Synchronisation of Elimination and Replacement of Products

1. Butt-on (new product immediately replaces the old one)



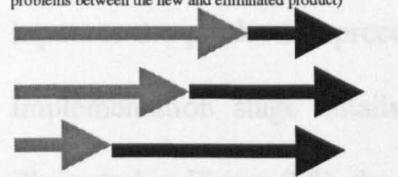
2. Low season switch (inconspicuous substitution when demand is low)



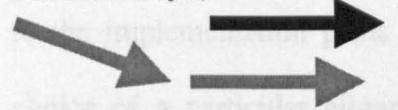
3. High season launch (conspicuous substitution when demand is high, aiming at gaining awareness)



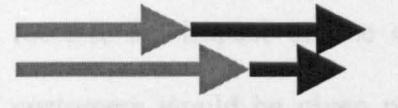
4. Roll-in/Roll-out (to reduce discontinuity problems between the new and eliminated product)



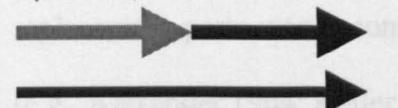
5. Down grading (the old product is retained and serves as a distinct market segment)



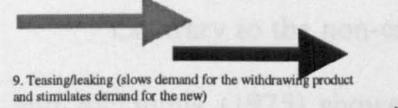
6. Splitting (a version roll-in/roll-out for products with specialised variations)



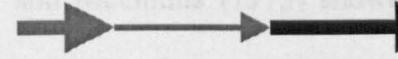
7. Sharing (when the new product changes radically, but retains major components of the old)



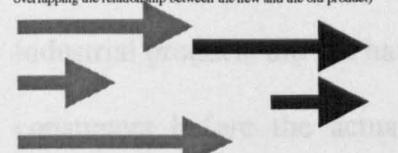
8. Sell off (old product is eliminated and its production is licensed to another company)



9. Teasing/leaking (slows demand for the withdrawing product and stimulates demand for the new)



10. Fudging (to reduce discontinuity by overlapping the relationship between the new and the old product)



Source: Saunders and Jobber 1994

experienced a high level of customer discontent. In general, Hise and McGinn's evidence showed that the profit and efficiency aspects of product elimination decisions were considered to be more important than the ethical aspects of these decisions.

4.2.4.1 Implementation and Ethics

The implementation stage of the elimination decision-process will actually discontinue the manufacturing process of a product. Depending on the importance of the eliminated product, customers and consumers are likely to experience anything from a minor inconvenience (e.g., if Cadbury's eliminated a particular type of chocolate) to a major disruption in their lifestyle (e.g. the recent attempt to eliminate Subbuteo) and business operations (mainly when manufacturers eliminate products which are used as inputs to the production processes of other manufacturers). Due to the above issues the implementation stage entails an ethical dimension. As was discussed above (and illustrated in Figure 3.5), the ethical implications of elimination decisions were central to the implementation plans described by the non-empirical contributions. Thus, the choice of a particular elimination strategy would be influenced from, among other factors, the impact on the customer base. To minimise the inconvenience caused, customers would be given prior notice well before the elimination of a product and replacement parts would continue to be produced in cases involving durable products (e.g., Alexander 1964; Kotler 1965).

Contrary to the non-empirical descriptions, the first empirical evidence by Hise and McGinnis (1975) showed that the ethical aspects of elimination decisions were largely overlooked. Specifically, most of the studied manufacturers of consumer and industrial products did not have a replacement parts policy, did not notify customers and consumers before the actual implementation of elimination decisions and did not change or delay the implementation of their elimination decisions even if they experienced a high level of customer complaints. In general Hise and McGinnis' evidence showed that the profit and sales aspects of product elimination decisions were considered to be more important than the ethical aspects of those decisions.

The empirical evidence by Avlonitis (1983a) showed more consideration for the ethical aspects of elimination decisions, although not at the level that the theoretical literature assumed. A plausible explanation for the discrepancy between Avlonitis' and Hise and McGinnis' studies is that the former focused exclusively on manufacturers of industrial products. The relatively small number of industrial customers (compared to the mass consumer market) and their importance for the manufacturers of industrial products, forces the latter not to overlook the views and requirements of the former, prior to making decisions (Haas 1989; Hutt and Speh1992).

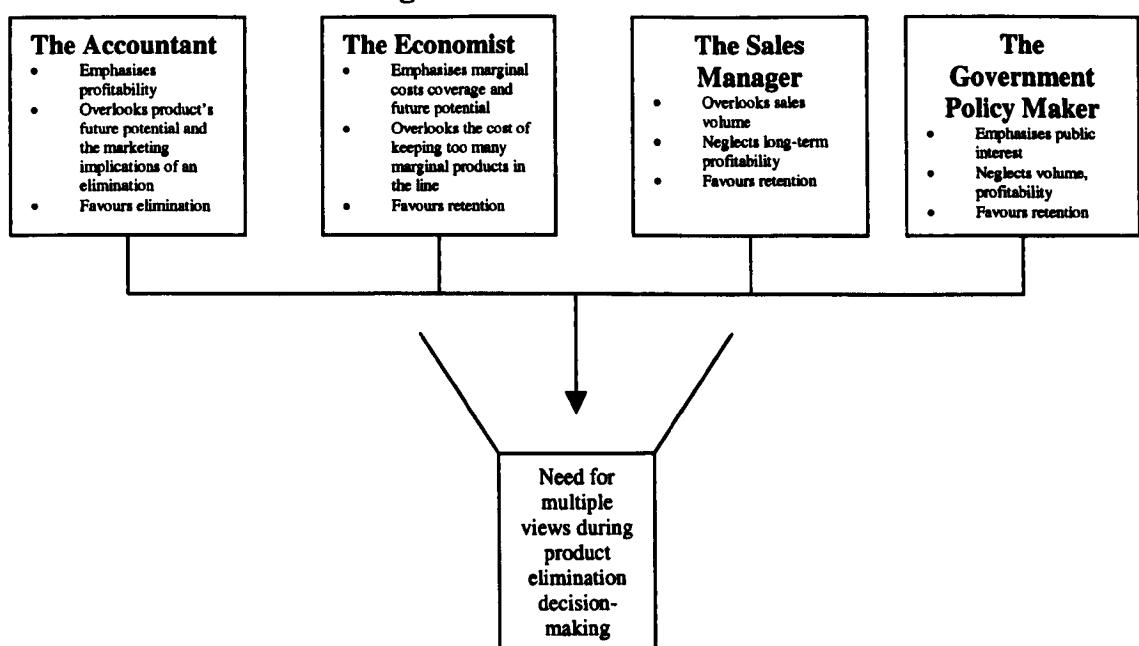
4.3 Participation in Product Elimination Decision-Making

Despite the myopic view that only weak products (i.e., those under-performing in terms of sales volume and profits) could become candidates for elimination, the early theoretical commentators recognised that product elimination was indeed an important and complex consideration. This raised the concern about who would be the most appropriate organisational and non-organisational participants in the elimination decision-making process (e.g., Berenson 1963; Kotler 1965; McSurely and Wilemon 1973; Kratchman *et al* 1975).

The central suggestion of the early theoretical contributions was that the different nature of the information that was required in order to reach well-thought-out product elimination decisions necessitated the involvement of multiple functional areas. Berenson (1963), whose views guided subsequent theoretical and empirical contributions, outlined the profile of four traditional product elimination decision-makers, namely *the accountant, the economist, the sales manager and the government policy maker* (Figure 3.7). To the accountant the elimination/retention decision is only a

matter of profitability, depreciation, current expenditure and revenues, while the future potential of a product and the marketing impact of its elimination are overlooked. To the economist, the elimination/retention problem is largely a matter of marginal costs and future potential. The strength of this approach is that it does not only take into account the past performance of products but also places attention to their future potential. However, the preoccupation with future potential makes the elimination difficult, thus the drawback of this approach is its procrastination and reluctance, which could result in product proliferation. The sales manager takes a very intuitive approach to product elimination/retention and emphasises volume at the expense of overall and long-term profitability. The underlying philosophy here is that everything that produces volume should be retained. Finally, to the public policy maker (applicable in regulated industries) the elimination/retention choice is a matter of complying with the overriding objective of governments to keep the customers satisfied. Berenson criticised the use of any of the four approaches in isolation and suggested a combined participation scheme.

Figure 3.7: Different Perspectives and Need for Multiple Participants in Product Elimination Decision-Making Process



Source: Based on Berenson's (1963) views.

Adopting the views of Berenson, Kotler (1965) argued that the importance of product elimination decisions did not justify the personalisation of decision-making authority because different individuals or functional areas are likely to support different opinions, which must all be heard prior to making an elimination decision. Kotler suggested the establishment of a *representative corporate team* of high-level executives from marketing, manufacturing, purchasing, accounting, finance, personnel and R&D departments of the company. Similarly Kratchman *et al* (1975) stressed the importance of a co-operation between the areas of accounting, finance and marketing. They argued that although the marketing department had thorough knowledge of the performance of an elimination candidate in the market, accounting and finance could provide accurately and timely the quantitative data necessary for an in-depth elimination/retention analysis. McSurely and Wilemon (1973) referred to the contracting out option and suggested the establishment of a decision-making team, consisting of high-level external advisors on the one hand and working members of the company from the appropriate functional areas on the other hand. Although no suggestion was given with regards to the most appropriate composition of the team, McSurely and Wilemon argued that product managers should be left out because of their tendency to advocate product retention.

The early empirical findings gave a somewhat conflicting picture of who was involved in product elimination decisions. Rothe (1970) found that marketing and corporate management executives were the two areas that dominated the decision process, while functional areas like engineering, production, finance and accounting were involved less frequently. Rothe named the lack of finance and accounting executives 'not expected' (p. 48) and commented that it created disequilibrium to the amalgam of information needed to make an elimination decision. Unlike Rothe, Hise and McGinnis (1973) found that marketing staff had very limited involvement in

product elimination decision-making. Of the 96 firms that were studied, only 11 reported that the marketing department participated in elimination decisions. Unlike the suggestions of McSurely and Wilemon (1973), Hise and McGinnis found that the most frequently cited participants were product managers, while other less frequent participants were corporate planning executives, accounting/finance staff and non-marketing line executives.

It is worth mentioning that one problem of the theoretical contributions and of the early empirical research as regards the issue of participation, was that they did not provide any suggestions and empirical evidence about the degree of influence of different participants during product elimination decision-making. Also, they referred to the aspect of participation into the elimination decision-making process as a whole and thus did not take into account the possible need for different participants and varying degrees of influence during each one of the steps of the elimination process. Subsequent empirical research provided some evidence concerning the above problems. Avlonitis (1985a) approached participation by making a distinction between the *advisors* and the *decision-makers*. The advisory role was conceptualised as ...one of detecting, analysing, and evaluating weak products and advising the decision-maker in making the elimination decision (p. 17), while the decision-making role as ...one of making the elimination decision and with it goes the authority to make the final decision (p. 17). Based on the two conceptualisations, Avlonitis found five basic advising/decision-making schemes, which are illustrated in Table 3.11. The most popular scheme among the studied engineering companies was one where full elimination decision-making authority was being held by the Managing Director/General Manager, who however were relying on a Management Group (including top executives from marketing, finance and production) for expert advice and information. Another relatively popular scheme was one where elimination decision-

making authority was not lying with an individual executive, but with a plenary session of the Board of Directors, who again were being advised by a Consensus Group, which included the heads of various functional areas. Other less popular schemes were 'Managing Director/General Manager-Parent Group Board', 'Ad Hoc Planning Committees' and 'Product Planning Committees'.

Table 3.11: Product Elimination Advisors and Decision-Makers

Advisor	Decision-Maker
1. Management group	Managing director/General manager
2. Consensus group	Board of directors
3. Managing director/General manager AND Parent group board	
4. Ad hoc elimination committee	
5. Product planning committees	

Source: Adapted from Avlonitis 1985a

As far as the relative influence of the advisory role in the five identified schemes is concerned, Avlonitis found that the functional areas of marketing, finance, engineering, production and purchasing assumed advisory roles. However, unlike the theoretical calls for a weighed blending of opinions, Avlonitis concluded that that marketing and finance executives were the most influential participants, while the rest of the advisors assumed only minor roles. Vyas' (1993) case study findings run parallel with Avlonitis, and showed high marketing involvement and influence in the elimination decision-making process. As far as the decision-making role is concerned, the Managing Director/General Manager had elimination decision-making authority in small companies, the Board of Directors assumed that role in medium-sized manufacturers, while a formal Elimination Committee was making elimination decisions in large firms (Avlonitis 1985a). Finally, unlike the contracting-out suggestions of McSurely and Wilemon (1973), Greenley and Bayus (1994) found that

external consultants were not so much employed by the studied US and UK companies during product elimination decisions.

4.4 Formality and Product Elimination Decision-Making

The appropriate degree of formality as well as the latter's impact on the content, quality and managerial effectiveness of the product elimination decision-making process, have been among the most controversial questions in the literature on product elimination.

With reference to the definition of product elimination formality, although not explicitly, the theoretical contributions conceptualised it as structuring of activities, assignment of specific responsibilities to specific functional areas and blueprinting of the procedures followed in each step of the elimination decision-making process. Thus, as it was discussed in the preceding sections, manufacturers were viewed as undertaking systematic product line audits and weak product evaluations, based on blueprinted procedures and methodologies, which sometimes were in the form of rigid computerised elimination/retention indices (e.g., Berenson 1963; Kotler 1965; Clayton 1966; Worthing 1971; 1975; Hamelman and Mazze 1972; Fluitman 1973; Wind and Claycamp 1976; Gupta 1986). However, with regard to the role of formality, the conceptual views are split. On the one hand most of the authors viewed formality as a prerequisite for better product elimination decisions (e.g., Berenson 1963; Alexander 1964; Kotler 1965; Clayton 1966). On the other hand, other authors warned that formality was not a panacea and pointed to the need for different degrees of formality, according to the character of the individual company and to the characteristics of the external environment (Burns and Stalker 1961; Browne and Kemp 1976). Even among the proponents of varying degrees of formality, however, there was some dissent.

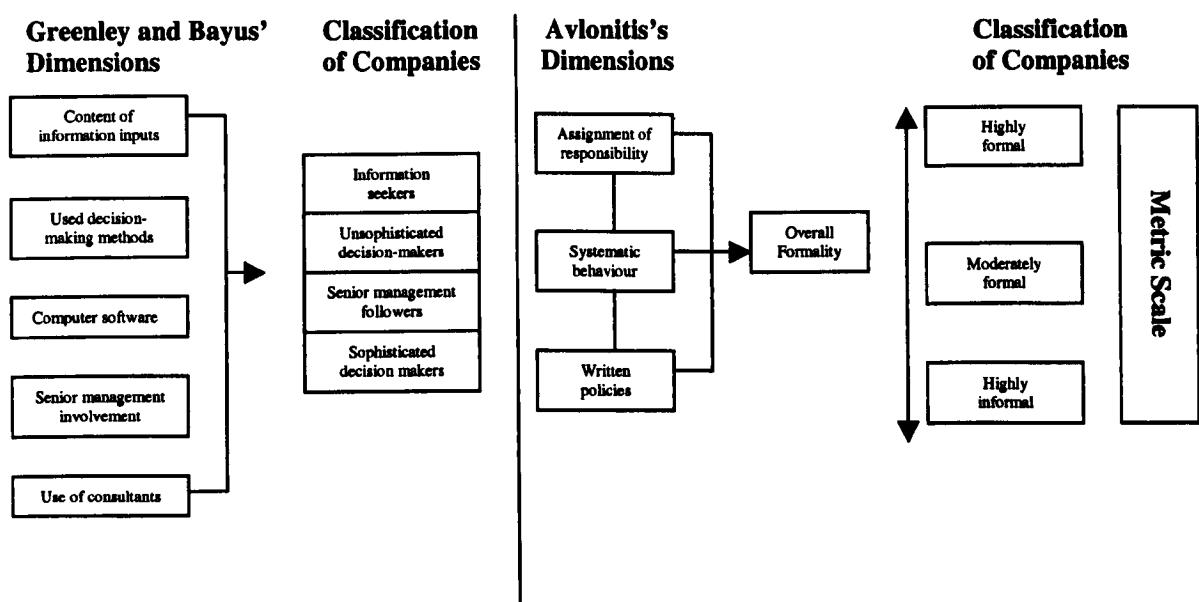
Although Burns and Stalker (1961) argued that more formal and mechanistic procedures are appropriate for companies operating in stable environments, Browne and Kemp (1976) suggested that greater formalisation of the product elimination decision-making process is more appropriate for companies facing volatile market conditions.

However inconclusive, the early non-empirical contributions provided motivation for empirical research and the early findings indicated that product elimination decision-making in the studied US manufacturers was largely informal (Rothe 1970; Hise and McGinnis 1975). As regards the role of different degrees of formality, Rothe's findings showed that they did not influence the choice and relative importance of the decision-variables that management considered in the various steps of the product elimination decision-making process. This made Rothe conclude that formal programs are not necessarily better programs and that formality should be 'tempered by need' (p. 51). But Rothe did not specify which circumstances appropriated for different degrees of formality. It is also worth mentioning that neither Rothe (1970) nor Hise and McGinnis (1975) used any specific dimensions to measure the degree of formality, but relied on subjective measurement by asking respondents to mention the perceived degree of product elimination formality in their companies. The non-use of specific dimensions might have created idiosyncratic interpretations among respondents of what was meant by formality during product elimination decision-making.

Subsequent empirical research was more specific in the attempts to conceptualise and measure formality, but again the conceptualisations were different and characterised by varying degrees of objectivity and metric qualities (Figure 3.8). On the one hand, Avlonitis conceptualised formality by combining dimensions from the early theoretical contributions of product elimination and from the dimension of *structuring of activities*, which is suggested in the organisational literature (Pugh *et al*

1968; 1969). This dimension refers to the degree to which the behaviour of employees during a decision-making process is guided by role specialisation in task allocation, by standardisation of organisational routines and by written policies (*ibid.*). Thus, formality during product elimination decision-making was conceptualised by three summated dimensions namely *assignment of responsibilities*, *systematic behaviour* and *existence of documentation* (Avlonitis and James 1982; Avlonitis 1985d). On the other hand Greenley and Bayus (1994) conceptualised formality by five independent dimensions namely, *information inputs*, *used decision-making methods*, *use of computer software*, *senior management involvement* and *use of consultants*. The approach of Greenley and Bayus was a more subjective way to measure formality because it lacked the metric qualities of Avlonitis' conceptualisation.

Figure 3.8: Empirical Conceptualisations of Formality during Product Elimination



Source: Based on the conceptualisations of Avlonitis (1985d) and Greenley and Bayus (1994)

Despite the aforementioned methodological differences, the new empirical evidence showed a largely informal and unsophisticated product elimination decision-making process within the studied UK and US manufacturers. The attempts to explain the notable informality revolved around the inherent conservatism of management, the lack of the appropriate information to be used as input into for the development of formal elimination procedures and the belief that product elimination is not an important part of a company's product planning and management process so as to deserve formalised procedures (Avlonitis and James 1982; Avlonitis 1983-1984; Greenley and Bayus 1994).

Although the new empirical evidence corroborated the early empirical findings with regards to the degree of formality (i.e. Rothe 1970; Hise and McGinnis 1975), more contradiction and corroboration was generated around the role of formality to the content, quality and managerial effectiveness of product elimination decisions. First, on the basis of the duration of the product elimination decision-making process (the shorter the more effective) and on the number of eliminated products in a certain period (the more the better) Avlonitis (1985d) provided support to the axiom that greater formality results in more effective elimination decisions (Alexander 1964; Kotler 1965). Second, the conclusion of Rothe (1970) that the degree of formality did not have impact on the content of the elimination process was strongly contradicted. Avlonitis' (1985d) findings showed that greater formality raised the importance of various elimination decision-variables. Third, Avlonitis (1985) concluded that it would be misleading to view highly formalised elimination processes as a panacea and supported Rothe's conclusion that the appropriate degree of formality should be tempered by need. In particular Avlonitis's evidence showed a positive correlation between the degree of formality and the size, the product diversity and the volume/production capacity of

individual manufacturing companies. Finally, the degree of formalisation of the elimination decision-making process was not found to be influenced by the intensity of market competition and by the degree of technological volatility (Avlonitis 1985d). This contradicted Burns and Stalker (1961) and Browne and Kemp (1976) who talked about the need for an adaptable degree of formality depending on the conditions of the external environment of manufacturers.

4.5 Conceptual Literature VS Empirical Evidence on Product Elimination: A Summary

The preceding sections discussed and analysed the literature on product elimination. At the beginning of this chapter it was noted that the existing material was classified under three broad phases, which, in chronological order, were a) *the first theoretical (conceptual) contributions*, b) *the early empirical research* and c) *the more in-depth empirical research*. The objective of this classification was to highlight the evolution of the literature on product elimination and to compare the most important contributions and drawbacks of the three phases. The aim of this sub-section is to summarise the main points of this comparison.

The first theoretical contributions conceptualised product elimination in an ideal way. Even though its scope was myopically confined to products not meeting the corporate objectives for sales volume and profitability, product elimination was described as a complex multi-step decision-making process. Central to this process were the notions of sophistication, system, structure, formality, assignment of responsibilities, and top management support for product elimination-related thinking. Manufacturers of consumer and industrial products were presented as making

elimination/retention decisions only after having undergone an information-rich decision-making process. In detail, in the early stages of the process they were viewed as considering a set of quantitative audit criteria, indicators and indices. Even in the late 1960's, when the computerisation of companies' operations was not so widespread, some theoretical papers were referring to computer-aided product elimination programs. In the later stages, that had to do with the evaluation and implementation of elimination decisions, manufacturers were viewed as complementing the quantitative information with elaborate qualitative judgement, which would enable them to withdraw products in the most efficient, effective and ethical way.

In line with the conceptual contributions, the first empirical evidence showed that product elimination decisions were indeed the outcome of a multi-step decision-making process and that they were mainly a strategy for mature or declining products. Another corroborative finding was that during the different steps of the process, management was indeed considering a set of decision-variables, which had a strong profitability and sales volume orientation. In contrast to the conceptual literature, however, the early empirical evidence indicated that product elimination decision-making was neither as formal nor as important a process. Also, by concentrating upon sales and profits considerations, manufacturers were largely overlooking the ethical aspect of elimination decisions, i.e., the impact upon the customer base.

In line with the conceptual contributions and the early empirical evidence, the later and more in-depth empirical research showed that product elimination decision-making was a multi-step process and that in each step management considered a set of decision-variables that led gradually to an elimination/retention decision and to its implementation. Contradicting the conceptual assumptions but corroborating the early findings, the later empirical evidence indicated that product elimination decision-

making was unimportant, unstructured, informal, unsophisticated and lacking top management support. Moreover, within the studied manufacturing settings product elimination decision-making was characterised by information problems, managerial procrastination, emotional attachment of management with products and lack of interdepartmental co-operation. The systematic and computerised procedures that were described by the conceptual literature were found to be the exception and not the rule. However, the major breakthrough of the later and more in-depth empirical evidence, which contradicted both the conceptual assumptions and the early empirical findings, was that product elimination decision-making was a dynamic rather than a static process. As such, the content and the intensity of each stage of the product elimination decision-making process were influenced by the following five groups of factors:

a) the importance and urgency of the problem situation that triggered companies to examine elimination as an option, b) the stage of a product's life cycle, c) the degree of formality that the company adopted, d) the internal characteristics of individual companies (i.e., size, product diversity, operations technology) and e) the characteristics of companies' external techno-economic environment (i.e., market competition, technological change). As such, product elimination could not be described in a *golden rule* way that would fit all companies and market conditions. Instead it became evident that there was need for a micro rather than a macro approach to this important managerial decision.

The literature on product elimination provides a comprehensive conceptual framework and identifies many factors that influence product elimination decisions. This notwithstanding, this literature area has omissions.

First, the conceptual contributions and the empirical research focus almost exclusively on the steps of the product elimination decision-making process. One

consequence of that is the large neglect of what precedes the engagement of companies into the elimination decision-making process. What we only know about the pre-elimination phase is that there are problem situations that can force companies to engagement in the elimination decision-making process. However, the literature does not shed light on what are the overriding product elimination objectives that companies pursue. It might be that different service elimination objectives may cause a different reaction of companies to the same problem situation. Another consequence of the focus of the literature on the steps of the decision-making process is that any discussion about product elimination decisions ceases once their implementation has been put forward. Thus, the post-elimination stage has been almost completely neglected. For example, there is very limited and (as will be explained later in this chapter) not very valid information about the dimensions that companies use in order to assess retrospectively the appropriateness of elimination decisions. Also, there is no evidence on the extent to which and the reasons why initially eliminated products are re-marketed. It is believed that the empirical investigation of the pre- and the post-elimination phases would improve the conceptualisation of product elimination decisions.

Another omission of the literature is that product elimination has been researched only from the perspective of manufacturers of consumer and industrial goods, while customers and consumers themselves have been left out of the research designs. Studying the perspective of companies has been of course as essential step for the identification of the content of the elimination decision-making process. But for some aspects of product elimination (e.g., customer care, ethics and post-elimination era) it would be very useful (and more objective probably) to study customers as well. However, it must be acknowledged that such a research design may require the consent of companies to provide lists and names of their customers. This might raise

confidentiality issues, which in turn could inhibit the implementation of the necessary research methodologies.

Finally, despite the fact that the conceptualisation of the internal and the external environment of companies explained an important part of the contextual influence on product elimination decisions, the unaccounted variance in some of the quantitative models (e.g., Avlonitis 1985d) calls for an identification and operationalisation of more contextual variables.

5. The Present Status of the Literature on Service Elimination

Service elimination is a topic area that is tackled extremely inadequately by the existing literature on services marketing in general and of financial services marketing in particular. The process of service elimination is (or should ideally be) a specific but important part of service range management within service firms. This specific nature could well have been one of the reasons why service elimination was beyond the research interests of services-oriented academics during the early phases of the development of the literature on services marketing. As was discussed in the previous chapter, most of the efforts during the ‘crawling out’ and ‘scurrying about’ era were devoted to winning the debate that, despite similarities, the marketing management of services should be different from the marketing of products. Therefore one could not expect the early theoretical and empirical contributions to focus on specific aspects of services marketing, when the discipline itself had not yet established its own stance. In the ‘walking erect’ phase, when the aforementioned debate was won, service elimination remained a neglected research area. Today, in the era that can be called *the post-walking erect stage*, reference to service elimination is scant, while at the same

time substantial literature exists on how new services are developed (e.g., Edgett 1993; Edgett and Parkinson 1994; Johne and Pavlidis 1996; Avlonitis and Papastathopoulou 2000).

5.1 The Theoretical Literature

From a non-empirical angle, the typical textbook approach to the process of service elimination illustrates the extent to which the latter has been neglected. On the one hand some textbooks make no reference to service elimination, while they contain separate chapters on NSD (e.g., Lovelock 1996; Lovelock *et al* 1996; Zeithaml and Bitner 1996; Bateson and Hoffman 1999). On the other hand, when reference is made it is very limited and can be traced in sub-sections, which discuss the conventional PLC model. In other words, service elimination is regarded just as a mechanistic alternative to service firms when their offerings reach the maturity and decline stages of their life cycles (e.g., Marsh 1988; Stevenson 1989a; Meidan 1996; Kurtz and Clow 1998; Palmer 1998; Kasper *et al* 1999). This conceptualisation is myopic because elimination is not only and not necessarily related to the late stages of the conventional PLC model. Moreover, the services' textbook approach can be misleading because it generalises the manufacturing oriented elimination literature to service settings, without prior empirical testing.

5.2 The Existing Empirical Studies

During the search of the literature, only a handful of empirical studies on service elimination were identified (Harness and MacKay 1994; 1997; Harness *et al* 1998,

Harness *et al* 1999; Harness and Marr 2000). As can be seen in Table 3.12, all the empirical studies focused on the British financial services sector and used qualitative data collection methods only (in-depth interviews with 23 British financial institutions).

Table 3.12: Empirical Research on Service Elimination-Research Methodologies

Author	Year	Service Sector	Country	Data Coll. Method	Sample Size
Harness and Mackay	1994	Financial Services	UK	Qualitative research (in depth interviews)	23 financial institutions
Harness and Mackay	1997	Financial Services	UK	Qualitative research (in depth interviews)	23 financial institutions
Harness, Marr and Goy	1998	Financial Services	UK	Qualitative research (in depth interviews)	23 financial institutions
Harness, Marr and Harness	1999	Financial Services	UK	Qualitative research (in depth interviews)	23 financial institutions
Harness and Marr	2000	Financial Services	UK	Qualitative research (in depth interviews)	23 financial institutions

In terms of focus, the empirical research on financial service elimination investigated a) the reasons that can cause the elimination of financial services (Harness *et al* 1998; Harness and Marr 2000) and b) the alternative strategies that can be used by financial institutions to implement elimination decisions (Harness and Mackay 1997; Harness *et al* 1999). The research questions of the above studies are summarised in Table 3.13 and the empirical findings are discussed in the sub-sections that follow.

Table 3.13: Empirical Research on Service Elimination-Research Questions

Author	Research Questions
Harness and Mackay 1994	<ul style="list-style-type: none"> • What are the implementation strategies that financial institutions can use in order to implement an elimination decision?
Harness and Mackay 1997	<ul style="list-style-type: none"> • What are the implementation strategies that financial institutions can use in order to implement an elimination decision?
Harness, Marr and Goy 1998	<ul style="list-style-type: none"> • What are the reasons that can cause the elimination of financial services?
Harness, Marr and Harness 1999	<ul style="list-style-type: none"> • What are the implementation strategies that financial institutions can use in order to implement an elimination decision?
Harness and Marr 2000	<ul style="list-style-type: none"> • What are the reasons that can cause the elimination of financial services?

5.2.1 The Causes of Financial Services Elimination

One of the weaknesses of the early theoretical contributions on product elimination was that candidates for elimination were only the under-performing products in terms of sales and profits, which were identified only after a regular and systematic audit of the product range. Subsequent empirical evidence challenged this assumption and showed that elimination could also be triggered by factors, which were beyond the immediate control of management and which were not related to poor sales and profit performance. In the same line the empirical evidence on financial service elimination identified a wide array of factors which create the need for elimination, of which many are beyond the control of financial institutions (Table 3.14). The identified causes were classified under five broad categories namely, *externally led deletion*, *strategically led deletion*, *operationally led deletion*, *salesforce led deletion* and *customer led deletion* (Harness *et al* 1998; Harness and Marr 2000).

Table 3.14: The Causes of Financial Services Elimination

Externally led deletion (triggers outside the control of the financial institutions)	Strategically led deletion (triggers linked with the long-term survival of the organisations)	Operationally led deletion (triggers associated with the day to day management of products)	Salesforce led deletion (triggers associated with the effectiveness of the sales function)	Customer led deletion (triggers associated with retaining and building relationships with customers)
Changes in interest rates	Customer retention	Product management-System constraints	Too many products	Response to demographic changes
Compliance with legislation	Re-segmentation	Cost reduction	Product complexity	Retention policies
Economic factors	New business activities	New product development	Best advice	
Social changes	Distribution issues	Changes in risk profiles	Salesforce remuneration	
	Strategic objectives	Quality of management information		

Source: Harness et al 1998; Harness and Marr 2000

5.2.1.1 Externally Led Triggers

The most important externally led trigger was a change in the interest rates. Due to the fact that the level of interest rates is the key ingredient for the pricing of financial services (Llewellyn and Drake 1995), a change in the former could have an impact on the profitability of financial services, thus making them candidates for elimination. Another important trigger for elimination was the legislative environment of financial institutions. By dictating which financial services can be sold and which cannot, it largely determines the content of financial institutions service ranges.

Economic factors could trigger elimination by determining the degree of operational stability in the British financial services sector, by controlling the intensity of competition and by moderating the degree of attractiveness of different financial services. Finally, elimination could be triggered by social changes, e.g., changes in the characteristics and the needs of the customers.

5.2.1.2 Strategically Led Triggers

The strategically led elimination triggers that were identified by the empirical research (Harness *et al* 1998; Harness and Marr 2000) indicated a realisation from some British financial institutions that there was a need to change the strategies that they adopted immediately after deregulation, i.e., product proliferation, pursuit of market share, market over-segmentation and use of multiple distribution channels. Thus, the empirical evidence detected a shift of many financial institutions from the pursuit of market share to customer retention and from an over-segmentation of the market to a more rational segmentation and to a more controllable distribution network, which essentially resulted in many niche financial services becoming candidates for elimination.

5.2.1.3 Operationally Led Triggers

While strategically led elimination is characterised by a more long-term orientation, operationally led elimination contains triggers, which are associated with the more day to day problems of financial service range management. As Harness and Marr (2000) noted, triggers under this category related to a) the ability of a company to manage financial services, b) the cost of managing them and c) the ability to provide them to customers. As with the strategically led triggers, it seems that Harness *et al* (1998) and Harness and Marr (2000) associated the operational triggers with a change in the post-deregulation service range management behaviour of British financial institutions. This time the change is described as one of a more tactical nature, namely a shift from financial service proliferation to financial service range pruning.

Thus, financial services become candidates for elimination if companies realise that their service range is too large and over-complex to manage effectively. Under this

scenario the most likely candidates are the duplicate financial services and the ones that create unnecessary burden to the finite capacity of the existing support systems. Equally, since the unquestionable post-deregulation service proliferation has increased the cost of managing the service range, management is keen to have a less cost-generating service range. Essentially, this scenario will examine more closely the financial services with poor sales and profits performance as well as those for which management cannot make an accurate risk forecasting, due to lack of the necessary management information (especially insurance services). Finally, the existing empirical evidence detected cases where the elimination of financial services was a result of companies' intention to launch new ones. Although this trigger has its rationale, it is rather surprising that for the sake of NSD financial institutions were willing to sacrifice existing financial services, which were more appealing to customers.

5.2.1.4 Sales Led Elimination Triggers

The fourth category of triggers is associated with the effectiveness and the ethics of the selling function of financial institutions. As far as the effectiveness is concerned, three triggers were identified.

First, the salesforce could be confused when they are assigned large service lines, which contain duplicate and poorly focused financial services. This kind of service diversity may trigger elimination.

The second barrier that may hinder selling effectiveness is the complexity of individual financial services. This trigger refers to the inability of sales people to fully understand the complex nature of some financial services and to convey it to customers. Admittedly the addition of more features to many financial services, such as terms and conditions in insurance services and mortgages, can sometimes make them difficult to

understand even by the sales people, *let alone* by customers. However, it could be argued that sometimes a remedy to this complexity is better salesforce training and not elimination.

The third barrier to effective selling performance, according to Harness and Marr (2000), had to do with the remuneration of salesforce. The latter were sometimes found less likely to sell financial services that were giving them poor commission compared to the time involved in selling them, in favour of other more commission-generating financial services. Harness and Marr identified this as a trigger to elimination, because salesforce were likely to leave the company, taking their relationships with them. However, Harness and Mackay did not specify the conditions under which this trigger could be appropriate. For example, if the financial service was profitable, it would seem wiser for the management of a financial institution to increase the commission rate of their salespeople in order to keep them satisfied, thus avoiding staff leaks or service elimination.

Finally, as far as the ethics of the selling function are concerned, Harness and Marr (2000) identified cases where otherwise profitable and commission generating services were eliminated because they were incompatible with the ‘best advice’ principle. Obviously this trigger to elimination was a safety belt that protected customers from financial institutions’ engagement in mis-selling activities just for the sake of profitability.

5.2.1.5 Customer Led Triggers

Although some of the external, strategic, operational and sales triggers centre on the needs and convenience of customers, Harness *et al* (1998) and Harness and Marr

(2000) identified two triggers that related exclusively to the customer base, namely a response to demographic changes and a customer retention policy.

As the above authors noted, due to the downfall in the birth rates, less and less new customers enter the British financial services sector. As a result financial institutions have to focus on fewer and older customers. Due to these demographic changes some financial services may no longer fulfil the needs of the ageing customer base, thus becoming candidates for elimination.

Finally, as a result of the decreasing number of new customers, British financial institutions realised the value of customer retention in a very competitive marketplace. The shift from new customer acquisition to a customer retention policy drove financial institutions to simplify their complex service ranges in order to make them easier to understand by customers. This simplification process resulted in the identification of many candidates for elimination.

5.2.2 Strategies for the Implementation of Elimination Decisions

As discussed earlier in this chapter, through the use of an elimination strategy the implementation stage of the product elimination decision-making process will actually determine the abruptness of a product's withdrawal. Of course the choice of a particular implementation strategy can be also subject to the importance and urgency of the problem situation that triggered engagement into the elimination process. But again it is at the implementation stage that the company realises the actual time-scale of an imminent withdrawal and that the customers learn about it. The conspicuous role of the implementation stage may be one of the reasons why it is the only stage of the elimination decision-making process for which there is empirical evidence from service settings.

Prior to the empirical research, Harness and Mackay (1993) defined the research agenda for the investigation of the implementation stage. Their basic argument was that it would be over-simplistic to believe that the harvest-divest elimination strategies for products were appropriate for financial services. Essentially, they argued, the aim of the product elimination implementation strategies was to completely remove the product from the marketplace sooner or later, i.e., a full elimination¹. The latter, it was argued, may not be desirable and possible for all financial services due to their special characteristics (i.e., intangibility, inseparability) and due to the contractual and legal obligations of financial institutions towards customers. On this argument Harness and Mackay (1993) suggested a ‘continuum of product existence’ (p. 463) and introduced the term ‘partial elimination’, whereby a financial service could experience some form of elimination but could still have its existence and entity in the service range of financial institutions. The concerns raised in the research agenda were tested empirically in the British financial services sector. The evidence identified six elimination implementation strategies for financial services, which are illustrated in Table 3.15 in order of frequency of use by the studied British financial institutions. Also the evidence indicated that partial elimination was more popular than full elimination for a variety of reasons. First, sometimes it was cheaper to implement than a full elimination. Second, since the systems support and a part of the customers were still existing after partial elimination, financial institutions had the choice to bring the partially eliminated service into a fully operational condition in the future. Third, partial elimination was viewed as a good way to reduce the problems that a full elimination could cause, such as customer alienation and poor publicity. Fourth, partial elimination was often found to be the only option in view of the legal obligations of financial

¹ There is however one exception to the dichotomy of the product elimination implementation strategies, which is not mentioned by Harness and Mackay (1993). This is the ‘drop a product from the standard

institutions towards customers (Harness and Mackay 1997; Harness *et al* 1999). Each one of the identified implementation strategies is discussed separately in the following subsections.

Table 3.15: Elimination Implementation Strategies for Financial Services

1. Make a service a closed issue
<ul style="list-style-type: none"> • Service is withdrawn from new customers, existing customers are unaffected • Service is withdrawn from new customers, existing customers cannot add further funds or purchase additional units • Keep the service open for specific customer segments, but closed for other customer segments
2. Withdraw features
3. Multi-service amalgamation
4. Drop a service, keeping its name, change the nature and function of the service
5. Elimination of customer
6. Core service elimination

*Source: Harness and Mackay 1994; 1997; Harness *et al* 1999.*

5.2.2.1 Make a Service a Closed Issue

Making a financial service a closed issue was the most widely used elimination implementation strategy that the research identified; 34% of the 23 studied financial institutions reported using this strategy (Harness and MacKay 1994; 1997; Harness *et al* 1999). This partial elimination strategy (or, as it was called later, a suspended elimination, Harness *et al* (1999)) involved transferring a financial service from a state of full operation to a situation where no new sales could be generated, while the involved service remained available to some customers. Among the studied British financial institutions this elimination strategy was operationalised in three ways.

The first way of operationalisation was to *eliminate a financial service from new customers, leaving the existing ones unaffected*. This operationalisation involved stopping all sales and marketing support and informing the salesforce that no more sales could be made to new customers. However, the service was still supported by the

range and re-introduce it as a special', which does not imply a completely full elimination.

systems of financial institutions, in order for the existing customers not to experience any disruption. As regards the existing customers, two policies were identified. First, when the cost to migrate them to another financial service was high, they were allowed to use the eliminated financial service with the same terms and conditions as before the elimination. Second, when the cost of migration was not too high, they were allowed to use the eliminated financial service but they were given the choice to migrate to other services with better terms and conditions (e.g., migration from an old savings account to a new one with a higher interest rate as an incentive).

The second way of operationalisation involved *withdrawing a financial service from new customers, while existing ones were not allowed to purchase any additional units* (e.g., existing holders of an insurance policy were not allowed to renew it after termination). Again all marketing and sales support were stopped and the salesforce were not allowed to accept any new business from both existing and new potential customers. Of course some systems support continued to exist for the existing customers. However, this operationalisation was setting a date of expiry to the involved financial service, because by the passage of time it would no more be available to its existing users for reasons of mortality and natural wastage (Harness and Mackay 1997). It is worth observing at this point that although this operationalisation starts by a partial elimination, it ends up by fully eliminating the involved financial service.

The third way of operationalisation was *to keep a service open for specific customer segments, but closed for other customers segments*. This operationalisation was used when financial institutions wanted to offer a financial service only to upmarket and wealthy segments in the market, in order to maintain existing profit generating customer relationships and to expand them, while eliminating low profitability relationships.

Although it was reported that making a service a closed issue was the most widely used implementation strategy, Harness and Mackay (1997) and Harness *et al* (1999) did not specify the frequency of use of each one of the three operationalisations. Also, because it is believed that different operationalisations could have different implications for financial institutions, it would be better if the three operationalisations were used as three separate elimination implementation strategies. For example, although a decision not to allow new customers to purchase any additional units of an eliminated service may be cheaper in terms of long-term administrative support and management time, it may be more 'expensive' in terms of customer alienation and adverse publicity. Equally, although a decision to leave an eliminated service unconditionally open to its existing users may be a preferable alternative in terms of good relationship marketing, it could hinder the long-term efforts of financial institutions to have a low cost service range.

5.2.2.2 Withdraw Features

The second most important elimination implementation strategy of Harness and MacKay's (1994;1997) and Harness' *et al* (1999) study was the withdrawal of features and options of a financial service (21% of the 23 sampled British financial institutions). Financial institutions using this strategy were aiming at simplifying core service offerings, at reducing risks associated with some supplementary features or at reducing the maintenance cost of a financial service (e.g., literature, administration costs).

The first step of this strategy involved the identification of the core financial service, which was to be left intact. The next step was the identification of all supplementary features and the third step involved the elimination of the ones that were not essential considering the aforementioned aims of financial institutions. Although

withdrawing features was an appropriate strategy for certain financial services (e.g., current accounts) it could not always be used for financial services governed by contractual and legal obligations (e.g., pensions).

Harness and Mackay (1994;1997) noted that the number of features to be withdrawn from a core financial service varied. Financial institutions may decide either to withdraw very few supplementary features or to proceed to a more radical simplification of the core service offering, which might be the first step towards its full elimination.

5.2.2.3 Multi-Product Amalgamation

The empirical evidence indicated that multi-product amalgamation was the third most frequently used implementation strategy (19% of the sampled financial institutions). Financial institutions reported that they were using this strategy in order to merge individual financial services into one new financial service. The appropriateness of this strategy depended on the extent to which a service range contained similar or duplicate financial services, whose merging was not a breach of any contractual obligations. There were two reasons for using this implementation strategy. First, service merging could reduce the cost of running the service range because it meant less literature and brochure material, less administrative costs and concentration of the time of the salesforce. Second, service merging could be chosen with a more customer-oriented objective. Sometimes individual financial services were only partly satisfying the needs of customers. Based on the notion that unity is strength, merging those financial services into one could ultimately increase customer satisfaction (Harness and Mackay 1997).

From the above discussion it is evident that multi-product amalgamation results only in partial elimination. Although some financial services will cease to exist as individual offerings, some of their properties will still have an entity in the new amalgamated financial service. At this point it is interesting to note that, in principle, multi-product amalgamation has a resemblance to the *sharing* phasing-out strategy for manufacturing settings (Saunders and Jobber 1994), whereby the new product changes radically but retains major parts of the old product (see Figure 3.6).

5.2.2.4 Drop Service, Keeping its Name but Changing its Nature and Function

This implementation strategy involved the elimination of a financial service and the launch of a new one, which although it was of a totally different function, kept using the name of its eliminated predecessor. This strategy, which was reported by 11% of the studied financial institutions that Harness and Mackay (1997) studied, was used when there was a need to protect strong brand names of eliminated-to-be financial services. On the one hand this implementation strategy implies a full elimination because, as Harness and Mackay (1997) noted, all the existing customers were migrated to the new financial service with no choice not to migrate and the salesforce were instructed to attract new customers only by selling the new financial service. On the other hand, since an important intangible feature of the eliminated service, i.e., its name, was still present in the new offering, this strategy can also be seen as leading to a partial elimination.

5.2.2.5 Elimination of Customer

Another implementation strategy involved the elimination of customers (used by 9% of the studied financial institutions). The objective of financial institutions in using this strategy was to stop a group of customers (mainly the most unprofitable ones) from

using a financial service. This was done either by transferring them to other financial institutions or by increasing the price of the financial service to an unappealing level, which by itself would distance the undesirable customers.

A closer look at the nature of this implementation strategy reveals a resemblance to the strategy of eliminating a financial service from some customer segments (mainly from the un-wealthy as Harness and Mackay (1997) indicated), while keeping it open for other customer segments. Moreover the elimination of customers is clearly a different issue from the elimination of financial services and has different implications. The elimination of financial services, be it full or partial, is an action that provides for customer accommodation. This is done either by leaving customers totally unaffected or by offering them migration alternatives. By contrast, customer elimination, especially when no migration alternative is offered, implies discrimination, which is not in compliance with the overriding principles of the British financial services sector for best advice and fiduciary responsibility (The Sunday Times 2001). For the above reasons one can question that the elimination of customers is a strategy to implement decisions to eliminate financial services.

5.2.2.6 Elimination of the Core Service

Core service elimination involved the full and total withdrawal of a financial service from the range. As Harness and Mackay (1997) described it, it is a process of moving a financial service from a state of existence to a state where it no longer has any form or entity in the service range. This implementation strategy resembles the drop strategies for manufacturing settings. However, although dropping products proved to be a common practice (Rothe 1970; Avlonitis 1983b), dropping financial services was the least used implementation strategy (use by 6% of the studied institutions).

5.2.2.7 Customer Eliminates Service

At the conceptual stage of their study, Harness and Mackay (1993) suggested that elimination of a financial service could occur when customers failed to use it according to its terms and conditions. Subsequent empirical evidence (Harness and Mackay 1997) revealed that this implementation strategy was not applicable in the studied setting. Once again one could question the legitimacy of this elimination strategy for two reasons. First, despite the vital role of customers in the delivery process of many services (inseparability of servuction and consumption), it would be extremely difficult for financial institutions to eliminate services just because isolated customers failed to comply with the specified terms and conditions. This is more liable to happen if there is a widespread failure from the part of customers to use the financial service in the prescribed way, which would be more of an indication of a failure from the part of financial institutions to design a customer-friendly service delivery process, rather than an indication of customers' inability to comply. Second, if the latter is the case, 'customer eliminates services' seems more like an operationally related audit criterion rather than a strategy to implement elimination decisions.

6. The Need for More Empirical Research on the Service Elimination Process

The literature on product elimination, although not vast, provides for a comprehensive description of the product elimination decision-making process. The main strength of the literature, especially as it moves from a non-empirical to an empirical stage, is that it captures to a large extent the dynamism of product elimination

decision-making. Not only does it present the various decision variables that manufacturing companies take into account in the four stages of the product elimination decision-making process, it also measures their relative importance and identifies how the latter varies in relation to a set of organisational and environmental contextual variables. So if we wanted to extract the central conclusion from the literature on product elimination, this would be that there is no golden rule that manufacturers can follow in order to make optimum product elimination decisions. The appropriate way to follow depends on factors such as the importance and the urgency of the problem situation that triggers elimination, on the size of a company, on product diversity, on the used operations technology, on the degree of technological change and on the intensity of market competition.

Despite its clarity, the major problem with the literature on product elimination is that it is obsolete. The various pieces of work of the 1980's provided a clear conceptual framework that future researchers could replicate and extend. Despite the calls emphasising the importance of replication to knowledge advancement (Hubbard and Armstrong 1994; Easley *et al* 2000), this is not what has happened for product elimination after the 1980's; let alone extension. The very limited empirical studies that have been published since, either resemble the very descriptive style of the early empirical research on product elimination (e.g., Vyas 1993; Greenley and Bayus 1994) or rehash the same old data of the 1980's (e.g., Avlonitis *et al* 2000). However it would be unsafe to say that the forces that influenced product elimination decision-making in the 1980's remain the same almost two decades later. For example this would take for granted that there is no change to the intensity of competition or to the degree of technological volatility of the external environment. This assumption would ignore the

central contribution of the empirical evidence itself, i.e., the dynamism of the product elimination process.

Even at the over-simplistic level of accepting that a differentiation between products and services is unhelpful (Middleton 1983), the obsolescence of the literature on product elimination would make any attempt to generalise it to service settings unwarranted. However obsolescence is not the only reason. The very limited empirical evidence from financial service settings reveals some new practices followed by financial institutions during the elimination of financial services, the most important being the notion of partial elimination (Harness and Mackay 1997; Harness *et al* 1999). The identified new practices should not be interpreted as an early indication that the elimination of financial services is uniquely different from that of products. If this was the conclusion of every piece of research in service settings there would be serious doubts about the coherence of marketing as a functional area of management (Lovelock 1981). Rather what the early empirical evidence from financial service settings indicates is that the arbitrary application of the product elimination rules and norms to service settings, which is the typical textbook approach (e.g., Marsh 1988; Stevenson 1989a; Meidan 1996; Kurtz and Clow 1998; Palmer 1998; Kasper *et al* 1999), is not always safe without prior empirical investigation.

However the empirically based knowledge on financial service elimination is still in its early infancy and lacks structure and depth. First, the handful of empirical studies adopts a fragmented approach towards the elimination decision-making process. The review of the literature indicated that the empirical studies focus persistently on the circumstances that trigger engagement into the elimination decision-making process (Harness *et al* 1998; Harness and Marr 2000), while from the four stages of the latter only the implementation stage is investigated (Harness and Mackay 1993; 1994; 1997

Harness *et al* 1999). Therefore, the knowledge gap about the content of the other stages of the service elimination decision-making process is clear (Table 3.16). No empirical evidence exists on the audit criteria that financial institutions use during a regular audit of their service range for a managed (not forced) identification of candidates for elimination. Also, once these candidates are identified, there is no empirical evidence on the remedial actions that financial institutions may consider in an attempt to avoid elimination and save a financial service. Finally, no empirical evidence exists as regards the evaluation factors that are used in order to assess the more macro impact of a financial service's elimination, such as the impact on other areas of the business or the impact upon the relationships of the company with the customers. It is believed that an attempt to investigate the technicalities of the elimination implementation strategies (as the limited empirical research on service elimination does) without a prior knowledge of how financial institutions are led to the implementation stage, creates an inconsistency in our knowledge about the content of the steps of the service elimination decision-making process.

Table 3.16: Spread of the Empirical Studies Across the Stages of the Elimination Decision-Making Process

Identification of Candidates for Elimination	Analysis of Elimination Candidates and Remedial Actions	Evaluation of the Impact and Decision-Making	Implementation of the Elimination Decision
			<ul style="list-style-type: none"> • Harness and Mackay 1994 • Harness and Mackay 1997; • Harness <i>et al</i> 1999

The second problem of the empirical studies on financial service elimination is that the evidence that they provide with regards to the relative importance of the

precipitating circumstances and of the implementation strategies is limited, non-metric and not generalisable. This is so because the studies are based on a small non-probabilistic sample of 23 British financial institutions and on qualitative research methods only.

A third and probably the most important inadequacy of the empirical work published to date, is that it shows signs of investigating service elimination as if it was a static process. As such, it does not measure the extent to which the content of the service elimination decision-making process (i.e., the relative importance of the decision variables involved in the various steps of the process) is influenced by the characteristics of the individual company, by the type of the involved financial service and by the volatile and extremely competitive environment of the British financial services sector.

By building upon the conceptual framework of the literature on product elimination and by incorporating the useful but limited empirical evidence on financial service elimination, the present study attempts the first systematic empirical investigation of the service elimination process in the British financial services sector. As was mentioned earlier in this section, it is not the expectation of this study to discover a new and completely different elimination process for financial services. Like other aspects of the marketing of products and services (e.g., NPD and NSD), product and service elimination may have common things. However, the limited empirical research on financial service elimination revealed the important difference, that, unlike products, financial services cannot always be eliminated in full. This is an indication that there might be additional differences, which due to the absence of a systematic empirical investigation of service elimination, can still be hidden. By studying service elimination the present study attempts, among other things, to comment on the

similarities and to highlight possible differences, that the special nature of services and financial services may account for. The following section presents the conceptual framework of this study.

7. The Conceptual Framework

During the review of the literature on product elimination it was discussed that the major finding of the empirical research was that the content of the elimination decision-making process varied in relation to a set of organisational and environmental characteristics of manufacturers. This essentially indicated that product elimination decisions do not take place in a vacuum, as the early theoretical contributions and a part of the early empirical research assumed. The dynamism of product elimination decisions is an indication that any attempt to study the elimination process in other manufacturing and service settings in a static way would be myopic and would not really advance our knowledge.

As far as the present study is concerned, it is believed that any attempt to focus only on the content of the service elimination process per se, would ignore the dynamism of the individual financial institutions and of the environment of the British financial services sector in general. Indeed from own experiences and from a review of the literature on financial services marketing, one can see that the British financial services sector has been experiencing tremendous changes in the last decade. Thus, mergers and acquisitions, unprecedented deregulation and disintermediation, legislative changes, technological volatility and harsh competition have become central to the day to day operations of British financial institutions. Central to the conclusions of many academic contributions is that the aforementioned environmental circumstances have blurred the traditional business boundaries between different types of financial

institutions and have had significant implications for their product, pricing, distribution and promotional strategies (e.g., Dover 1987; Scarbrough and Lannon 1989; Macey and Wells 1987; Carter *et al* 1989; Ennew *et al* 1990; Shelton 1990; Austin 1991; Easingwood and Storey 1991; Marr and Prendergast 1993; Nellis and Lockhart 1995; Meidan 1996; Trethewan and Scullion 1997; Mols 1999; Nelson 1999; Nellis *et al* 2000; The Sunday Times 2000c).

In such a turbulent organisational and environmental context it would be difficult to accept, without prior empirical investigation, the existence of universal laws (if at all really applicable) concerning service elimination decisions. This is why the present study adopts a contingency approach to the investigation of the financial service elimination process. The difference between the *universal law* views and the *contingency approach* is that the latter stresses the notions of ‘what if’ and ‘it all depends’ (Hambrick and Lei 1985, p. 765). The contingency approach, which is very dominant in research on organisational decision-making, stresses that different types of organisational structures are effective under different environmental conditions (Allison 1970; Beach and Mitchell 1978; Grandori 1985). A research design, which is based on the contingency approach aims to identify the functional relationship between relevant organisational and environmental variables on the one hand (independent variables) and management concepts and techniques on the other (dependent variables) (Luthans 1976).

Based on the contingency approach, the present study attempts to investigate financial service elimination with three broad groups of variables. The first group includes the main dependent variable, which is the content of the service elimination process. The present status of the literature on service elimination provides only very limited evidence with regards to the aforementioned content. Thus, an extensive

qualitative inquiry is necessary in order to identify the variables that financial institutions consider in the various steps of the process. The second group includes selected independent variables of the internal environment of financial institutions and the third group includes selected independent variables of their external environment. After having identified the content of the service elimination process, it will be inter-related with the independent variables of the second and third group through a quantitative research method. The variables of each one of the three groups are discussed separately in the following sections.

7.1 The Content of the Service Elimination Process

As it will be discussed in more detail in the following chapter of methodology, the content of the service elimination process (i.e., the decision variables considered in each step and their relative importance) is the main dependent variable of the present investigation. The service elimination process has been split into three broad phases, namely the pre-elimination decision-making stage, the actual service elimination decision-making process and the post-elimination stage. The variables of the content of the service elimination process are illustrated in Table 3.17 and are discussed in the following sub-sections.

Table 3.17: The Content of the Service Elimination Process (Dependent Variable)

<ul style="list-style-type: none"> ● The Pre-Elimination Stage Pursued service elimination objectives Problem situations
<ul style="list-style-type: none"> ● The Actual Service Elimination Decision-Making Process Content of the various steps Organisational participants Duration Formality
<ul style="list-style-type: none"> ● The Post-Elimination Stage Content of post elimination reviews Reasons for re-marketing previously eliminated financial services

7.1.1 The Pre-Elimination Stage

The pre-elimination stage refers to the considerations of financial institutions prior to their engagement into the actual service elimination decision-making process. One of these considerations are the *problem situations* that make financial services candidates for elimination. The empirical research on product and service elimination has shown that engagement into the elimination decision-making process is not only managed (i.e., the outcome of a regular and systematic review of the product/service range) but also forced by various problem situations, which are beyond management's control.

Another set of considerations of the pre-elimination stage, that the present study attempts to investigate, are the *objectives that companies pursue by eliminating financial services*. The existing empirical literature on product and service elimination makes no clear reference to this issue. Instead, it could be argued that problem situations and objectives are used interchangeably. In the literature on managerial decision-making it is stressed that every decision-making process should have clearly defined objectives that will guide decision-makers in following the steps of that process

(Harrison 1975; Gore *et al* 1992). Therefore it is believed that the problem situation that triggers engagement into the elimination decision-making process is not necessarily the overriding objective that companies pursue by eliminating services. This study will attempt to identify the objectives that financial institutions pursue by eliminating services and to explore whether there are differences between the service elimination objectives that financial institutions pursue and the problem situations that trigger elimination.

7.1.2 The Actual Service Elimination Decision-Making Process

The present study will attempt a detailed investigation of the content of the *four-step elimination decision-making process* aiming at identifying and measuring the relative importance of the decision-variables that financial institutions consider in each step. First, the study will attempt to identify the audit criteria that are used to monitor the performance of financial services in order to identify candidates for elimination. The focus will then move onto the procedures followed in order to analyse the deviant performance of the identified candidates for elimination and on the remedial actions available to restore their performance. Third, an investigation into the factors used to assess the macro impact of elimination decisions will take place, followed by an investigation of the strategies used to implement the elimination of financial services.

The study will also attempt to shed light on the issue of *participation* in the service elimination decision-making process. In detail, it will attempt to identify the functional areas or the individuals who are involved in the decision-making process and it will try to measure the extent of their influence.

Finally the study will investigate issues relating to the *duration* and the degree of *formality* of the service elimination decision-making process. With regards to

formality, at this stage it is operationalised as a dependent variable. This is so because the aim is to find out the extent to which the elimination decision making process is guided by assignment of specific elimination responsibilities, by systematic behaviour and by documentation (Pugh *et al* 1968; 1969; Avlonitis 1985d). The dependent nature of the variable of formality at this stage is also driven by the need to treat it as a criterion variable in an attempt to find its contextual organisational and environmental predictors. This outcome of this investigation will indicate whether or not there is a need for a contingency approach to formality during service elimination decision-making.

7.1.3 The Post-Elimination Stage

In the literature on decision-making it is mentioned that management should not withdraw attention from a decision once it has been implemented, pointing thus to the importance of a follow up stage. Harrison (1975) comments accordingly:

Once the decision is implemented, the manager cannot simply assume that its outcome will support the original objective. A system of follow up and control is essential to ensure that the results agree with those expected at the time the decision was made (p. 39).

Yet, despite the importance of tracking the outcome of managerial decisions, the post-elimination stage is almost completely neglected by the elimination literature. The present study attempts to shed light on two aspects of the post-elimination stage.

The first is the *conduct of post-elimination reviews* aiming at measuring the appropriateness of service elimination decisions from a retrospective angle. The literature on product elimination has largely neglected this aspect. The very limited relevant empirical evidence identified ten dimensions measuring the outcome of elimination decisions, which were then classified under four factors (Avlonitis 1987a).

Thus, the performance of product elimination decisions was measured by the extent to which companies a) maintained competitive position, b) retained customer goodwill, c) improved profitability and d) improved financial structure. However, despite the relatively satisfactory variance explained by the factor analytic solution of Avlonitis (70%), this very limited empirical evidence was methodologically weak due to the very low internal consistency between the 10 items of the original scale (Cronbach $\alpha = .22$). The limited literature on financial service elimination provides no empirical evidence on the extent to which financial institutions conduct post-elimination reviews. Only conceptual reference is made to the post-elimination era and even this adopts a rather myopic perspective, as the post-elimination stage is confused with the management of the sometimes long lasting implementation step (Harness and MacKay 1993). The present study attempts to find out the extent to which the service elimination decision-making process is followed by a retrospective assessment of the appropriateness of a decision to eliminate a financial service. If post-elimination reviews are conducted, the study will attempt to identify and measure the relative importance of the used retrospective appropriateness dimensions. If financial institutions do not conduct post-elimination reviews, it is also in the interests of the study to identify the reasons for not conducting.

Re-marketing an initially eliminated financial service is the second aspect of the post-elimination stage that the present study will investigate. This aspect has been neglected by the empirical research on manufacturing settings, where eliminated products are considered to be closed cases. The limited empirical evidence on financial service elimination does not investigate the possibility of a re-marketing decision. However, although it may not be the only reason for re-marketing, the use of partial elimination implementation strategies by financial institutions (Harness and Mackay

1997; Harness *et al* 1999) implies that some eliminated financial services could not always be considered closed cases. Due to the fact that a partial elimination implementation strategy does not affect the infrastructure of the service delivery process (Harness *et al* 1999), some eliminated services can just be dormant services. The present study will attempt to identify and measure the relative importance of the circumstances that can trigger financial institutions to re-market previously eliminated financial services.

7.2 The Internal Environment of Financial Institutions

The second group of variables of the conceptual framework of this study refers to the internal environment of financial institutions and can be split into two subgroups of variables namely, company characteristics and service characteristics. All the variables of this second group will be treated as independent and the study will attempt to measure their impact upon the dependent variable i.e., upon the content of the pre-elimination stage, the actual elimination decision-making process and the post-elimination stage. Due to the fact that the elimination related theoretical background between the internal independent variables of interest to this study and the dependent variable is either very limited or not existing at all for some variables, it was felt more appropriate not to make any speculations about directionality. Thus, no hypotheses or null hypotheses were generated. Table 3.18 summarises the variables of the internal environment of financial institutions, which are discussed in the sub-sections that follow.

Table 3.18: The Internal Environment (Independent Variables)

<ul style="list-style-type: none"> • Company Characteristics
Company size
Company type
Service diversity
Overall business strategy
Formality
Market orientation
<ul style="list-style-type: none"> • Service Characteristics
Type of financial service
Method of delivery process

7.2.1 Company Characteristics

This sub-group is composed from six variables namely, company type, size, service diversity, overall business strategy, formality and market orientation.

Company size is a widely used variable in management research. Among other areas, it is used by researchers on organisational behaviour and structure (e.g., Pugh *et al* 1968; 1969; Blau and Schoenherr 1971; Haveman 1993; Dean *et al* 1998), on organisational performance (e.g., Gooding and Wagner 1986; Papadakis 1998), on strategic decision-making processes in general (e.g., Fredrickson and Iaquinto 1989; Dean and Sharfman 1993; Papadakis *et al* 1998) and on the processes of NSD/NPD and product elimination in particular (e.g., Avlonitis 1985c; Ettlie and Rubenstein 1987; de Brentani 1995b; Sorensen and Stuart 2000). As de Brentani (1995b) mentions, the variable of company size is used extensively due to convenience reasons, as size information is usually easy to find (this of course depends on the used size indicators). Moreover company size can be used due to a more theory-driven need to examine the relationship between company size and other organisational and environmental variables. Research on product elimination found that manufacturing firms of different sizes (using the number of employees as a size indicator) exhibited some differences in

the content of the product elimination decision-making process (e.g., Avlonitis 1985c). The present study will attempt to investigate the impact of company size on the content of the service elimination process.

The British financial institutions that will be studied will be classified by *company type*. However, this variable will not be used only for classification purposes but it will also be an independent variable. Company type has been used as an independent variable in research on product elimination (Rothe 1970) and it was shown that it influenced the content of some steps of the product elimination decision-making process. As is discussed in more detail in the chapter of methodology, the present study will focus on banks, insurance companies and building societies. Despite the fact that all these three types of financial institutions operate in the same sector, they are likely to follow different marketing approaches (Wilson 1983; Ennew *et al* 1993; Wright and Howcroft 1995; Diacon and Watkins 1995; Cowell 1995). Thus, company type might have an impact on the content of the service elimination process.

Service diversity is another variable of interest to the present study and it is defined by the number of financial services that a company offers to the market. Traditionally, product diversity has been a representative indicator of the extent of a company's diversification. The organic means to increase the diversity of a company's offering is the development of new products/services (Christensen and Montgomery 1981; Maister and Lovelock 1982; Montgomery 1982; Palepu 1985; Varadarajan 1986). The importance of a product/service elimination mechanism increases with the diversity of the product service range. Research on product elimination indicated that companies with greater product diversity emphasised more and different decision variables than companies with lower product diversity (e.g., Avlonitis 1986a). In financial service settings the relationship between service diversity and service elimination seems very

relevant, if one considers the fact that the deregulated environment of the British financial services sector has resulted in many financial institutions having overpopulated service portfolios, a consequence of their unquestionable engagement in NSD during the last two decades (Dover 1987; Easingwood and Storey 1991; Edgett 1993; Davison *et al* 1989; Edgett and Parkinson 1994; Johne and Pavlidis 1996). It is expected that different degrees of financial service range diversity might have an impact of the content of the service elimination process.

The present study intends to classify financial institutions according to their *overall business strategy*. The latter refers to the strategic orientation of companies, which could be cost reduction, slow imitation, fast imitation and technological leadership (Porter 1980; Walker and Ruekert 1987). Overall business strategy is a variable that has not been used in the research on product elimination. The inclusion of this variable into the conceptual framework of this study aims to find out whether different strategic orientations influence the content of the service elimination process.

It was mentioned above that as part of the variables relating to the content of the service elimination process, *formality* is used as a dependent variable. However, as part of the variables relating to the characteristics of financial institutions, formality is used as an independent variable. By using the dimension of structuring of activities (Pugh *et al* 1968; 1969; Avlonitis 1985d) the aim of this independence is to find out whether the content of more formal service elimination decision-making processes differs significantly from the content of less formal ones. Essentially this comparison will indicate whether or not there are quality differences between more formal and less formal elimination decision-making processes involving financial services.

Finally, another company characteristic of interest to this study is *market orientation*. This concept is defined as the organisationwide generation of market

intelligence, the dissemination of this intelligence across the departments of a business and the appropriate responsiveness to current and future customer needs and preferences (Kohli and Jaworski 1990). Historically it has been axiomatic that if businesses increased their market orientation they could improve their market performance (e.g., Levitt 1960; Webster 1988; Kohli and Jaworski 1990). Subsequent empirical evidence greatly verified this relationship. For example Narver and Slater (1990; 1991) found that more market-oriented businesses are likely to enjoy greater profitability. Similarly, Jaworski and Kohli (1993) found that greater market orientation is a universally important determinant of a business' overall performance, irrespective of the competitive and technological turbulence of the environment in which it operates. As regards product range management, attention has focused on the investigation of the relationship between market orientation and innovation. The empirical evidence indicated that greater market orientation facilitates innovation and contributes to the success of new products and services (e.g., Atuahene-Gima 1996; Gatignon and Xuereb 1997; Han *et al* 1998; Lukas and Ferrell 2000). From the above findings it is evident that greater market orientation is considered good business practice. Despite that fact that at a conceptual level effective product elimination is positively associated with better profitability and innovation performance (e.g., Kotler 1965; Avlonitis 1986; Tomkovick and Miller 2000), no empirical research has ever investigated the impact of market orientation on the content of the elimination process. The present study attempts this investigation by adopting Narver and Slater's (1990) three-dimensional conceptualisation of market orientation, whereby the latter is the aggregation of the sub-dimensions of *customer orientation*, *competitor orientation* and *interfunctional coordination*. Customer and competitor orientation refer to all business activities, which aim at acquiring information about customers and competitors and at disseminating it

throughout the organisation. Interfunctional coordination comprises the coordinated efforts of an organisation to create superior value for the customers (ibid.).

7.2.2 Characteristics of the Financial Service

The type of financial service, which is examined for possible elimination, and method of delivery process, are the two service characteristics that the present study will use as independent variables.

The *type of financial service* refers to whether it is retail or corporate. A retail financial service is one that is sold to the mass market, i.e. to individuals or households, while corporate financial services are sold to business firms or other organisations (Meidan 1996). Retail and corporate customers have certain similarities in their expectations from financial institutions. For example, they both require quick and efficient service and are both receptive to electronic means of delivery process (Stevenson 1989a). However, there are also differences in the characteristics between corporate and retail customers. On the one hand individual customers and households have broad and well-defined needs, which financial institutions can meet with largely standardised financial services, with some simple variations only. On the other hand, corporate customers have much more complex and less standardised needs, which require financial institutions to abandon their mass-market satisfaction logic and create individual solutions for their corporate customers. Thus, the different characteristics of retail and corporate customers require financial institutions to tailor their marketing tools accordingly. This tailoring encompasses market segmentation, pricing, promotion and distribution strategies (Stevenson 1989a; McKechnie and Harrison 1995). The empirical research on product elimination has found that the type of product (i.e., consumer or industrial) had an impact upon the choice of a strategy to implement its

elimination (Rothe 1970; Avlonitis 1984). It is in the interests of the present study to investigate the impact of the type of financial service, which is a candidate for elimination, on the content of the service elimination process as a whole.

The *method of delivery process* concerns the nature of the interaction between the customer and the service provider (Lovelock 1983). In many service sectors the interaction between customers and service providers has been traditionally close and labour intensive, as it required their physical interaction. However, for reasons that had to do with operational efficiency and customer convenience, service sectors started to design service delivery methods, which did not require direct contact with customers (Lovelock 1996). With the telephone based delivery methods, the ATMs and recently the Internet, the financial services sector has been one of the first to realise the operational and convenience-related benefits of low contact delivery processes (e.g., Dover 1987; Marr and Prendergast 1993; Dannenberg and Kellner 1998; Nelson 1999). This study conceptualises the method of delivery process by adopting one of Lovelock's (1983) classification dimensions. Thus, the financial services that will be studied will be classified on whether the customer visits the financial institution and vice versa or whether customer and financial institution transact at arm's length (e.g., via mail, via telephone, or other electronic means of financial service delivery). The intention from including this variable into the conceptual framework is to examine the extent to which the content of the service elimination process is influenced by different methods of service delivery.

7.3 The External Environment of Financial Institutions

The third group of variables of the study's conceptual framework refers to the external environment of financial institutions and includes the variables of legislation, competition and technological change (Table 3.19). As with the variables of the second group, all the variables of the external environment are treated as independent. The study will attempt a) to identify the directionality of their relationship with the content of the service elimination process and b) to measure the extent to which they influence that content.

Table 3.19: The External Environment (Independent Variables)

Competition
Legislation
Technological change

The *intensity of market competition*, i.e. the extent to which companies in a specific industry compete against one another through actions and reactions, influences their performance and the decisions that they make (Dickson 1992; Jayachandran *et al* 1999). Due to the fact that market competition represents uncertainty, risk and turbulence, companies should consider interfirm rivalry analysis as an integral part of their marketing strategy and decision-making processes (Porter 1980; Easton 1988; Ennew 1995a). The intensification of the competition in many service industries worldwide (e.g., airliners, telecommunications, public transport) was mainly the result of deregulation, which changed their monopolistic or oligopolistic structure (e.g., Lovelock 1996; Zeithaml and Bitner 1996). The British financial service sector has not been an exception. Interfirm rivalry in the sector has increased dramatically after the

deregulation of the 1980's. Before that date the different types of British financial institutions were facing little competition between them. As Ennew *et al* (1990) mentioned, before deregulation there were well-established boundaries between areas of operations of different types of financial institutions. However, after the deregulation of the 1980's those boundaries started to blur. The pricing cartel of the building societies was terminated and as a result banks were able to enter the mortgage market, while large building societies moved into money transmission services. Moreover, insurance companies were no longer the only insurance providers, since both banks and building societies started to offer retail insurance services (Howcroft and Lavis 1987; Ennew *et al* 1990). After deregulation there was an increase in the competition across the different types of financial institutions on the following areas (*ibid.*):

- a) mortgage provision (banks, building societies, insurance companies and specialist suppliers)
- b) attraction of young investors (banks and building societies)
- c) money transmission services (banks and building societies)
- d) longer term investments (insurance companies, unit trusts, stock brokers)
- e) higher interest accounts (banks and building societies).

With regard to product elimination in manufacturing settings, the intensity of market competition (expressed as an aggregation of price, product and delivery competition) was found to influence many aspects of the content of the elimination decision-making process (Avlonitis 1985c; 1986). The present study intends to measure the impact of the intensity of market competition upon the content of the service elimination process. Overall market competition is conceptualised as the aggregation of *price competition*, *service attributes competition* (i.e., competition by adding supplementary service to the core service offering), *promotional competition* and *service delivery competition*.

Due to the fact that financial services are directly related to the security and the welfare of individual customers, households and businesses, their marketing is surrounded by a strict *legislative framework* that financial institutions have to comply with (e.g., Macey and Wells 1987; Edgett and Thwaites 1990; Devlin and Wright 1995; Llewellyn 1998). However, the content of the legislative environment is not static, but evolves according to the will of governments and to the needs of customers. If one considers that the legislative environment defines what financial services can be sold, any changes in its content may represent important sources of ideas for the development of new financial services (Meidan 1996). The empirical research on product and service elimination indicated that legislation and elimination are related in terms that a change in the content of legislation can be a trigger for elimination (Avlonitis 1982; Harness *et al* 1998; Avlonitis *et al* 2000; Harness and Marr 2000). However, the empirical research on product and service elimination has not studied the possible influence of the requirements of the legislative environment on the content of the elimination process as a whole. By adopting a multidimensional conceptualisation of the legislative environment (*price regulations, service design regulations, distribution channel regulations, delivery process regulations, expansion regulations, promotional regulations*) (Carter *et al* 1989; Ennew *et al* 1990; Shelton 1990; Nellis and Lockhart 1995; Meidan 1996), the present study will attempt to investigate the latter relationship.

The term technology refers to any systematic application of scientific or other organised knowledge to practical skills (Galbraith 1967). The technological environment and organisational decision-making are closely related, since the state of the applied technology determines the human, capital and managerial inputs that are necessary for the operations of an economy as a whole or of a business organisation, in particular (Harrison 1975). What makes the technological environment capable of

influencing the operations of organisations is its underlying dimension of *technological change*. The latter has been defined as a change in the methods or in the context of work, which is associated with the use of some kind of new machinery (Khan and Zerby 1988). Technological change is a multi-step continuous process, which under the appropriate socio-economic conditions results in improved efficiency and effectiveness of operations and in increased productivity (Tisdell and Maitra 1988). The influence of technological change on the evolution of many service sectors has been and continues to be significant. The advent of new technologies, such as computerisation and advanced telecommunications, provided service companies with new opportunities to radically improve their way of doing business, thus improving their market performance (Lovelock 1996). Specifically, technological change has helped service organisations to lower costs, to increase productivity, to improve the way services are delivered, to put more information in the hands of service representatives, to personalise services and to build relationships with the customer base (Zeithaml and Bitner 1996). In the financial service industry in particular, technological change plays a vital role. As Nellis and Lockhart (1995) mentioned:

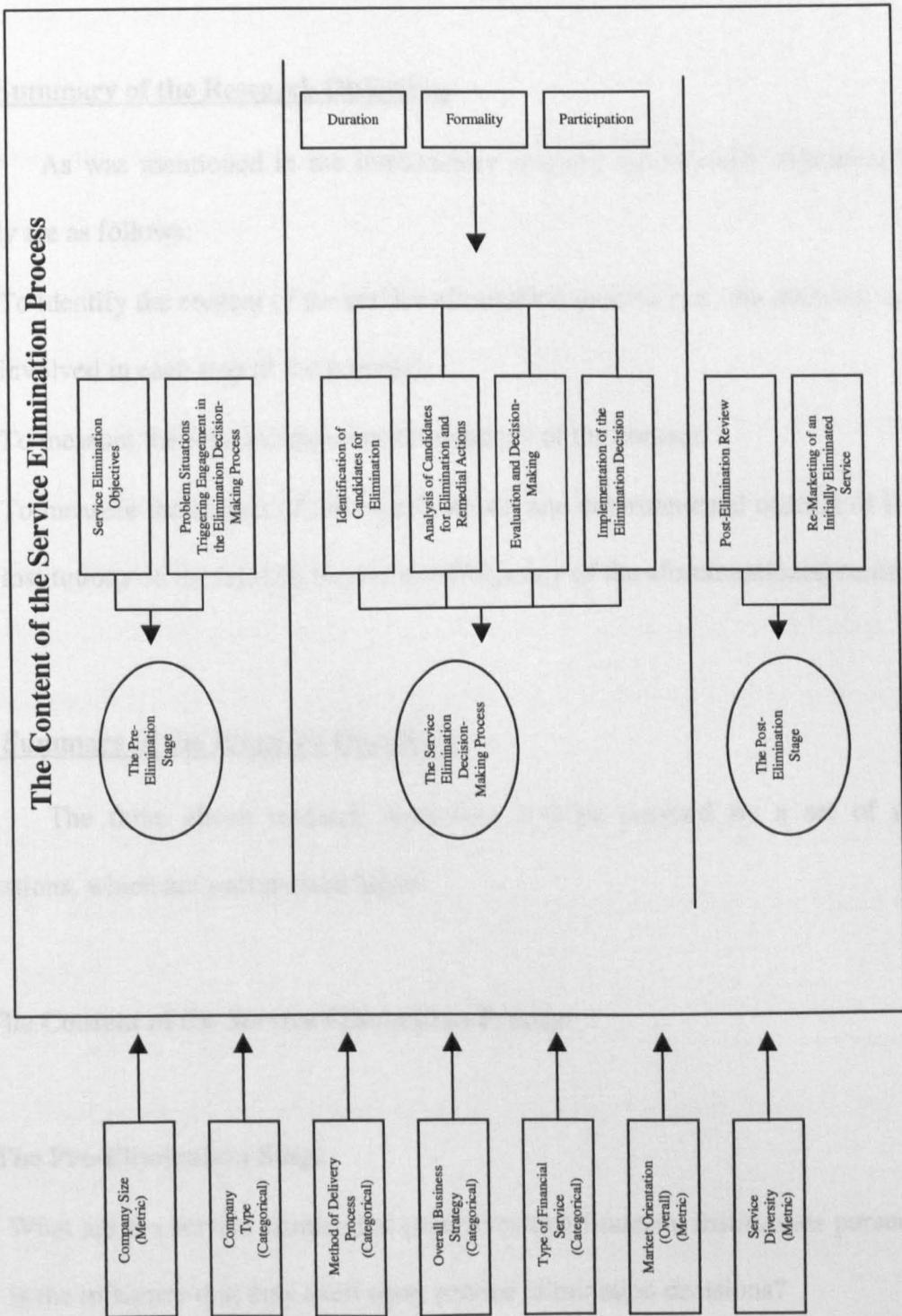
Technological developments are driving change in the financial services industry in several respects, particularly with regard to the facilitation of and support for cost-effective product processing, customer service and the management of information (p. 7).

Through technological change, customers are enjoying the convenience of electronic service delivery processes, which enabled financial institutions to rationalise their labour intensive service delivery processes and to reduce the need for an extensive branch network (Howcroft and Lavis 1987; Lederman 1989; Marr and Prendergast 1990; Moutinho and Curry 1994; Devlin 1995; Meidan 1996).

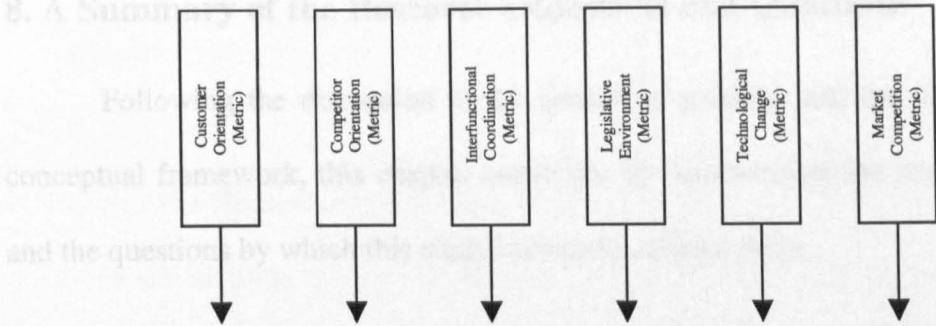
In the organisational literature technological change is viewed as one of the fast changing forces of businesses' external environment. Managers must consider various inputs from their technological environment prior to making a managerial decision. It is also stressed that the more complex and fast changing the technological environment, the more dynamic the environmental texture that surrounds firms and the greater the risk of any managerial decision-making process (Bridges *et al* 1971; Harrison 1975; Tushman and Anderson 1986; Burkhardt and Brass 1990). The empirical research on product elimination has shown that the degree of innovativeness of the technological environment of manufacturers had an impact upon some aspects of the content of the product elimination process (e.g., Avlonitis 1985c). The present study attempts to investigate the impact of the rhythm of technological change upon the content of the service elimination process. Based on an extensive review of the literature on organisational decision-making (e.g., Tushman and Anderson 1986; Khan and Zerby 1988; Tushman and Rosenkopf 1992; Sorensen and Stuart 2000) and on financial services marketing (e.g., Chiplin 1986; Dover 1987; Marr and Prendergast 1993; Meidan 1996; Kasper *et al* 1999; Nelson 1999; Mols 1999), technological change has been conceptualised with the dimensions of *capital intensity*, *increased productivity* and *engagement in R&D* (a detailed discussion of the construct of technological change is made in the following Chapter 4).

Figure 3.9 presents a graphical illustration of the variables of the conceptual framework of this study, as these have been discussed in the preceding sections.

Figure 3.9: The Conceptual Framework



The Content of the Service Elimination Process



8. A Summary of the Research Objectives and Questions

Following the discussion in the preceding sections and the illustration of the conceptual framework, this chapter concludes by summarising the research objectives and the questions by which this study intends to achieve them.

8.1 Summary of the Research Objectives

As was mentioned in the introductory chapter, the research objectives of this study are as follows:

- To identify the content of the service elimination process (i.e., the decision variables involved in each step of the process).
- To measure the relative importance/frequency of the content.
- To measure the impact of the organisational and environmental context of financial institutions on the relative importance/frequency of the aforementioned content.

8.2 Summary of the Research Questions

The three above research objectives will be pursued by a set of research questions, which are summarised below.

1.The Content of the Service Elimination Process

a. The Pre-Elimination Stage

- What are the service elimination objectives that financial institutions pursue? What is the influence that they exert upon service elimination decisions?

- What are the problem situations triggering financial institutions to examine a financial service for possible elimination? What is their relative importance?

b. The Service Elimination Decision-Making Process

- What are the audit criteria that financial institutions use in order to audit the service range and identify candidates for elimination? What is the relative importance of these audit criteria?
- Does any diagnostic procedure, aiming to identify the true causes of a service's deviant performance, take place? What are the revitalisation alternatives that financial institutions use to revitalise the performance of financial services? What is the relative importance of the revitalisation alternatives?
- What are the evaluation criteria that financial institutions use in order to assess the 'macro' impact of a financial service's possible elimination (i.e., its impact upon the business as a whole)? What is the relative importance of these evaluation criteria?
- What are the strategies that financial institutions use in order to implement service elimination decisions? What is the relative frequency in which each strategy is used?
- What is the duration of the service elimination decision-making process? What are the factors that determine that duration? What is the relative importance of these factors?
- What are the functional areas or who are the individuals who participate in the various steps of the elimination decision-making process? What is the relative influence of their say?
- What is the degree of formality during service elimination decision-making (formality as a dependent variable)?

c. The Post Elimination-Stage

- After making and implementing elimination decisions, do financial institutions conduct post-elimination reviews in order to assess retrospectively the appropriateness of those decisions? If no, why? If yes, what are the factors used during the retrospective assessment of elimination decisions? Moreover, what is the relative importance of the retrospective evaluation factors?
- Did financial institutions ever face the need to re-market financial services that they initially eliminated? If yes, what are the changed circumstances that led financial institutions to a re-marketing decision? How frequently do the identified circumstances lead to re-making decisions?

2. The Impact of the Internal Environment**a. Company Characteristics**

- What is the influence that a set of company characteristics (including company type, size, service diversity, overall business strategy and market orientation) exert upon the relative importance/frequency of the content of the service elimination process?
- Does the content of more formal service elimination decision-making processes differ significantly from the content of less formal ones (formality as an independent variable)?

b. Characteristics of the Financial Service

- What is the influence of the type of the financial service (i.e., retail, corporate) that is examined for possible elimination on the content of the service elimination process?

- How is the content of the service elimination process influenced by the method in which elimination candidates are delivered?

3.The Impact of the External Environment

- What is the impact of the intensity of market competition on the content of the service elimination process?
- What is the influence that the legislative environment of financial institutions exerts upon the content of the service elimination process?
- How does the rhythm of technological change affect the content of the service elimination process?

From the research questions described above it can be seen that the study attempts three tasks regarding the content of the service elimination process: identification, measurement of relative importance/frequency, examination of the interrelationships with the contextual independent variables. For the purpose of the identification, the study will adopt a qualitative research approach. For the purposes of measurement of the relative importance/frequency and of its interrelationships with the contextual variables, the study will adopt a quantitative research approach. The next chapter discusses in detail issues relating to the research methodology.

Chapter 4

Methodology

1. Introduction

The present chapter outlines the research methodology of this study. As was mentioned in the previous chapter, the study attempts three main tasks with regards to the data collection process: the *identification* of the content of the service elimination process, the *measurement* of the content's relative importance/frequency and *the interrelationships* of the latter with a set of contextual independent variables. The data collection strategy of this study was based on a mixed method of qualitative in-depth interviews and quantitative mail survey. The aim of this chapter is twofold. First it sets the theoretical-philosophical foundations behind the two different approaches followed. Second it discusses issues relating to the actual design of each one of the two approaches.

2. Philosophical and Theoretical Foundations of Research Methods

2.1 Positivistic VS Humanistic Inquiry in Social Research

One primary subject of controversy among social scientists centres on the value of the two different angles available to study social phenomena: the 'positivistic' and the 'humanistic'. Indeed the latter are not two mere different methodological technicalities concerned with the choice of different data collection methods at a tactical level. Instead, their differences lie at a higher level and they represent the two traditional schools of thought in social research in general and in marketing research in particular.

The ‘positivistic’ school of thought holds that the methodologies of the natural and physical sciences can also be followed by the social sciences. In that respect positivism emphasises that human activity, which is attached to social phenomena, must be researched externally and objectively, i.e., in its natural day-to-day setting unobstructed from the judgement and the subjectivity of the individual social researcher (Gill and Johnson 1997). The adoption of neutral and rigorous research methods leads to the fulfilment of the two most distinguishing characteristics of positivistic epistemology. The first characteristic is that attention should be focused only on directly observable phenomena, with any reference to the indirectly observable and the intangible being meaningless. The second characteristic is that existing theories must be tested and verified or rejected in a hypothetico-deductive fashion, i.e., by comparing and contrasting them with the facts of the readily observable external world (Keat and Urry 1975; Giddens 1979). The way in which the positivistic school of thought conceptualises things gives essentially a very austere definition of truth, which is also referred to as ‘correspondence theory of truth’ (Hindess 1977). This theory works only when the facts of the external world can be observed with rigorous procedures and protocols (*ibid.*). Hindess suggests illustratively that in the correspondence theory of truth the testing of existing theories against irrefutable observations is equivalent to a direct comparison between theory and real world. If existing theories agree with the observations they are verified and accepted. Otherwise, theories are considered false and may be rejected. The standpoint of the positivistic school of thought has a natural rationale because it supports that truth is not what one believes to be truth (i.e., the Greek term *Doxa*) but what one found to be truth (i.e., the Greek term *Episteme*) (Gill and Johnson 1997). Despite its apparent objectivity, the positivistic approach has two major problems. First, it is self-contradictory. In order to observe objectively, positivists

must assume that it is possible to separate the ‘subject’ (the researcher) from the ‘object’ (the observed) by the application of scientific methodology. It is this dualism between subject and object that makes the epistemology of positivism viable and that produces knowledge intact from the values and judgements of the individual researcher (Gill and Johnson 1997). The self-contradiction lies in one of the foundations of positivism that any intangible, abstract and metaphysical is rejected from observation as meaningless. By rejecting the metaphysical, positivists reject the subject/object dual relationships, which is the premise of the epistemology itself (Gorman 1977; Giddens 1976). The second problem of positivism lies in the possibility of existence of a theory-neutral observational language. Positivists assume that within the duality of the relationship between the observer and the observed, there is a neutral point where the observer can stand and record facts (Mattick 1986). However, the existence of such a neutral point has been challenged on the grounds that it is not possible to expect even the most objective observers/researchers to be unaffected by their value judgements and creativity and by the stimuli of the ‘observed’ (Habermas 1974; Unwin 1986; Spinelli 1989)

The alternative school of thought is the ‘humanistic’ school. Advocates of the humanistic approach consider the application of methods from natural and physical sciences in the social sciences unwarranted and inappropriate. Laing (1967, p. 53) comments as follows:

The error fundamentally is the failure to realise that there is an ontological discontinuity between human beings and it-beings...Persons are distinguished from things in that persons experience the world, whereas things behave in the world.

The humanistic paradigm is premised upon a diametrically different philosophy than the positivistic inquiry, in terms that it advocates the ‘in-dwelling’ of the researcher with

the observed social phenomenon. Rather than standing at a neutral point outside the studied system, the researcher becomes a part of the system itself. The understanding of the researcher is enhanced not by the manipulation of dependent and independent experimental variables but by his/her personal experience, sensitivity, emphatic insightfulness and direct involvement in the studied phenomenon; indeed the humanistic approach wants the researcher to serve as the measuring instrument (Hirschman 1986). From the above it is understood that the humanistic approach neither relies on statistical aggregation nor on the discovery of linear or curvilinear relationships between experimental quantitative variables. By gaining a full grasp of the studied phenomenon, it aims at identifying and interpreting meanings, hence it is also referred to as 'interpretivism', 'phenomenology' and 'hermeneutics' (from the Greek term *hermeneuien*, to interpret) (McAuley 1985; Patton 1990). Despite its subjectivity from a positivistic viewpoint, the humanistic inquiry has a respected stance in social research (e.g., Berkeley 1971; Diesing 1982). Indeed Gummesson (2000, p. 18) praises the subjectivity of the humanistic approach by commenting as follows:

Mainstream scientists who just apply 'approved' methods without being aware of the subjective foundation of their activities are not scientists; they are technicians. In my experience most workers' within the university world never get beyond the stage of technician.

Table 4.1 summarises and contrasts the fundamentals of the two schools of thought.

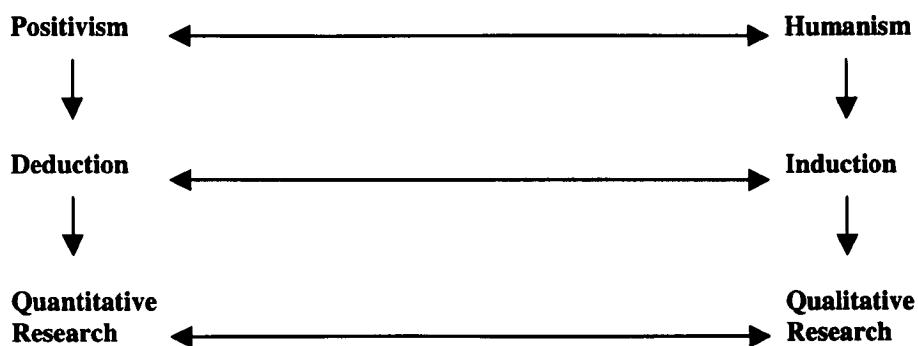
Table 4.1: Positivistic VS Humanistic Inquiry-The Fundamental Differences

Positivism	Humanism
1. There is a single reality composed of discrete elements	1. Human beings construct multiple realities
2. The researcher and the phenomenon are independent	2. Researcher and phenomenon are mutually interactive
3. The development of statements of truth that are generalisable across time and context is possible and desirable	3. Research inquiry is directed towards the development of idiographic knowledge
4. Elements of reality can be segregated into causes and effects	4. Phenomenal aspects cannot be segregated into causes and effects
5. The discovery of value-free objective knowledge is possible and desirable	5. Inquiry is inherently value-laden

Source: Hirschman 1986

2.2 Deduction versus Induction in Social Research

The two traditional schools of thought adhere to two different approaches with regards to the use of theory in social research, which can be viewed as the two opposites of a continuum. Thus, according to the positivistic approach research should follow the method of deduction, which necessitates the use of quantitative research methods. The humanistic paradigm emphasizes the method of induction, which will use qualitative research techniques. Figure 4.1 illustrates the shift from the higher level considerations of positivism/humanism to the more tactical considerations of quantitative/qualitative research. However (as it is discussed later in more detail) the continuum allows for the thoughts to slide along it, i.e., it allows researchers to adopt elements from both schools of thought.

Figure 4.1: The Continuum of Schools of Thought and their Operationalisation

Deductive research uses existing theories, models and concepts as an input to formulate and to test hypotheses as well as to find the directionality and strength of relationships between variables. As such, the vantage point of deductive research is received theory and its aim is to test that theory (Gummesson 2000). The explanation in deductive research requires the researcher to invoke general laws, in the form of empirical hypotheses about the natural order, from which then it is possible to deduce statements about the empirical consequences of the studied phenomenon (Ryan 1970). Based on one of the fundamentals of the positivistic approach (that the unobservable is meaningless and thus unanalysable), in deductive research the source of the theory is of little importance. What matters most is rather the operationalisation process and the confrontation of the theory with the real world (Popper 1967). Deductive research involves the identification of the aspects of theory that are considered important to the studied phenomenon. By setting specific rules for making observations and for determining when a concept will be considered to be occurring empirically, the process of deduction operationalises the above aspects of theory through the use of measures and indicators. The latter will standardise the record of observations and will confirm in a ‘reliable’ way whether or not a concept occurs empirically. Finally, the outcome of the

deduction is to contrast the aspects of theory with the ‘facts’ collected from the real world. If the facts do not comply with the theory, the latter is falsified (Gill and Johnson 1997). However, if the facts comply with the theory, the latter is never proved or justified but can only be labeled an as yet un-falsified theory (Popper 1972). The structured indicators and measures used in deductive research enable the replication of an observation in order to re-test theory. However, except for theory re-testing, replication results in an evaluation of previous deductive observations, through the criteria of external and internal validity, objectivity and reliability (Calder *et al* 1983; Hirschman 1986)

At the other end of the continuum lies the inductive research, which is associated with the humanistic school of thought. The input to inductive research is data from the real world and the theory is its outcome (Gummesson 2000). Stated differently, while deductive research tests existing theory, inductive research generates new theory. This emphasis on the ‘new’ indicates that the aim of inductive research is to discover innovative concepts and theory rather than to test and re-test existing ones, hence it is also called heuristic inquiry, from the Greek term *heuriskein*, which means ‘to discover’ (Craig 1978). Inductive research neither uses the standardised operationalisation process nor does it rely on the strictly statistical data analysis techniques of deductive research. Instead it follows a more flexible methodology, which generates soft qualitative data through the direct involvement of researchers in the studied settings. As such, its quality is judged on the criteria of credibility, transferability, dependability and confirmability (Hirschman 1986).

Glaser (1992) points to the need for inductive research in social sciences by making reference to the ‘emergence vs forcing’ debate. Deductive research forces preconceived categories of reality, even if they are well established in the extant theory, while Glaser

argues that inductive research lets reality speak by itself. In the same line Gummesson (2000) criticises deduction as being myopic by likening it to the term *preunderstanding* (first used by Odman (1979)), which represents the tendency of individuals to amalgamate everyday occurrences into stereotypical concepts, thus avoiding engagement into the demanding processes of interpreting and understanding these occurrences. Moreover Gummesson highlights the inadequacy of deductive research by using the illustrative example of Procrustes who, according to the Greek mythology, was a robber situated in the outskirts of Ancient Korinthos. Procrustes had an iron bed, which he used to tyrannise his victims. If the victims' legs were longer than the bed, they were cut until they fitted perfectly. If they were shorter, they were stretched. Gummesson parallels deduction in social sciences as a procrustean methodology because (though not as murderously as Procrustes) it excludes what does not fit and it stretches what fits to a larger space, thus generalising it in an unwarranted way. However, the inductive approach is not without criticism. It is argued that the active interference of the researcher with the studied phenomenon as well as the non-standardised qualitative way of collecting data, make inductive methodologies difficult to replicate, which in turn makes them unreliable (Giddens 1976). Table 4.2 summarises and contrasts the characteristics of deduction and induction.

Table 4.2: Deduction vs Induction

Deduction	Vs	Induction
<ol style="list-style-type: none"> 1. Explanation via analysis of causal relationships and explanation by covering-laws 2. Generation and use of quantitative data 3. Use of physical or statistical controls to test hypotheses 4. Highly structured research methodology to ensure replicability 		<ol style="list-style-type: none"> 1. Explanation of subjective meaning systems and explanation by understanding 2. Generation and use of qualitative data 3. Commitment to research in everyday settings to allow access to and minimise reactivity among the subjects of the research 4. Highly unstructured research methodology

Source: Adapted from Gill and Johnson 1997

2.3 Data Triangulation: A Pluralistic Approach

From the discussion above it is evident that the deductive and inductive approaches, which are associated with the positivistic and the humanistic paradigm respectively, have a different underlying philosophy and have their advantages and disadvantages. Neither philosophy is ‘right’ or ‘wrong’, since different research problems require a different approach. Meanwhile the choice of a single approach is not an easy task. McGrath (1982) notes that researchers are in a dilemma when they have to decide on a research method, adding that the choice of a single method is not an ideal solution but a compromise. Accordingly other authors warn about the deficiencies of monomethods and comment on the importance of constructing continuums of research methods, which combine different philosophies and which provide for cross-data validity checks (e.g., Cook and Campbell 1979; Brewer and Hunter 1989; Patton 1990; Gill and Johnson 1997; Tashakkori and Teddlie 1998). For example Brewer and Hunter (1989, pp. 16-17) comment as follows:

Social science methods should not be treated as mutually exclusive alternatives among which we must choose...Our individual methods may be flawed, but fortunately the flaws are not identical. A diversity of imperfection allows us to combine methods ...to compensate for their particular faults and imperfections.

Combined methodologies, or what has been referred to as conscious pluralism (Morgan 1983), can strengthen the design of a study through *data triangulation* (Patton 1990; Tashakkori and Teddlie 1998; Gummesson 2000). Originally triangulation is a term used in navigation, land surveying and civil engineering and represents a technique for the precise determination of distances and angles which help to locate planes, ships and to build roads and tunnels. In social sciences the term data triangulation was first used by Denzin (1978) to describe the application of two or more research methods on the same research problem, aiming at increasing the reliability of the obtained results.

In marketing research methodological pluralism and the resulting data triangulation were, until recently, underused. This was due to the long-term commitment of the discipline of marketing to the positivistic school of thought and therefore to hypothetico-deductive research methodologies, which stressed the need for rationality, objectivity and measurement. However, the increasing recognition of the contribution of the humanistic paradigm to theory advancement has made methodological pluralism in marketing research possible, if not necessary (Arndt 1985; Hirschman 1986; Hunt 1990; 1993).

As it was mentioned in the beginning of this chapter, the present study attempts to accomplish three data collection tasks. The first is the *identification* of the content of the service elimination process (i.e., decision variables of the pre-elimination stage, of the elimination decision-making process and of the post-elimination stage). The second task is the *measurement* of the content's relative importance/frequency and the third task is the latter's *interrelationship* with independent contextual variables relating to characteristics of financial institutions, to the characteristics of the financial service and to the external environment. Due to the different methodological requirements of the three data collection tasks, the monomethod alternative was rejected.

On the one hand the almost *tabula rasa* state of the literature on service elimination, necessitated the use of qualitative research in order to accomplish the task of identification of the content of the service elimination process. Although the manufacturing literature provides evidence on the content of some steps of the product elimination process (not all of them though), a deductive application of that content into financial service settings would overlook possible differences that the special nature of financial services may account for. Thus qualitative research will allow for tailoring the content of the steps of the elimination process to financial service settings.

On the other hand, quantitative research was deemed necessary for the accomplishment of the tasks of measurement and interrelation. After having discovered the decision variables that financial institutions consider in the various steps of the service elimination process, quantitative research will produce a picture of the relative importance of the content and of the way in which the latter is influenced by company, service and environmental characteristics. Moreover, the quantitative approach will allow (where possible) for a comparison between elimination practices in manufacturing and financial service settings. The quantitative properties make such a comparison less tentative than it would have been, had the present study followed qualitative research only.

To summarise, the adopted mixed data collection strategy allowed for a tailored approach to the identification of the content of the service elimination process, without ignoring the opportunity of comparisons that is offered by the existing empirical evidence on product elimination.

3. Order of Data Collection Methods

The almost *tabula rasa* state of the empirically based knowledge on service elimination, gave the present study its exploratory character. It was thus felt appropriate to start the data collection process qualitatively and conclude it quantitatively. In the marketing research literature the qualitative-quantitative data collection order is suggested in exploratory investigations (e.g., Churchill 1979; Cooper 1989; Aaker *et al* 1995; Zeithaml and Bitner 1996; Chisnall 1997). By combining the flexibility of qualitative designs with the rigour of quantitative approaches, the adopted order allows for a highly open first approach to the studied topic, while it subsequently secures standardisation and measurement of the obtained information.

4. Country Selection

The present study took place in the UK. The selection of the country was made for three reasons. First, the expansion of the financial services sector in the UK during the last 20 years was of momentous significance for the national economy in terms of growth in employment and increase of accounted percentage of Gross Domestic Product (Gentle 1993; Gatzoflias 1999). Second, the British financial services sector is one of the most advanced worldwide (Gatzoflias 1999). Third, the UK was a convenience country for the researcher, especially with regards to the conduct of the personal in-depth interviews, which required visiting the location of the interviewees. Consequently, given the limited budget available, the conduct of the study in the UK was one way in which travelling costs and the subsequent postage costs of the mail survey could be kept at an affordable level.

5. Definition of the Population

For research purposes the population is defined as

the totality of cases that conform to some designated specifications
(Churchill 1999).

Defining the population of the British financial services sector in an accurate way is a very difficult, if not impossible, task to accomplish. This is due to the great diversity of institutions that provide financial services. The following comment is illustrative of the situation:

There is an enormous range and variety of financial institutions. It is neither possible nor desirable to try to account for them in their full complexity. Something must be discarded; institutions must be grouped together in some manner (Peasnell and Ward 1985, p. 185).

Taking into consideration the difficulties surrounding the accurate representation of the British financial services sector, it has been suggested that in the context of research any attempts towards a population definition must capture both the essence of the British financial services sector and its important role in the national economy and the economic development but also they must be 'functional and pragmatic' (Gentle 1993, p. 40).

Based on the above considerations, the population for the present study was defined as *all UK-incorporated banks, building societies and insurance companies*¹. Finance houses, unit trusts and institutions providing auxiliary activities to financial intermediation² are part of the British financial service sector. However, this study focused only on banks, building societies and insurance companies since they represent the most important types of British financial institutions in terms of branch network, product range, total assets, annual turnover, profits, and blue-collar workforce (Watkins 1986; FT Discovery 1999; The Sunday Times 2000d). In particular these three types of financial institutions account for almost 90% of the contribution of the British financial service sector to the Gross Domestic Product of the country and for almost 70% of the people employed in the British financial services sector (House of Commons 1999).

After the definition of the population, it was deemed necessary to find official lists of all UK-incorporated banks, building societies and insurance companies and use them as sampling frames. Since, to our knowledge, there was no one single sampling frame for all three types of financial institutions of the population, a range of

¹ Insurance companies were conceptualised to include life and non-life insurance.

² The British financial services sector includes institutions that provide activities auxiliary to the financial intermediation, such as administration of financial markets and security broking and fund management. These activities are classified under Division 67 of the section J of the 1992 Standard Industrial Classification and include administration of financial markets, security broking and fund management (House of Commons 1999)

organisations were contacted (Table 4.3) and asked to provide the most updated lists of their members.

Table 4.3: Contacted Organisations

Name of Organisation	Abbreviation
Association of British Insurers	ABI
Associated Scottish Life Offices	ASLO
Financial Services Authority	FSA
Investment and Life Assurance Group	ILAG
Insurance Ombudsman Bureau	IOB
International Underwriters Association	IUA
Personal Investment Authority ³	PIA
Motor Insurance Repair Research Centre	THATCHAM
Building Societies Association	BSA

British insurers have an array of affiliations and all of them were contacted. The Financial Services Authority provided a list with all UK-incorporated banks and the Building Societies Association provided a list with all authorised building societies. During the scrutiny of the various obtained lists, it was observed that one company (mostly insurance companies) could appear in the lists of more than one affiliation body. To ensure exhaustiveness and eliminate double-registrations that could inflate the population, it was decided to use control lists. For banks and building societies the control list was the 1999 Bankers Almanac and for insurance companies the 1999 Insurance Directory. This procedure resulted in a total population (N) of 667 financial institutions (elements), with 230 banks (n^1), 367 insurance companies (n^2) (Lloyds syndicates were excluded from the population) and 70 building societies (n^3) (Table 4.4).

³ At the time of the data collection PIA was an independent regulator. However, in 2001 it was about to become a part of Financial Services Authority (Financial Times 2000c).

Table 4.4: The Population of the Study

Population Strata	Number
UK-incorporated banks authorised under the Banking Act of 1987 to accept deposits in the UK	230 (n ¹)
UK-incorporated insurance companies	367 (n ²)
Building societies	70 (n ³)
TOTAL	667 (N)

6. Qualitative Research Design

6.1 Data Collection Method

Qualitative research can be operationalised through different data collection methods, as follows:

- In-depth interviews (personal)
- Focus groups (or group discussions)
- Case study (Gordon and Langmaid 1988; Boyd *et al* 1989; Minichiello *et al* 1990; Baker 1991; Ackroyd and Hughes 1992; Aaker *et al* 1995; Maxwell 1996; Kent 1999)

6.1.1 Adopted Method: Personal Semi-Structured In-Depth Interviews

An interview is defined as an encounter between a researcher and a respondent, during which the latter is asked questions relevant to the subject of research (Ackroyd and Hughes 1992). One particular type of interview is the in-depth interviews, which are defined as repeated face-to face encounters between researchers and interviewees directed toward understanding the latter's perspectives on their lives, experiences or

situations as expressed in their own words (Taylor and Bogdan 1984). Similarly, other authors conceptualise in-depth-interviews as an attempt by researchers to approach a research problem by giving interviewees the opportunity to talk freely about their knowledge on the research problem (Boyd *et al* 1989; Minichiello *et al* 1990; Baker 1991; Aaker *et al* 1995).

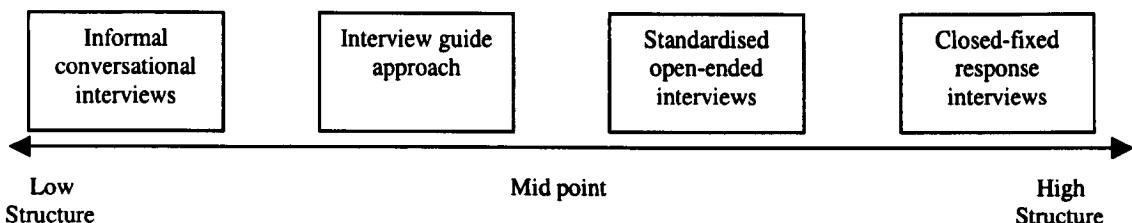
In this study in-depth interviews were chosen as the means of collecting qualitative data because they enable the creation of an encounter between the interviewer and the interviewee, which conveys confidentiality and which values the opinions of individuals, rather than the aggregate opinion of a group of informants (Boyd *et al* 1989; Minichiello *et al* 1990). Service elimination is a sensitive topic since it raises issues relating to the cost, pricing or competitors' policies of companies. Thus, in-depth interviews could create an environment between the researcher and the interviewee, which conveys confidentiality, a so vital pre-requisite in the discussion of sensitive issues relating to any business' operations⁴.

Depending on their degree of structure, in-depth interviews are classified along a continuum, in one pole of which are the fully structured interviews and in the other the unstructured ones (Figure 4.2). Structured interviews, as their name implies, are ones where the researcher implements a strict schedule to ask questions. In unstructured interviews researchers rely on a list of topics, which indicate very broadly the issues that should be covered. The advantage of unstructured interviews is their flexibility, which offers interviewees space to freely express their opinions, while their disadvantage is the sacrifice of standardisation since no two unstructured interviews can

⁴ It must be mentioned that there are different views concerning the degree of openness in which interviewees are willing to engage during in-depth interviews. In particular it is mentioned that when people talk alone they tend to be more defensive than they would be in a group discussion. However, the above behaviour occurs most often in cases where interviewees are consumers and not business managers (Gordon and Langmaid 1988).

be conducted in the same way (Minichiello *et al* 1990; Patton 1990; Ackroyd and Hughes 1992).

Figure 4.2: Degree of Structure of In-Depth Interviews



Source: Designed from Patton's (1990) categorisation of in-depth interviews

Considering their simultaneous structured and flexible nature, it was felt that standardised open-ended in-depth interviews was the most appropriate type to use in this research. In standardised open-ended interviews the exact wording and flow of questions are pre-determined in advance, so interviewees are asked the same questions in the same order. However, all the questions are asked in a completely open-ended form. The major strength is the increased comparability of the responses obtained from different interviews, but the major weakness is that the imposed structure is likely to reduce the naturalness and relevance of the obtained information. Also, the structured nature helps the researcher to control the duration of interviews, considering the limited time that the managers-interviewees are willing to devote to the research (Patton 1990). In this study the philosophy of standardised open-ended interviews was made operational through the use of a semi-structured discussion guide (Appendix 1). By capturing issues from the literature on product elimination and from the very limited empirical research on service elimination, the qualitative data collection instrument provided the basis for a semi-structured discussion which, at the same time, gave

interviewees the freedom to deviate and raise additional issues that they considered relevant to the service elimination process in their companies.

6.1.2 Rejected Methods

6.1.2.1 Focus Groups

Focus groups philosophy is based on an interaction between individuals who have agreed to participate in a discussion around a research topic (Baker 1991; Aaker *et al* 1995). The size of focus groups can vary from 6 to 12 people (Kent 1993). A consideration of the pros and cons of focus groups, resulted in the rejection of this method on confidentiality and timing orchestration grounds. As mentioned previously, the topic of this study touches on issues which respondents might consider to be of a sensitive nature. It was thus felt that managers from different and possibly competing companies would not feel confident to speak freely in front of their competitors in a focus group setting. With regards to timing, if focus groups were chosen all participants had to be present at the same time and at the same place. However, taking into consideration that participants would be busy managers from all around the UK, such timing orchestration would not be logically feasible.

6.1.2.2 Case Study

A case study in the research context is defined as a comprehensive description and analysis of a single situation or of very few situations. The necessary data are collected either through observation of behaviours or through a series of unstructured interviews with a number of people who are involved in the studied situation and have a good knowledge of it (Aaker *et al* 1995). The fundamental advantage of the case study

method is that it offers researchers the opportunity to study the one case (or the very few cases) with meticulous attention to detail. This is why this method is particularly popular in relatively untested fields (Zikmund 1999). However, despite the fact that the topic of the present study is indeed very under-researched (and thus suitable for a case study approach) it was decided not to use the case study method. The decision was made after considering the major drawback of case studies, that the one or the few studied cases may be atypical of the studied phenomenon (*ibid.*). This would have raised concerns about the extent to which information about the content of the service elimination process, which would essentially be drawn from a handful of cases, would have been representative of what was happening in financial institutions of various types and sizes. Moreover, since conducting case studies would require the consent of financial institutions for an extended visit of the researcher in their premises (which could last for days or even weeks), it is believed that this would have resulted in access problems due to time and confidentiality reasons.

6.2 Sampling: A Purposeful Stratified Strategy

In marketing research the two broad types of samples are probability and non-probability samples. The latter are predominantly used in qualitative research and can be convenience and purposeful samples (Patton 1990; Kinnear and Taylor 1996; Churchill 1999; Zikmund 1999). Both convenience and purposeful samples are non-probabilistic because they give the elements of a population an unequal probability of being chosen for inclusion in the sample. This absence of a randomised case selection strategy makes convenience and purposeful samples non-representative of a population from a statistical point of view (Stephan and McCarthy 1958; Sudman 1976; Churchill

1999). However, the statistical representation of a population is not the objective of qualitative inquiry, which focuses on a relatively small number of cases, which are selected on a convenience or purposeful basis (Patton 1990). Quality differences also exist between convenience and purposeful samples. The formers are considered to be more ‘accidental’, because the selection of cases is made purely on a convenience basis. By contrast, purposeful samples are less accidental because the cases are selected on an expectation that they will serve the research purpose (Churchill 1999, p. 502).

On the basis of its less accidental nature, a purposeful sampling strategy was chosen for the qualitative phase of this study. A purposeful sample is based on the logic of carefully selecting a group of people to study with the purpose of gaining a deeper understanding of the phenomenon under investigation (Patton 1990; Maykut and Morehouse 1994). Patton (1990) outlines fifteen different purposeful sampling strategies, suggesting that the choice of any one of them, or of a combination of them, should be made after having considered how well each strategy fits the purposes of the research and the resources available. An initial consideration of all the fifteen purposeful sampling strategies resulted in the identification of two strategies that could be applied in the qualitative leg of this study, namely purposeful random sampling and stratified purposeful sampling.

The purposeful random strategy was rejected because it would not add meaningfully to the representativeness of the qualitative sample, because essentially the latter would still be very small to capitalise on the advantage of a randomised selection. Therefore, it was decided to use a stratified purposeful sampling strategy, whereby the cases to be included in the sample illustrate characteristics of particular sub-groups (strata) of the population (Patton 1990). This particular purposeful sampling strategy complied with the purpose of the researcher to maximise the representativeness of the

qualitative sample (within the inherent limitations of its non-probabilistic nature) by including in it financial institutions not only of different type but also of different size. For the operationalisation of the chosen qualitative sampling strategy the population was stratified by type of company (i.e., banks, insurance companies, building societies) and size (i.e., small, medium, large). As was discussed in the previous chapter, company type and size are two important variables in organisational and marketing research, because they imply differences in organisational behaviour and decision-making.

There are different ways in which the size of an organisation can be measured. A widely used size indicator is the number of employees, while other indicators are sales volume, assets, capacity, number of operations' sites and number of clients served (Kimberly 1976; Price 1997a). The number of employees and the number of branches were rejected as size indicators for British financial institutions on the basis that neither is an accurate indicator considering the developments in the British financial services sector. In particular the deregulation-disintermediation of the 1980's and the resulting competition forced British financial institutions to reduce their workforce in order to drive their operating costs down. Moreover, the advantages offered by technological developments (e.g. computers, ATMs, internet, e-commerce, telephone banking and insurance) challenged the traditional way of doing business and the traditional distribution channels in the British financial services sector, offering financial institutions the opportunity to reduce the number of their branches without shrinking the volume of their business (Howcroft and Lavis 1987; Nellis and Lockhart 1995; Mols 1999; Financial Times, 2000a; 2000b; Nellis *et al* 2000). The outcome of the above developments was that from 1979 to 1996 British financial institutions reduced their employees by 20% and their branch network by 8.5%, while the financial services

offered by ATMs and other electronic means of financial service delivery increased by almost 550% (FT Discovery 1998, The Sunday Times 2000c).

In this study the size of financial institutions was measured by their total assets, which is considered an accurate size indicator by much published management research⁵ (Kennedy 1980; Edgett 1993; Meidan 1996; Wright and Howcroft 1995; Papadakis 1998, The Banker 1999). To our knowledge, in the literature there are not any specific groupings or breakpoints based on total assets that could be used to classify financial institutions as small, medium or large. As a result, the researcher consulted pilot-study interviewees, academics, financial magazines and other organisations (e.g., Association of British Insurers, Bank of England, British Bankers Association, Building Societies Association and Financial Services Authority). Based on insights and unpublished documentation from the aforementioned sources, financial institutions were classified by size according to the breakpoints shown in Table 4.5. Information on the total assets of the study's population was obtained from Bankers Almanac 1999 Directory, the Building Societies Association and the Department of Trade and Industry. The latest available asset information was obtained.

Table 4.5: Size Breakpoints Based on Total Assets

Size	Total Assets (in £ billion)
Small	< £ 5 bln
Medium	£ 5.1 to £27 bln
Large	> £27.1 bln

⁵ Total assets are used as a size indicator for the classification of the Top 500 Banks worldwide as well as by country (The Banker 1999).

6.2.1 Sample Size

In qualitative research there are not specific rules with regards to the size of the sample. However, for practical reasons that have to do with costs, qualitative samples are usually small⁶ and their exact size is largely determined by the saturation point, whereby the qualitative data collection process ends when no new information is being obtained by additional participants (Glaser and Strauss 1967; Beraux and Beraux 1981; Lincoln and Guba 1985; Patton 1990; Maykut and Morehouse 1994; Mason 1996).

Based on the above considerations a target sample size of 20 financial institutions was set, with the option to increase it if the researcher felt that there was no saturation. The two-way stratification that was discussed above (i.e., by company type and size) was operationalised in order to select the financial institutions to interview. First, based on company type, the aim was to have financial institutions proportionately represented in the qualitative sample. As a result the latter should include 7 banks, 10 insurance companies and 3 building societies. Second, based on the size stratum, the aim was to include in the sample financial institutions of all three sizes. No specific size proportions were imposed, due to the lack of systematically classified total assets information. Moreover, without imposing a specific stratification, an attempt was made to include in the qualitative sample financial institutions located to an as wide British territorial range as possible, given the limited budget available for this study.

⁶ Lincoln and Guba (1985) suggest that carefully designed qualitative research can have as few as twelve participants and probably no more than twenty.

6.2.2 Selection Process

The selection process during the initial approach was judgmental, but based on company type and size as well as on geographical location considerations. Once a firm was chosen from the sampling frames, an initial telephone contact was made, in order to crosscheck its existence and its address as well as to identify an appropriate and available person with involvement in service elimination decisions. An answer slip and a formal letter (Appendix 2), explaining the research purpose and asking for participation was then mailed to the pre-identified person. A stamped response envelope was enclosed, to ensure convenience for the respondents. If the answer was negative, the declining financial institution was replaced by one of the same business type and size. In total 82 financial institutions were approached in order to achieve the desired sample size of 20, which was a response rate of 24.4%. Table 4.6 shows the stratification of the population and the achieved sample size by company type and Table 4.7 illustrates the achieved sample composition by company size. The qualitative data collection process started in June 1999 and was concluded in February 2000. Eleven interviews were conducted in England, 6 in Scotland, 1 in Northern Ireland and 2 in Wales. Each in-depth interview lasted between 1 ½ to 2 hours. Nineteen interviews were tape-recorded, while extensive notes were taken at one interview, the interviewee not allowing the use of a tape recorder. Table 4.8 illustrates the position of the 20 interviewed managers.

Table 4.6: Stratification and Achieved Qualitative Sample Size by Company Type

Company Type (Strata)	Stratum Population	Stratum Contribution in the Population (%)	Proportionate Achieved Sample Size	Number of Companies Contacted
1. Banks	230 (N^1)	34.5 %	7 (n^1)	31 (22.6%)*
2. Insurance Companies	367 (N^2)	55 %	10 (n^2)	40 (25%)*
3. Building Societies	70 (N^3)	10.5 %	3 (n^3)	11 (27.7%)*
Total	667 (N)	100%	20 (n)	82 (24.4 %)*

(*: Response rates per stratum and overall response rate)

Table 4.7: Achieved Qualitative Sample Composition by Company Size

Size	Banks	Insurance Companies	Building Societies
Small	2	3	1
Medium	2	3	1
Large	3	4	1
Total	7	10	3

Table 4.8: Business Positions of Managers-Interviewees

Company Type	Size	Business Position of Interviewees
Banks		
A	Large	Head of Business Marketing
B	Small	Company Director
C	Small	Marketing Manager
D	Medium	Company Director
E	Large	Marketing Manager
F	Large	Market Development Manager
G	Medium	Marketing Manager
Insurance Companies		
A	Large	Marketing Director
B	Small	Marketing Manager
C	Large	Marketing Manager
D	Medium	Marketing Manager
E	Medium	Head of Marketing Actuarial
F	Large	Head of Marketing Development
G	Small	Marketing Director
H	Large	Marketing Director
I	Small	Marketing Director/Product Controller
J	Medium	Marketing Manager
Building Societies		
A	Small	Marketing Manager
B	Medium	Marketing Manager
C	Large	Marketing Manager

6.2.3 Representativeness of the Qualitative Sample

By not using a probability sampling strategy, a sample is not representative of the studied population from a statistical point of view. This caveat however is acceptable in qualitative research, where the primary objective of sampling is the understanding of the studied phenomenon and not the statistical representation of a population (Patton 1990; Mason 1996). Maykut and Morehouse (1994, p. 56) noted:

...Unlike quantitative researchers, qualitative researchers are interested in building a sample that includes people (or settings) selected with a different goal in mind: gaining understanding of some phenomenon by a carefully selected group of people.

The above considerations support the rationale for the selection of a stratified purposeful sampling strategy for the qualitative leg of the study. Moreover, within the

limitations of non-probability samples, it is believed that the qualitative sampling strategy of the present study reflected the views of financial institutions of different business types and size, which were geographically spread around the UK.

6.3 Analysis and Interpretation of Qualitative Data

The analysis and interpretation of qualitative data is a challenging process. Due to its flexible open-ended nature, qualitative inquiry generates massive amounts of data, which have to be managed and grouped in order to be interpreted (Patton 1990). In the present study the process of analysis and interpretation of qualitative data underwent the three stages of transcription, mechanical analysis and interpretation (e.g., Wolcott 1990; Kent 1993). First, each one of the 20 in-depth interviews was transcribed on a word-for-word basis. Next, during the stage of mechanical analysis, a process of tagging themes/codes took place. The basis for the identification of themes and codes were the steps of the content of the service elimination process. The data were sorted and classified on a theme/code basis in order to bring together comments on the same theme/code (Douglass and Moustakas 1984; Strauss 1987; Denzin 1978; 1989; Minichiello *et al* 1990). Finally, in the interpretation stage the aim was to go beyond the raw data and to identify trends relating to the service elimination process in the studied companies. Without underestimating its dynamism, interpretation was made in the light of the warning that attempts to quantify qualitative information are distorting than illuminating (Lofland 1971; Patton 1990). Thus emphasis was put on understanding, illumination and discovery rather than on causal determination, prediction and generalisation. The latter were tasks for the quantitative research, the design of which is discussed next.

7. Quantitative Research Design

The analysis and interpretation of the qualitative data led to the identification of a) the content of the service elimination process b) a set of illustrations, insights and trends about the way service elimination was practised in the studied British financial institutions. The quantitative research that followed aimed at quantifying the qualitative findings and thus making the results of the study more reliable, generalisable and replicable. Of the three types of surveys (i.e., face to face interviews, mail and telephone) it was decided that for the purposes of this study mail survey was the most appropriate type. This decision was made after the consideration of a set of advantages of mail surveys, such as cost effectiveness, elimination of interviewer bias, ability of respondents to provide a more thoughtful completion of the survey instrument and guaranteed anonymity and confidentiality (Churchill 1999).

It is the aim of this section to discuss issues concerning the quantitative research design of this study. The issues tackled in the sub-sections that follow deal with questionnaire design, the variables and their operationalisation, sampling, data analysis procedures, and validity and reliability.

7.1 Questionnaire Design

The data capture instrument that was used in the survey phase was a structured questionnaire (Appendix 3). The predominant scaling format was a 7-point Likert type summated rating scale, measuring importance, frequency and agreement/disagreement. Likert type scales are originally no more than ordinal scales, thus not possessing metric measurement qualities. It is common practice, however, among social and marketing researchers to upgrade them into interval scales by assigning numerical scores to each

scale category and assuming that the distance between the intervals is equal (Kerlinger 1986; Kent 1993; Churchill 1999). This technique was applied in this study, as it improves data quality and allows for the use of more sophisticated parametric statistics during data analysis. The 7-point format was preferred over a 5-point one, based on the empirical evidence that a positive relationship exists between the number of scale categories and the size of the used reliability coefficient (Churchill and Peter 1984; Peterson 1994). The questionnaire also included single and multi-choice nominal scales as well as ordinal scales.

The overall structure of the questionnaire and the sequence of individual questions were designed with the objective to increase data quality and facilitate their subsequent analysis. The questionnaire was split into three parts, since this technique enables respondents to fully concentrate on the questions of distinct parts (Herzog and Bachman 1981; Peterson 1988). Individual questions were sequenced in a logical way. The length of the introduction to each question was kept as short as possible, considering however the vital importance of clear instructions in self-administered questionnaires. In two occasions where it was necessary to use branching questions, very simple guidelines were provided in order to minimise the possibility of confusion and nonresponse error (Messmer and Seymour 1982).

Another important consideration in designing the survey instrument is its length. Lengthy questionnaires can have a negative impact on the achieved response rates in mail surveys (Kent 1993). However, although the empirical evidence on this issue is rather blurred, there is a tentative conclusion that the length does not affect the response rate (e.g., Kanuk and Berenson 1975; Herzog and Bachman 1981; Jobber 1989). In deciding about the length of the questionnaire of this study, an attempt was made to find equilibrium between the number of questions on the one hand and information richness

on the other. In other words an attempt was made to ensure that only the necessary questions with regards to the research objectives were included in the questionnaire, but an attempt was also made not to eliminate necessary questions due to length considerations. These considerations resulted in an 11-page data collection instrument, with 10 pages of questions and one page of general filling instructions.

7.2 Questionnaire Pre-Testing

The vital role of questionnaire pre-testing is clearly stressed in the marketing research literature (e.g., Tull and Hawkins 1987; Reynolds *et al* 1993; Churchill 1999). The data collection instrument of this study was extensively pre-tested prior to the official initiation of the mail survey. The pilot study was based on a convenience sample of all 20 British financial institutions that had participated in the interview phase of the study. During the in-depth interview phase, the interviewees had been informed about a forthcoming pilot-study that was to take place a few months later. When the first draft of the instrument became available, all twenty interviewees were contacted by telephone and were reminded of the pilot study. All of them agreed to participate and they were sent a copy of the questionnaire along with a response envelope and a letter explaining the objectives of the pilot-study and the importance of making comments and alterations to the questionnaire. Seventeen responses were posted back within the allowed period with constructive comments, regarding mainly the layout of the questionnaire and the sequence of questions. Because no significant changes were reported, no further pilot testing was deemed necessary.

7.3 Questionnaire Layout and Mailing Process

After the completion of the pilot study, the questionnaire was double-side printed on A3 quality coloured paper, which was folded in A4 booklet format, as it is suggested that the physical appearance of self-administered questionnaires boosts respondents co-operation (Churchill 1999). During the interview phase of the study it was made obvious that the most appropriate person to complete the questionnaire was the marketing manager of financial institutions. A one-page personalised covering letter was thus addressed for his/her attention (Appendix 4). The letter explained the reasons for the research and stressed the importance of participation. In order to give accurate pre-advice to respondents, it was made clear that completing the questionnaire was more than a matter of a few minutes, since the pilot study indicated that completion could take up to 45 minutes. The letter also assured for full anonymity and confidentiality and promised a summary of the survey results. Finally, a stamped response envelope was provided. First class stamps were preferred to business postage-paid envelopes due to the positive effect that they may have on the response rate (Kanuk and Berenson 1975). As it is discussed in more detail in the subsequent section of sampling, 500 questionnaires were mailed to financial institutions from May 18 to May 29, 2000. To increase the response rate of the mail survey, a second wave of 300 questionnaires was sent to non-respondents from June 26 to June 29, 2000. Table 4.9 shows the dates on which the questionnaires of the first and the second mailings were posted.

Table 4.9: Mailing Process for the First and Second Wave of Questionnaires

First Mailing Wave		Second Mailing Wave	
Date	Number of posted questionnaires	Date	Number of mailed questionnaires
May 18, 2000	16	June 26, 2000	62
May 19	62	June 27	135
May 22	52	June 28	60
May 23	80	June 29	43
May 24	79		
May 25	64		
May 26	80		
May 29	67		
TOTAL	500		300

7.4 The Variables and their Operationalisation

The variables of the mail survey were classified under three broad categories and they were grouped accordingly in the three parts of the questionnaire. Part one included classification variables. Part two (the lengthiest part) included all the variables relating to the service elimination process. Part three included variables of the internal and external environment of British financial institutions. Table 4.10 lists all the variables of the mail survey, their type, the way in which they were operationalised and their theoretical justification (where available). The variables of each part are discussed in detail in the following sub-sections.

Table 4.10: The Variables of the Mail Survey and their Operationalisation

Question No	Variable Name	Variable Type	Operationalisation	Scale Type	Sources
Part 1	Classification Questions				
1	Company type	Independent	3-item scale	Nominal scale/ single answer	
2	Size	Independent	1-item	Continuous metric	Kennedy 1980; Meidan 1996; The Banker 1999
3	Service diversity	Independent	1-item	Continuous metric	
4	Number of eliminated services in the last 5-year period	Independent	1-item	Continuous metric	
Part 2	Questions Relating to Service Elimination Decision-Making				
5	Service Elimination Objectives	Dependent	5-item scale	7-point Likert 1:Not at all 7:To a great extent	In-depth interviews
6	Problem situations	Dependent	8-item scale	7-point Likert 1:Of no importance 7: Of extreme importance	In-depth interviews; Avlonitis and James 1982; Avlonitis 1987a; Avlonitis 1987b; Hart 1988; Hart 1989; Avlonitis 1990; Avlonitis et al 2000
7	Audit criteria for the identification of candidates for elimination	Dependent	8-item scale	7-point Likert 1:Of no importance 7: Of extreme importance	In-depth interviews; Alexander 1964; Kotler 1965; Rothe 1970; Eckles 1971; Hise and McGinnis 1975; Hise et al 1984; Avlonitis 1986b; Avlonitis et al 2000
8	Alternative remedial actions	Dependent	7-item scale	7-point Likert 1:Of no importance 7: Of extreme importance	Eckles 1971; Hise and McGinnis 1975; Avlonitis 1985b; Avlonitis et al; 2000
9	Evaluation factors	Dependent	9-item scale	7-point Likert 1:Of no importance 7: Of extreme importance	In-depth interviews; Rothe 1970; Worthing 1971; Eckles 1971; Avlonitis 1984; Avlonitis 1993
10	Elimination implementation strategies	Dependent	10-item scale	a) Nominal scale/ multi-answer ⁷ b) 7-point Likert 1:Very rarely 7: Very frequently	Rothe 1970; Eckles 1971; Avlonitis 1983b; Saunders and Jobber 1994; Harness and Mackay 1997
Cont...					

⁷ With reference to the elimination implementation strategies, respondents were asked to indicate which strategies they used to implement the specific elimination case that they were using as a benchmark to answer the questionnaire. Since in the in-depth interviews it was found that financial institutions could use more than one implementation strategy at a time, the scale was made multi-answer.

Table 4.10 cont...

Question No	Variable Name	Variable Type	Operationalisation	Scale Type	Sources
12	Post elimination stage: factors for retrospective assessment of elimination decisions	Dependent	9-item scale	7-point Likert 1: Of no importance 7: Of extreme importance	In-depth interviews <small>Caron et al 1989; Sheth et al 1988; 1991; Nettler and Lockett 1990; Chonko 1989; Balmer et al 1990</small>
13	Post elimination stage: reasons for not conducting	Dependent	4-item scale	Nominal/ multi answer	In-depth interviews
14	Duration of the service elimination decision-making process	Dependent	3-item scale	Continuous metric	In-depth interviews; Avlonitis 1983-1984; Avlonitis 1986a
15	Duration determinants	Dependent	7-item scale	7-point Likert 1: Of no importance 7: Of extreme importance	In-depth interviews
16	Method of delivery process	Dependent	3-item scale	Nominal/ Single answer	Lovelock 1983
17	Type of service	Dependent	2-item scale	Nominal/ Single answer	In-depth interviews
18	Participation in service elimination decision-making	Dependent	12-item scale	Rank order	In-depth interviews; Avlonitis 1985a
19	Formality	Dependent & Independent	9-item scale	7-point Likert 1: Absolutely false 7: Absolutely true	Pugh 1963; 1968; 1969; Avlonitis 1985d
21	Re-marketing of eliminated services	Dependent	4-item scale	7-point Likert 1: Very rarely 7: Very frequently	In-depth interviews
Part 3 Questions Relating to the Internal and External Environment of British Financial Institutions					
22	Overall business strategy	Independent	4-item scale	Nominal/ Single answer	In-depth interviews; Porter 1980; Walker and Ruekert 1987; Argouslidis 1997
23	Market orientation	Independent	13-item scale	7-point Likert 1: Not at all 7: To an extreme extent	Narver and Slater 1990
24	Market competition	Independent	5-item scale	7-point Likert 1: Not intense at all 7: Extremely intense	In-depth interviews, Ennew et al 1990 Cont...

through data to groups

Table 4.10 cont...

Question No	Variable Name	Variable Type	Operationalisation	Scale Type	Sources
25	The legislative environment	Independent	6-item scale	7-point Likert 1: Not intense at all 7: Extremely intense	In-depth interviews; Carter <i>et al</i> 1989; Shelton 1990; Johnson 1991; Nellis and Lockhart 1995
26	Technological change	Independent	10-item scale	7-point Likert 1: Strongly disagree 7: Strongly agree	Chiplin 1986; Tushman and Anderson 1986; Dover 1987; Khan and Zerby 1988; Suchard 1988; Weston and Williams 1988; van Wyk 1988; Tushman and Rosenkopf 1992; Marr and Prendergast 1993; Lovelock 1995; Meidan 1996; Kasper <i>et al</i> 1999; Nelson 1999; Mols 1999; Sorensen and Stuart 2000
27	Importance of service range management activities	Independent	4-item scale	Rank order	In-depth interviews; Avlonitis 1983-1984

7.4.1 Classification Variables

The first part of the questionnaire included the classification variables, namely company type (Q1), size (Q2), service diversity (Q3) and number of services eliminated in the last 5-year period (Q4). To avoid any idiosyncratic interpretations of the service diversity variable, the following definition was provided:

A financial service is defined as an offering with individual stance within the service range. For example if a company offers 5 different types of current accounts, 10 different pension services and 5 different mortgage services, the total number of financial services in the range is 20.

In order to assign metric qualities to the variables of size and product diversity, it was decided not to use pre-defined categories in their operationalisation. If grouping was needed for analytical purposes (for example for one-way ANOVA) this was possible through data re-grouping.

7.4.2 Service Elimination Related Variables

The second part of the questionnaire was entirely devoted to variables relating to the pre-elimination stage, the service elimination decision-making process and the post-elimination stage. To minimise memory distortion problems, respondents were asked to recall a recent service elimination decision and to use it as a benchmark to answer the questions in this part of the questionnaire. The variables of this part were as follows.

7.4.2.1 Objectives of Service Elimination

The variable (Q5) contained five items, which were identified during the interview phase. A 7-point Likert type scale was used, measuring the extent to which each of the listed objectives guided the specific elimination decision.

7.4.2.2 Problem Situations Triggering Service Elimination

This variable (Q6) was operationalised through an eight-item construct. A 7-point Likert type scale was used, measuring the importance of each of the listed problem situations in triggering a company to examine a service more closely for possible elimination.

7.4.2.3 The Steps of the Service Elimination Decision-Making Process

This variable aimed at measuring the relative importance/frequency of the decision variables involved in the four-step elimination decision-making process, i.e., during identification of weak services (Q7), revitalisation (Q8), evaluation of the impact (Q9) and implementation of the elimination decision (Q10). 7-point Likert type scales of importance and frequency were used for the measurement of this variable. With regards to the different strategies available for the implementation of the elimination

decision, the interviews revealed that financial institutions could use more than one elimination implementation strategy at a time. Therefore, except for how frequently they were using each one of the 10 elimination implementation strategies, respondents were asked to indicate the one(s) that they used in the specific service elimination case that they used as benchmark.

7.4.2.4 Duration Issues

Respondents were asked to specify the duration (in months) of the following activities:

- a) the time that elapsed from initial identification of a problem with a financial service until the confirmation of the elimination decision, i.e. the duration of the decision-reaching process (Q14a),
- b) once the elimination decision was made, the time that elapsed until the eliminated service was no longer available to new potential customers (Q14b) and
- c) the time that elapsed from the confirmation of the elimination decision until the service was no longer available to existing customers-holders (Q14c)

Respondents were also asked to indicate the importance of seven factors, which could determine the duration of the elimination decision-reaching process (i.e., from identification to decision-making) on a 7-point Likert type scale (Q15).

7.4.2.5 Method of Service Delivery

This variable was operationalised with one of the dimensions of Lovelock (1983) for the classification of services, namely the method of service delivery (Q16). Respondents were given a three-item nominal scale with the option to choose only one of the following items:

- a) customers visit the company
- b) the company visits the customers
- c) the company and customers transact at arm's length

7.4.2.6 Type of Eliminated Service

Since the study focused on both retail and corporate financial services, respondents were given a two-item scale and were asked to specify the type of the specific eliminated service that they were using as a benchmark for their response (Q17). The items were as follows:

- a) retail financial service (sold to the mass market, i.e., individuals and households)
- b) corporate financial service (sold to a few important customers, such as private customers or business organisations)

7.4.2.7 Participation in the Service Elimination Decision-Making Process

The eleven functional areas that were identified during the interviews as participants in the various steps of the service elimination process were tabulated, according to Avlonitis' (1985a) scheme, against three phases, namely *initiation*, *collection and analysis of information* and *decision-making* (Q18). Respondents were asked to rank the functional areas that participated in each one of the three phases, according to their influence in each phase.

7.4.2.8 Post-Elimination Reviews

Respondents were asked, through a branching question (Q11), to specify whether or not they conducted a post elimination review after the implementation of the elimination decision for the specific service that they were using as benchmark for their

answers. In case a post-elimination review had been conducted, respondents were diverted to a construct of nine retrospective assessment criteria (Q12), which were identified during the interviews, and were asked to indicate their importance in assessing the retrospective success/appropriateness of their benchmark service elimination decision. In case a post-elimination review had not been conducted, respondents were asked to indicate the reason(s) for non-conducting (Q13).

7.4.2.9 Re-Marketing Initially Eliminated Services

Respondents were asked to specify through a branching question (Q20) whether or not they had ever re-marketed a financial service that they had eliminated initially. In case of a positive answer, they respondents were diverted to four re-marketing factors (identified during the interviews) and, on a 7-point very rarely/very frequently scale, were asked to specify how frequently each factor had triggered a re-marketing action (Q21).

7.4.2.10 Formality

The variable of formality was operationalised by the 9-item construct that Avlonitis (1985d) used in his research on product elimination (Q19). The construct captured formality in three dimensions, namely assignment of responsibilities, systematic behaviour and documentation. These three dimensions have their origin in the literature of organisational behaviour (Pugh *et al* 1963; 1968; 1969). Some modifications in the wording of the original construct were implemented, in order to adapt it to the studied service setting. Also in the present study respondents were asked to rate the items on a 7-point absolutely true/absolutely false scale and not on the 5-point absolutely true/absolutely false scale of Avlonitis.

7.4.3. Variables of the Internal and External Environment

The third part of the questionnaire was devoted to variables of the internal and external environment of British financial institutions. Each variable is discussed below.

7.4.3.1 Overall Business Strategy

Based on Porter's (1980) and Walker and Ruekert's (1987) discussion, a 4-item nominal scale was developed for the measurement of overall business strategy (Q22). The four items were *cost reducer*, *fast imitator*, *slow imitator* and *technological innovator*. Respondents were asked to choose the alternative that best characterised their companies. The same scale had been used in a previous piece of research (Argouslidis 1997).

7.4.3.2 Market Orientation

Market orientation was operationalised by the construct of Narver and Slater (1990), which is also adopted in other product management related studies (e.g., Gatignon and Xuereb 1997; Lucas and Ferrell 2000). The construct measures market orientation in three dimensions namely customer orientation, competitor orientation and interfunctional coordination. From the original 15-item construct, two items were eliminated because respondents reported ambiguity during the pilot study. Those items were '*we give close attention to after-sales service*' (measuring customer orientation) and '*we share resources with other business units*' (measuring interfunctional coordination). The remaining 13-items were scored on a 7-point not at all/to an extreme extent scale (Q23).

7.4.3.3 Market Competition

The variable of market competition was operationalised by a 5-item construct (Q24), listing five different types of competition, namely price competition, service attributes competition, communications competition, delivery process competition and technology competition. Respondents were asked to rate the intensity of each type of competition on a 7-point not intense at all/extremely intense scale.

7.4.3.4 Legislation

Based on the literature on financial services marketing (e.g., Carter *et al* 1989; Ennew *et al* 1990; Shelton 1990; Nellis and Lockhart 1995; Meidan 1996) as well as on insights from the interviews, a construct with six different areas of legislation was developed (Q25). The items were as follows: price legislation (concerning mandatory price levels), service design legislation (concerning the attributes/characteristics of financial services), distribution channel legislation, delivery process legislation, expansion legislation (concerning domestic or international expansion) and promotional/advertising legislation. Respondents were asked to rate the intensity of each area of legislation on a 7-point not intense at all/extremely intense scale.

7.4.3.5 Technological Change

Based on the literature concerning the role of technological change in the business environment in general (Tushman and Anderson 1986; Suchard 1988; Khan and Zerby 1988; Weston and Williams 1988; van Wyk 1988; Tushman and Rosenkopf 1992; Sorensen and Stuart 2000) as well as on the literature on the effect of technological developments on the British financial services sector (Dover 1987; Marr and Prendergast 1993; Lovelock 1995; Meidan 1996; Kasper *et al* 1999; Nelson 1999;

Mols 1999) a 10-item construct was developed for the measurement of technological change (Q26). The construct measured dimensions such as rhythm of productivity, speed of product obsolescence and speed of shift towards more capital intensive operations and service delivery processes. The 10 items were in the form of statements and respondents were asked to indicate their extent of agreement/disagreement with each one of them on a 7-point scale. Two items of the construct were negatively worded in order to secure and crosscheck respondents' attention and to control for possible response patterns, which could be caused by a continuous positive wording (Friedman 1988; Garg 1996; Papadakis *et al* 1998). In his research Avlonitis (1986a) operationalised the variable of technological change by a single-item scale, by asking respondents to rate the rhythm in which new products were introduced in the British engineering industry. In the present study the decision to measure technological change by a multi-item construct was based on the volatility of the British financial services sector. In other words, despite the fact that the rhythm of new financial services' introduction can be one dimension for the measurement of technological change, it cannot be the only one for the British financial services sector.

7.4.3.6 Relative Importance of Service Range Management Activities

This variable was operationalised through a rank order scale (Q27), which included the following service range management activities: a) planning and developing new services, b) improving existing services, c) developing new markets for existing services and d) eliminating existing services. The items of the scale were based on those used by Song and Parry (1993) with alterations in the wording. Another modification was that in the present study a rank order scale was used, instead of the original 6-point Likert type scale of Song and Parry. Respondents were asked to rank the four activities

of service range management (i.e., 1st, 2nd, 3rd, 4th) according to a) their relative importance in the achievement of the company's service range management objectives and b) the resources (temporal, monetary and human) that were allocated to each one of them.

7.5 Sampling: A Proportionate Stratified Random Strategy

From the sampling strategies for quantitative research, which are suggested in the literature (e.g., Stephan and McCarthy 1958; Sudman 1976; Churchill 1999), it was decided to implement a proportionate stratified sampling strategy.

This is a probability sampling strategy that produces more precision than simple random samples (Churchill 1999). To be operational, two conditions should be met: first the population should be divided into exhaustive and mutually exclusive categories (strata) and second a simple random sample of elements should be chosen from each stratum, in direct proportion to the number of elements of each stratum in the total population (*ibid.*).

7.5.1 Selection Process

In the section discussing the definition of the present study's population, it was mentioned that the latter was grouped under three strata, according to the type of company, which meets the first condition of proportionate stratified samples. A request sample size of 500 was considered adequate and a proportionate request sample size from each stratum was determined. Thus, the per-stratum request sample was 172 banks (n^1), 275 insurance companies (n^2) and 53 building societies (n^3). Table 4.11 shows the procedure leading to the request sample size for each stratum.

Table 4.11: Population and Request Quantitative Sample Size per Stratum.

Population Strata	Stratum Population	Stratum % in the Population	Request Sample Size
1. Banks	230 (N^1)	34.50 %	172 (n^1)
2. Insurance Companies	367 (N^2)	55 %	275 (n^2)
3. Building Societies	70 (N^3)	10.50 %	53 (n^3)
Total	667 (N)	100%	500 (n)

To operationalise a random selection of elements, the following suggested steps were implemented (Sudman 1976; Churchill 1999). The 667 elements of the three strata were entered in a list in alphabetical order. Each one of the elements of the banks' and insurance companies' strata was assigned a three digit serial number (since the population of both these strata was three-digit), while each one of the elements of the building societies' stratum was assigned a two digit number (due to a two digit population of this stratum). The random selection of elements was based on a table of random digits (The Rand Corporation 1983). A random start was made, moving downwards on the table. When there was a match of an element's serial number and a random number, the element was selected. This process was repeated three times, until the request sample size for each stratum was reached. For each stratum, random numbers that were larger than the population as well as previously selected random numbers were skipped.

7.5.2 Achieved Sample Size and Response Rate

The questionnaires for the purposes of the mail survey were secured by two mailing waves. In the first mailing 500 questionnaires were posted. The total replies from the first mailing were 97, but only 53 were usable. Five weeks after the first

mailing, a second wave of questionnaires was sent to 300 non-respondent companies, which again were selected on a random proportionate stratified strategy. 94 replies were posted back, 59 of which were usable. Thus, after two mailing waves 191 replies were obtained, which was a gross response rate of 38.2%. The usable replies were 112, representing a net response rate of 22.4% (Table 4.12).

Table 4.12: Response Rates in the Mail Survey

Mailing Wave	Number of Posted Questionnaires	Gross Response rate		Non-Usable Replies		Net Response Rate	
		n	%	n	%	n	%
First	500	97	19.4	44	8.8	53	10.6
Second	300	94	31.4	35	11.7	59	19.7
Overall	500	191	38.2	79	15.8	112	22.4

Table 4.13 shows the response rates per company type during the two mailing waves and lists the questionnaires sent to each stratum, the number of the obtained replies and the corresponding percentage. The non-response bias was checked using the extrapolation method, as Armstrong and Overton (1977) describe it. The extrapolation method works on the assumption that the respondents who replied 'less readily' to a survey are more likely to have the same characteristics to non-respondents, than the early respondents are. In the present study the successive waves extrapolation technique was used in order to define the early and the late respondents (*ibid.*). In particular, the 112 questionnaires were split into two bunches, depending on whether each questionnaire was obtained as a result of the first mailing wave (early respondent) or the second wave (late respondent). The mean scores of early and late respondents across the service elimination-related variables and the variables of the external environment were compared and no statistically significant differences were found.

Table 4.13: Response Rates Per Company Type

Company Type	First Mailing			Second Mailing		
	Sent	Replies	%	Sent	Replies	%
Banks	172	18	10.46	104	21	20.20
Insurance Companies	275	27	9.81	165	31	18.78
Building Societies	53	8	15.09	31	7	22.58
Overall	500	53		300	59	

As Table 4.14 shows, the achieved response rate was within the average of the response rates that other mail surveys on product elimination in consumer and industrial manufacturing settings have periodically achieved. The highest response rate of 32.25% was achieved by Saunders and Jobber (1994), after 4 mailing waves. This is a verification that follow-up techniques can increase the response rates of mail surveys (Kanuk and Berenson 1975). Due to budget constraints in the present study it was not possible to send a third wave of questionnaires to further increase the effective response rate.

Table 4.14: Response Rates of Quantitative Research on Product Elimination

Authors	Request Sample	Number of Mailing Waves	Usable Responses	Response Rates
Rothe 1970	NA	2	100	Not reported
Hise and McGinnis 1975	500	1	96	19.2 %
Avlonitis 1986a	300	2	94	31%
Avlonitis 1987a	900	Not reported	166	18.4%
Greenley and Bayus 1994	1960	1	281	14.33%
Saunders and Jobber 1994	400	4	129	32.25%
Avlonitis <i>et al</i> 2000	900	Not reported	156	17.3%

The response rate of 22.4% is satisfactory considering also the sensitive nature of the information that was required and the length of the questionnaire (more than 40-45 minutes were needed for careful completion). As Table 4.15 confirms, confidentiality issues were the most frequently cited reason for non-participation in the

study, followed by time constraints. The latter contradicts a part of the marketing research literature, which tentatively concludes that the length of mail questionnaires does not affect response rates (Kanuk and Berenson 1975; Herzog and Bachman 1981; Jobber 1989).

Table 4.15: A Distribution of the Non-Usable Questionnaires

Industry Sector	Reasons for Non-Usability								TOTAL
	Company closing down	Confidentiality	Time constraints	Part of a larger com/ny	Policy of non-particip. in acad. surveys	Incomplete questionnaires	Late responses	No reason given	
Banks	-	8	6	3	3	1	3	1	25
Ins.Com	9	14	12	2	1	2	-	2	42
BS	-	4	2	-	1	2	2	1	12
TOTAL	9	26	20	5	5	5	5	4	79

7.5.3 Sampling VS Census

A concern of social researchers is whether to base a piece of research on a census or on a sample. This concern becomes even more relevant in cases where the population of a study is relatively small and the cost of a census is relatively low (Peterson 1988). As was shown in the preceding sections, the population for this study was not significantly larger than the requested sample size. As a result, taking a census instead of sampling was feasible in terms of costs and timing. However, the decision to take a sample was based on two considerations. First, studies based on censuses have the advantage of no sampling error, thus producing more accurate data than studies based on samples. However, this is the case only when all the elements of a population participate in a study, i.e., a case of a complete census, which is difficult to achieve in mail surveys. The effects of incompleteness of returns and of the sampling error are much more serious and difficult to assess in an incomplete census than in a sample (Yates 1965; Tull and Hawkins 1987). Second, a census makes the use of many inferential bivariate

and multivariate statistical tests meaningless, thus creating problems in the data analysis stage (Kerlinger 1986).

7.6 Validity and Reliability

In any measurement process emphasis should be placed on the development of measures which are both valid and reliable (Churchill 1979). The following subsections discuss issues relating to attempts to secure validity and reliability for the measures of this study.

7.6.1 Validity

According to Kerlinger (1986) the notion of validity can be framed by the question ‘are we measuring what we think we are measuring?’ (p. 417). Assessing the validity of a measure is a very complex and controversial process and it involves a great deal of judgement. As Nunnally (1978) comments,

There is no way to prove the validity of an instrument purely by appeal to authority, deduction from a psychological theory, or any type of mathematical proof. Validity usually is a matter of degree rather than an all-or-none property, and validation is an unending process (p. 87).

The complexity of validity is reflected in the different ways in which it can be assessed. There is predictive validity, concurrent validity, construct and content validity (Nunnally 1978; Kerlinger 1986; Churchill 1999). In this study emphasis was placed upon content and construct validity, two of the most commonly used methods of validity assessment for marketing research constructs (Churchill 1979; Peter 1981).

7.6.1.1 Content Validity

Kerlinger (1986) defines content validity as the representativeness or the sampling adequacy of the content of a measure and suggests that its assessment is basically judgmental. The key to content validity lies in the procedures followed to develop a measure (Nunnally 1978). To secure content validity for the various measures of the survey questionnaire, the following actions were undertaken:

- a) A conceptual definition of the domain of the characteristics (variables) was attempted by studying the relevant literature.
- b) A large collection of items was produced, so that each characteristic was adequately represented in the measures. Attention was given to the inclusion of the items from all relevant dimensions of a characteristic, as they were defined in the literature.
- c) As far as the content of the service elimination process is concerned, the in-depth interviews as well as the pilot study prior to starting the mail survey, enhanced the attempts to secure content validity, by providing an indication of what items could be included in the various measures and by assuring that the wording of the various measures was appropriate.

7.6.1.2 Construct Validity

Construct validity is concerned with the question of what a measure is in fact measuring (Churchill 1999). It is suggested that when a construct is designed to measure a large and loosely defined domain of observable variables the most appropriate method to assess its validity is factor analysis⁸ (Nunnally 1978). Factor analysis was used to assess the validity of the newly developed 10-item construct of technological change and to reassess the validity of the 9-item construct of formality,

which had not been used again in empirical research since its original development (Avlonitis 1985d).

Principal components analysis with Varimax rotation indicated that the construct of technological change measured indeed three underlying sub-constructs which were as follows: a) rhythm of technological advancement, b) extent of capital intensity and speed of productivity and c) need to engage in R&D. Table 4.16 shows the mean scores, the factor loadings and the extracted factors for the construct of technological change.

⁸ Factor analysis is a data reduction method used to reduce a large number of items to a smaller and more manageable number of underlying constructs called factors, by discovering which items correlate with which factor (Stewart 1981; Kerlinger 1986).

Table 4.16: Construct Validity-Principal Components Analysis with Varimax Rotation for the Construct of Technological Change

Items	Mean*	Factor 1: Technological advancement	Factor 2: Rapid capital intensity and increased productivity	Factor 3: Need for R&D
The advent of new technologies in our industry is increasing	6.29	.622		
Technological advancements are a driving force in our industry	5.72	.790		
A lot of the industry's new services owe their existence to technological developments	5.16	.824		
In our industry technological advancements can make existing financial services obsolete very quickly	4.41	.687		
The distribution channels in our industry are changing as a result of technological developments	5.82		.557	
The productivity in our industry is increasing as a result of technological change	5.21		.583	
In our industry back-office and front-office operations are becoming increasingly automated	5.78		.672	
In our industry the service delivery processes for many financial services are becoming more capital intensive	4.95		.665	
In our industry there is no need to engage in R&D in order to keep up with technological advancements	2.11			.811
In our industry there is no need to develop new services in order to replace technologically obsolete ones	2.22			.829
Eigenvalue	2.420	1.876	1.637	
Cumulative Variance Explained	23.7 %	43.6 %	61.1 %	
Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy ⁹		.707		
Bartlett's Test of Sphericity ¹⁰		Chi-Square= 256.950, df=45, Sig=.000		
Cronbach α per Factor	.7592	.5238	.6432	
*Mean values on a 7-point Likert type scale: 1: Strongly disagree 7: Strongly agree				

Except for the newly developed construct of technological change, the construct of formality was factor analysed in order to re-assess its validity. Table 4.17 shows that

⁹ The value of the KMO must be greater than about .50 for a satisfactory factor analysis (Kinnear and Gray 1999).

¹⁰ Bartlett's test of sphericity must be significant, i.e., less than $p < .05$. If it is not significant, the construct is not suitable for factor analysis. This is so because there is a danger that the correlation matrix for the items of the factor analysed construct is an identity matrix, i.e., the diagonal elements are 1 and the off-diagonal elements are 0 (Bartlett 1950).

the construct captured three sub-constructs, namely systematic behaviour, assignment of responsibilities and documentation. The above factor analytic solution was in line with the factor solution of Avlonitis (1985d) and provided validation to the formality construct.

Table 4.17: Construct Validity-Principal Components Analysis with Varimax Rotation for the Formality Construct

Items	Mean*	Factor 1: Systematic Behaviour	Factor 2: Assignment of Responsibilities	Factor 3: Documentation
The performance of all our services is reviewed regularly and systematically in order to identify possible problems	5.35	.668		
We have explicitly defined audit criteria against which we evaluate the performance of our services	4.02	.785		
For each audit criterion we have explicit minimum performance standards. Services not meeting them become elimination candidates	3.62	.868		
We initiate elimination activities only when problems develop with particular services	4.22	-.700		
Responsibility for service elimination has been clearly assigned in our company	3.87		.767	
No specific responsibilities have been assigned. Elimination decisions are made through informal conversations and activities	4.00		-.837	
Service elimination decisions are guided by written procedures	2.66			.654
A standard form (document) is used to reach elimination decisions	2.19			.885
A standard form (document) is used to implement elimination decisions	2.40			.881
Eigenvalue	2.736	2.183	2.013	
Cumulative Variance Explained	27.7 %	53 %	70%	
Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy			.764	
Bartlett's Test of Sphericity		Chi-Square= 450.759, df=36, Sig=.000		
Cronbach α per Factor	.8088	.5823	.8042	
*Mean values on a 7-point Likert type scale: 1: Absolutely false 7: Absolutely true				

7.6.2 Reliability

According to Nunnally (1978), reliability concerns the extent to which measurements are repeatable. To evaluate the reliability of a construct, researchers must determine how much of the variation in the observed score is attributed to inconsistencies in measurement (Peter 1979).

Two of the most popular ways to estimate the reliability of a construct are stability and equivalence (Churchill 1999). Stability involves administering a construct to the same objects at two different times and correlating the obtained scores. However, since this method involves re-testing it was not possible to use in this study. Equivalence as a measure of reliability focuses on the internal consistency (or homogeneity) between the items of a construct and can be assessed by two techniques: the split-half reliability and Cronbach's coefficient α . The split-half technique was rejected due to the criticism that it has received¹¹ and the adopted method was Cronbach's Coefficient α ¹². Coefficient α ranges from 0 to 1 and sets an upper limit to the reliability for measures, which have been developed in terms of the domain sampling model (Nunnally 1978).

Table 4.18 shows the α coefficients for the constructs of technological change and formality. Given the exploratory nature of the study, the construct of technological change exhibited the acceptable level of α of .6941, which was well above Nunnally's 1967 initial recommended level of .60 and marginally below his revised

¹¹ The split-half technique for the assessment of reliability involves splitting a construct in two halves and correlating them. The higher the correlation coefficient between the two halves, the more reliable the construct. This technique has been criticised as a measure of reliability basically due to the arbitrary way in which it produces the two halves of a construct. Different two-halve combinations are likely to produce different reliability coefficients (Churchill 1999).

¹² Cronbach's coefficient α is a commonly agreed measure of equivalence. It measures the intercorrelations among a set of items and it has been suggested that it should be routinely used to assess the quality of measures. Cronbach's α is given by the following formula:

$$\alpha = (k/k-1) [1 - (\sum \sigma_i^2 / \sigma_t^2)] \text{ where:}$$

k: number of items in a scale

σ_i^2 : variance of scores on item i across subjects

σ_t^2 : variance of total scores across subjects where the total score for each respondent represents the sum of the individual scores.

recommendation for .70 (Peterson 1994). The construct of formality exhibited a coefficient α of .8277, which was very good and actually higher than the α achieved by Avlonitis (1985d), when the formality construct was first developed.

Table 4.18: Reliability Analysis with Cronbach α

Construct	Number of Items	Coefficient α	Previously Achieved Coefficient α
Technological Change	10	.6941	NA (new construct)
Formality	9	.8277	.790 (Avlonitis 1985d)

7.7 Data Analysis

The quantitative data were coded and entered into the Statistical Package for Social Sciences (SPSS), which was used for the statistical analysis. The choice of a particular statistical procedure was based on two considerations: first, the number of variables that were to be compared at a time (i.e., univariate, bivariate and multivariate analysis) and second, the level of measurement of the compared variables (i.e., metric non-metric). Simple descriptive statistics, t-tests, bi-variate and partial correlations, one-way ANOVA, multiple regression analysis and factor analysis were some of the used statistical procedures.

8. Limitations of the Research Design

Despite the attempts to control for as many potential problem sources as possible, the employed research design must be viewed in the light of some limitations.

- During the contacts with potential interviewees, that preceded the phase of the actual qualitative data collection, the researcher attempted to identify the most appropriate and knowledgeable managers with regards to financial service

elimination and to secure their co-operation during the in-depth interviews. Despite the above attempts, the identification of the content of the service elimination process, which was the objective of the qualitative phase of data collection, might have been influenced by the different degrees of willingness and recollection of managers interviewees to provide accurate information.

- In the present study company size was measured by total assets. In the qualitative phase of the study size was treated as a categorical variable and, based on cut-off points, financial institutions were considered to be small, medium and large. While total assets are considered to be an accurate size indicator for financial institutions, there is not agreement on specific asset cut-offs that could categorise the latter as small medium and large. In an attempt to minimise judgement in setting the cut-offs the researcher considered league tables from financial magazines and consulted multiple practitioners, academics and research subjects. Despite the above efforts, size classification in the qualitative phase should be viewed in the light of the limitation caused by the non-existence of agreed size cut-offs. In the quantitative phase of the study size was treated as a metric variable and thus there was no effect from an inflation or deflation of the cut-offs.
- Another limitation relates to the self-administration of the mail questionnaire, which may have been a source of response error. The researcher could not physically provide explanations to respondents in case the latter experienced difficulties with some questions. Although the extensive pre-test of the questionnaire was a step towards the minimisation of this type of non-sampling error, its occurrence cannot be excluded.

- In self-administered questionnaires the researcher does not have the opportunity to motivate the undecided respondents to complete the questionnaire. In that sense the self-administration process could have been a source of non-response error.
- As mentioned previously, the main scaling format used in the mail survey was a 7-point Likert-type summated rating scale. The potential measurement error generated by the yet accepted assumption of equal distance between the scale categories should not be overlooked. This limitation could have affected the total scores of the summated scales, which were treated in absolute terms.

The present chapter aimed to discuss issues relating to the philosophical and theoretical background of research methods and to the actual technicalities of the research design that this study adopted. The next chapter presents the findings of the in-depth interview phase of the data collection process.

Chapter 5

Qualitative Findings

1. Introduction

The present chapter presents the findings of the qualitative data collection phase of the study, which was operationalised by 20 in-depth face-to-face interviews with British financial institutions of various types and sizes. As discussed in chapters 3 and 4, the qualitative research was a tool to meet one of the research objectives of the study, i.e., to identify the content of the service elimination process within financial institutions. The sections that follow present the in-depth interview findings with regards to a) the place of service elimination within the broader range of service range management activities and b) the content of the pre-elimination stage, the actual service elimination decision-making process and the post-elimination stage. Finally, the chapter concludes by summarising some tentative trends that were revealed during the interviews.

2. Service Elimination in the British Financial Services Sector

The following sub-sections present a first overall description of the service elimination activities in the interviewed British financial institutions and shed light on the following research questions:

- a) Where does service elimination fit in the service range management activities?
- b) What is the relative importance of service elimination against NSD?
- c) Are adequate corporate resources (e.g., human, temporal and monetary) allocated to service elimination?

2.1 Service Elimination within Service Range Management

The interviews did not reveal a clear trend with regard to the place of service elimination activities within the broader array of service range management activities. On the one hand, a small majority of 11 financial institutions (6 small, 3 medium, 2 large) stated that service elimination activities were not an integral part of service range management activities, because the latter focused on how to expand the business rather than on how to rationalise it or shrink it. However, despite their negative attitude towards service elimination, companies in this group acknowledged some benefits. The following comments are representative of the trend in this group:

Service elimination activities are not an integral part of our product¹ range management. We would not go out in a meeting to say OK what are we going to eliminate today. It is more important for us to discuss what new we can do today (the marketing manager of a small bank).

There is no need to have it [service elimination] integrated in our service range management. The market will indicate what needs to be eliminated. If we see that either customers do not want some of our products or that some of our products do not make us money we will then handle this issue in isolation and decide whether we want to continue with them (the director of a small bank).

On the other hand, 7 financial institutions (2 medium and 5 large), considered service elimination to be an integral part of their service range management. Companies in this group considered service elimination to be directly related to their strategic pursuit for the provision of best services to customers and to be an important managerial tool for

¹ As far as the verbatim quotations are concerned, the terms 'product' and 'service' are used in the way interviewees expressed their views.

effective service range management in the harsh economic conditions of the financial services sector. Two illustrative comments follow:

It is [service elimination] an integral part, yes. Because part of our product management-related strategic thinking is to make sure that we are offering services that meet customer needs. If they don't then this kicks off the process [of service elimination] (the marketing manager of a large insurance company).

It is integral, because it helps us formulate a very clear idea of what sort of areas in the market we want to be in and what skill and competencies we want to develop (the marketing manager of a medium-sized insurance company).

Finally, 2 financial institutions (1 medium and 1 large) reported that although at the present time service elimination activities were not central to service range management, in the future this was likely to change. The marketing manager of a medium sized insurance company stated that,

service elimination is not only not included in service range management but it is something we have done very rarely up to now. Having said that, it is now being recognised as something that we have to do, partly because our sales force repeatedly report to the management that they don't have a clear focus due to our very wide portfolio and partly because marketing people have a huge range of services to promote with a finite budget.

2.2 Service Elimination VS New Service Development

The interviews suggested that 16 out of the 20 studied institutions (5 small, 5 medium and 6 large) considered service elimination to be less important than NSD, for a variety of reasons.

First, it was believed that the process of developing new financial services was inherently focused on expansion and growth, while service elimination projected negative consequences, such as lost sales and shrinkage of profits:

Our broad objective for our services is to make profit and increase sales...and I think that the prospect of introducing a new service has a greater possibility to increase sales and profits than the prospect of eliminating an existing one (the marketing manager of a small insurance company).

Second, NSD was perceived as an activity that attracted more attention from managers of various functional areas within the company. Third, and related to the second reason, employees were likely to receive greater acclaim when they had an idea about the development of a new financial service, rather than when they suggested the withdrawal of an existing one. Fourth, it was reported that service elimination was inherently negative, because it implied ineffective management of financial services:

Entry in the market with a new product is a pleasant business. But elimination has not only a direct impact on the corporate sales and profitability, it has also a negative impact on the morale of the personnel. I say that because service elimination can be very often an acknowledgement of a particular failure from our part to operate successfully in the market with a particular service (the marketing director of a small insurance company).

The remaining 4 studied companies (1 small, 1 medium and 2 large) seemed to have a more positive attitude towards service elimination and believed that it was of equal importance to the process of NSD. The reason was that NSD and service elimination were viewed as interdependent, in the sense that if NSD could contribute to the generation of new business, service elimination could secure the resources for a better NSD:

Successful NSD depends very much on the active rationalisation of the product portfolio that we already have. It is one way to keep things moving

and to make the existing products more profitable (the marketing director/product controller of a small insurance company).

I think that they [NSD and service elimination] are of equal importance and where the focus of the business should be it is the market climate that will indicate it for us. If the general feeling in the market is that new products are needed then we will place more attention to NSD. If there is a feeling that we need to consolidate we will place more emphasis on service elimination (the head of business marketing of a large bank).

2.3 Perceived Adequacy of Resources Allocated to Service Elimination

Contrary to the dichotomised views concerning the position of service elimination within the service range management activities, there was a clear trend among the interviewed companies that the resources allocated to service elimination were adequate enough to ensure that the right decision was made. This clear trend implies that even companies that did not consider service elimination to be an integral part of their service range management, were allocating sufficient resources (according to their perception) to tackle an elimination situation, when this arose. The marketing manager of a large building society made the following comment:

Because in our firm we have a certain direction in all our activities, whenever we are discussing anything like eliminating a service we do ensure that we allocate sufficient resources and funding to make sure that we achieve the right decision and to make sure that the service switches off properly.

3.The Pre-Elimination Stage

3.1 Objectives of Service Elimination

It was in the tasks of the qualitative data collection to identify the objectives that financial institutions pursue through service elimination. All the objectives that were identified by the interviewees are listed in Table 5.1.

Table 5.1: Objectives Pursued by Service Elimination

• To improve financially-related indicators (e.g., profitability and ROI)
• To keep the service range to an up-to-date condition
• To concentrate corporate resources on what can be done best (corporate effectiveness)
• To rationalise the service range in order to minimise customer confusion
• To rationalise the service range in order to control cannibalisation

Seventeen companies reported that the *improvement of financial indicators* was the overriding objective prior to examining a financial service for possible elimination. This trend was consistent across the three business type strata and the three size categories of the qualitative sample. The terminology used, however, showed some variations. Banks and building societies referred mostly to the improvement of profits and of the dividend paid to shareholders, while insurance companies (the majority of them proprietary) referred to the improvement of ROI and of under-writing profit:

Within the organisation the objective number one is to be able to pay a good dividend to our shareholders. And to do this we should be able to make an underwriting profit and make sure that all our products contribute to that, otherwise the elimination is an option for us (the marketing manager of a medium-sized insurance firm).

Although it does not mean that all unprofitable services are eliminated, in our firm profit considerations is the most important objective during service elimination (the director of a small bank).

Seven companies reported that *keeping the service range up-to-date* was an objective for examining the future of financial services. This objective was predominantly cited by the larger companies from the three business type strata. The interviews suggested that the pursuit of this objective required a good market intelligence system, so that companies would be able to monitor the changes and foresee the trends in the marketplace. The marketing manager of a large bank offering corporate services commented accordingly:

If we want to eliminate a service because it is not trendy any more, we must have a clear idea of what can replace it. And this idea should be found in what the market wants and not in what we think it wants. And to do that in a successful way we are in close contact with our customers and we are ready to incorporate their requests in our offerings

Seven companies reported that the *concentration of the finite corporate resources* (temporal, monetary, and human) *on what could be done best* was an overriding objective pursued by the function of service elimination. This variety reduction objective was cited mainly by small and medium-sized companies from all company type strata. The marketing manager of a small insurance firm commented:

Our attempts to compete with the big players can be more effective if we drop services where we are mediocre and focus our resources on the ones where we are very good or best. We cannot be jack of all trades and master of none. It doesn't help.

Four financial institutions mentioned that by eliminating financial services their objective was to minimise, or at least control, *the cannibalisation effect* between two or more similar financial services of their range. The interviews suggested that when one

financial service was very similar to another, the control of possible cannibalisation was not only an alternative, but also an action that was strategically and tactically necessary.

Finally, three financial institutions (2 large and 1 medium-sized) identified the *minimisation of customer confusion* as a pursued service elimination objective. The interviewed managers from the above three companies mentioned that by pruning their service range, the likelihood of confusing their customers by the breadth of the offerings was lower. The head of business marketing of a large bank commented:

The objective of service elimination is to keep our service range in a clean and rational condition. What is the point of having too many services? It just causes confusion to our customers. Our service range has to be clean so that customers are able to compare the available financial services and identify the most appropriate to them.

3.2. Problem Situations Triggering the Consideration of Elimination

The interviews revealed a set of problem situations relating to the internal and the external environment of financial institutions, which could trigger the latter to consider a financial service to be a candidate for elimination (Table 5.2).

Table 5.2: Triggers for Service Elimination

• Declining profitability
• Legislative changes and new regulations
• Declining customer demand and customer rejection
• Service obsolescence
• Incompatibility with the current corporate focus
• Changed business positioning
• Technical problems with the service delivery process
• A person with a vital role in the delivery process leaves the company
• A major client ceases to do business with the company

The most frequently cited problem situation (eighteen cases) was the *declining or unsatisfactory profitability of a financial service*. Although nearly all of the studied financial institutions stressed the importance of profit performance to the future of a financial service, smaller companies showed a tendency towards short-term profitability, while larger ones adopted a more long-term perspective. The marketing manager of a small building society noted as follows:

If a product does not make us money we have to look at it more closely. In our building society we do not really operate on a policy of launching a product that does not make enough money just because it is fashionable. We are a small firm and we cannot afford to have loss leaders.

Thirteen companies reported that if a financial service was not in compliance with the current requirements of the *legislative environment*, this could be a major reason for it being examined more closely, with elimination as a choice. Despite the importance of this problem situation, the interviews suggested that legislative changes could differ according to the time they allowed to financial institutions to comply. The marketing manager of a large bank commented as follows:

Of course new legislation is a very important reason that can make us think that elimination may be needed sometime in the future. Very often we find ourselves in a situation where legislative changes make our products illegal to sell, so elimination is the only possible solution to us. But some new legislation is less strict and gives us the option to think about the future of our product, so we can either comply by implementing some modifications or eliminate it ultimately.

The *declining customer demand* for a financial service was found to be an important problem situation (ten companies identified it). The interviewees referred to customer demand either by the number of 'requests for information' or by the

'conversion rates', that is, the percentage of requests for price quotations which is actually transformed into new business for a financial service.

Another trigger for elimination was *service obsolescence* (identified by seven companies), mainly because the advent of a new form of technology made a financial service expensive to deliver.

Four financial institutions reported that a *change in the corporate focus* could eventually make financial services candidates for elimination. To illustrate, a medium-sized insurance company reported that they had made a decision to eliminate all life assurance services because their corporate focus changed from diversification to consolidation. The trend developing among the sampled companies, was a move from expansive marketing strategies, such as new product development, to more defensive strategies, such as rationalisation. In that way, financial institutions wanted to have a more rational service range and be able to do fewer things more successfully. Interestingly it was mentioned during the interviews that shifts in the marketing strategies could also result in the re-launch of financial services that have been eliminated due to a prior change in the marketing strategy. For example, a financial service that was eliminated in a period of environmental turbulence as a result of a rationalisation strategy could be re-marketed if future environmental circumstances allowed it.

Two of the interviewed firms reported that a *technical problem with the delivery process* of a financial service was likely to lead to its elimination, if the problem was either uneconomical or difficult to fix. Both of the cases referred to newly launched financial services, facing start-up difficulties in their delivery processes.

The director of a medium-sized bank specialising in the provision of investment banking services reported that they made the decision to eliminate a financial service

because an *employee with a very vital role in its delivery process had left the company*. This was an isolated example of triggers for elimination and could be attributed to the special nature and complexity of investment banking services. However, it could also indicate the very important role that service personnel have to play in the service delivery process.

Finally, the director of a small-sized bank reported that they would examine the future of a financial service if a *major customer ceased to use it*. In such cases the bank checked the business volumes generated by other less heavy customers and a retention or elimination decision was made on the basis of whether or not the servuction and delivery of that service was still economical.

4. The Service Elimination Decision-Making Process

4.1 A Single or a Multi-Step Process?

The managers of the interviewed financial institutions were asked to provide insights into the extent to which they underwent standard and pre-defined steps when making and implementing service elimination decisions. The trend was that only 4 large companies followed a planned and comprehensive decision-making process. By contrast, the other 16 institutions were following a multi-step service elimination process that although it resembled in principle the 4-step model of product elimination decision-making, was not in the form of a standardised blueprint. The 4 steps of the product elimination decision-making model were identified by the interviewees, but (as expected) were neither clearly delineated nor were they followed in every service elimination case. Of the four stages, the review of the service range was the most planned and systematic, aiming at ensuring that all financial services in the range met

the corporate objectives for sales and profitability and that they complied with the requirements of customers and of the current legislative framework. If the auditing of the service range indicated that some services were deviating from what the company and the market was expecting, then management started to think about elimination as a possible alternative. However, there was not a planned elimination process to follow. Instead, this was largely ad hoc and depended upon the importance of the service to the company, the available time that management wanted to invest (essentially service elimination had to compete with other activities of service range management for time allocation) and the idiosyncrasies of the company (e.g., the breadth of the service range). Some illustrative comments follow:

The service elimination process starts by reviewing all our services. If one or more are identified as not performing so well we actually try to turn them around by increasing their rate in order to boost profitability and would also try to increase sales. If then the corrective actions do not work, we write to the brokers and notify them that in x months the service or some services are to be withdrawn. We then set a date behind which we would not accept any new business (the marketing director/product controller of a small insurance company).

We follow some or all of the steps depending on the case that we have to deal with. But I cannot say that we think of all steps consciously (the product manager of a small bank).

Certainly there are cases where we can skip a step or integrate two or more steps. For example if a service was felt particularly weak and it was in an area we were not so much interested in, then we would skip the analysis and revitalisation and the evaluation stage. And sometimes of course there are

loops in the process in terms that we go back to customers to see if the service works better after a revitalisation action (the marketing manager of a large bank).

4.2 Identification of Candidates for Elimination

The qualitative research revealed that the majority of the interviewed financial institutions (14 cases: 8 large, 4 medium and 2 small) had an auditing mechanism with which they periodically screened their range of financial services. The aims of this audit were to a) make sure that every service in the range generated satisfactory sales volume and profitability and b) that all financial services were delivered in a way that satisfied the needs of customers. In 8 out of the 14 cases (7 large and 1 small) there was some kind of documentation, ranging from standardised check-lists with pre-defined audit criteria to sophisticated computerised auditing mechanisms. The remaining 6 companies that did not report the existence of an auditing mechanism were either medium- (2 cases) or small-sized (4 cases). Two of these small companies did not have an auditing mechanism in place, because their service range was very narrow and any problems were easy to detect. The remaining two medium-sized and two small companies reported that the non-existence of an auditing process was a omission and that in the near future they intended to introduce one. However, even in these six firms when services were occasionally reviewed, profitability and sales were the most important considerations.

The 14 companies, which reported the existence of an auditing mechanism, identified a set of audit criteria of both a financial and non-financial nature (Table 5.3). These criteria were operationalised either as minimum performance standards or as red flags that gave warning signals about possible underlying problems. Thanks to the

widespread computerisation of their day-to day operations, some financial institutions reported that they could monitor the performance of many financial services on a daily basis and often on a real time (on line) basis. However, a more planned audit of the range was taking place either quarterly or annually.

Table 5.3: Audit Criteria for the Identification of Candidates for Elimination

Financial
• Profitability
• Sales
• Market share
• Market growth potential
• Position in the life cycle curve
Non-financial
• Activities of competitors
• Operational problems
• Customers' perceptions

With regards to the audit criteria of a financial nature, not surprisingly, all 14 firms that reported the existence of an auditing mechanism mentioned that the first thing they were looking at during the service range audit was the *profitability* of financial services. Data on the profit performance was collected by internal profitability surveys (mainly conducted once per year) or by some electronic database. The importance of profitability notwithstanding, not all financial services with an unsatisfactory profit performance were always red-flagged. Some large companies reported that sometimes they faced the need to keep in the range unprofitable financial services:

The profitability of individual banking products is a very important indicator and many times leads us to consider the future presence of products in our range. Having said that, sometimes it is dangerous to focus on isolated products. We also have to think in terms of product portfolio. For example there are cases where I cannot say here is an unprofitable product, let's

eliminate it. I mean that sometimes we have to see some bigger picture (the head of business marketing of a large bank).

Sales performance was the second most frequently mentioned audit criterion against which services were screened, identified by 13 out of the 14 firms that reported the existence of an auditing mechanism. Once per year companies set target sales volume for financial services. During the course of the year the target numbers were compared to the actual sales volume and any deficits were brought to the attention of management. As with profit-related information, the electronic databases of financial institutions made sales-related information readily available at any time, upon request. However regular sales volume reviews were conducted either quarterly or annually. Although some firms mentioned that poor profitability was sometimes the problem itself, poor sales performance was in all 13 cases the symptom and not the problem at this stage of the elimination decision-making process:

We always look at that [the sales performance] but we also look at how is the market doing. Because if the market has been very quiet we cannot expect our sales people to generate as much sales as if the market has been busy (the director of a small-sized bank).

An interesting finding was that in many cases only retail financial services were subject to regular sales volume analysis, while the sales performance of corporate financial services was of little or of no importance:

If we don't sell many units of one of our current accounts, then yes this is a warning signal and we have to look more closely at what could be wrong with that current account. But sales is not going to be an important indicator for an up-market banking product that we sell to corporate customers (the marketing manager of a small bank).

Market share was another popular audit criterion (identified by 11 out of the 14 companies). However, the respondents unanimously questioned the usefulness of market share performance and rated it as the least important among the financial audit criteria. Market share information was collected more because it had to be there during the audit of the service range, rather than because of its meaningfulness as an audit criterion. Most of the interviewed managers, who identified market share as an audit criterion, reported that poor market share performance *per se* for a service was not even a red flag, let alone a reason for any elimination concerns, as long as the service remained profitable. Two illustrative comments follow:

Market share information during service range auditing is like Man. United in the Premier League. You just want them there no matter how well they play. Likewise you want to see market share information no matter if you won't use it (the marketing manager of a medium-sized building society).

We have a product with the 10th highest share in the market but we are quite happy with its sales and profitability and we don't consider it weak. But when we review its performance we want to see what is this percentage (the marketing director of a large insurance company).

Finally, another two financial audit criteria that were identified by some companies of the 14 companies were *market growth potential* and *life cycle analysis*.

The interviews revealed that during service range audits financial services were also screened against audit criteria of non-financial nature. Information about the *activities of competitors* was collected by 11 out of the 14 financial institutions that had an auditing mechanism. This type of information was useful because companies could understand how their competitors were marketing similar financial services as well as because it could be a base for competitive benchmarking.

Another popular non-financial criterion (identified by 8 out of the 14 firms) was an *operational analysis* of the process by which financial services were delivered. The aim was to identify problems, such as design faults, waiting times and other delays, that were hindering efficient delivery process. When the delivery process for a financial service was labour intensive and high contact, the operational analysis was conducted by the customer contact personnel because they were the ones who knew best what were the problems with the delivery process. When the delivery process was capital intensive and low contact (e.g., internet-based delivery process), the operational analysis was assigned to re-engineering teams.

Finally, a monitoring of *customers' perceptions* about a financial service was another non-financial audit criterion (identified by 8 companies). Larger firms with a wider customer base applied sophisticated techniques, such as customer satisfaction surveys, customer indices and mystery shopping. Smaller firms with a narrower customer base were collecting information about their customers' perceptions via less sophisticated ways, such as face-to-face informal discussion and deliberation.

4.3 Analysis of Candidates for Elimination and Alternative Remedial Actions

With regards to this stage of the elimination decision-making process, the tasks of the qualitative research were to a) find out if there was some kind of diagnostic procedure that companies followed in order to identify any problems underlying the symptoms of the identification stage and b) identify the remedial actions that financial institutions considered in their attempts to restore the deviant performance of financial services.

The interviews revealed that in 17 out of the 20 studied institutions there was some kind of an analytical procedure aiming at identifying the causes of a financial

service's deviant performance (8 large, 4 medium and 5 small-sized companies). Indeed the above number is higher than the 14 firms that reported the existence of an auditing procedure for the identification of elimination candidates. This could be an indication that the studied companies placed significant importance upon the distinction between the symptom and the problem:

After the audit of our product range we conduct internal research because this will enable us to answer questions like why a product is under-performing.

And the real reasons are often not so obvious (the marketing manager of a large bank).

Last year when we eliminated an industrial insurance product we were aware from the first moment that the sales of the product were disappointing. But we didn't stay there, we spoke to a selected group of sales people and asked them why sales were going down. You know, staying with just the symptoms and drawing conclusions can be dangerous sometimes (the marketing director/product controller of a small insurance company).

Most of the 17 financial institutions, which followed a diagnostic procedure, reported that it was not activated when the cause of the deviation of a financial service was very obvious from a problem situation or from the regular review of the service range. For example, when a financial service was made illegal by a new regulation there was no need for financial institutions to engage in the diagnostic procedure.

Although some companies (8 cases) reported that service range auditing was guided by documentation (either manual or electronic), only one large insurance company reported the existence of documentation during the stage of analysis and revitalisation. In 16 out of the 17 financial institutions, which reported the existence of a diagnostic procedure, there was no blueprint to follow in order to find out why a

financial service had a deviant performance. Instead, informal procedures were taking place between the functional areas that have red-flagged the service. The areas where companies were looking at in order to find the cause of deviation depended on the symptom. Thus if poor profitability was the symptom, firms checked the cost structure of the financial service as well as the methods that they used to price it:

If a particular service is not making us money the first thing we do is to examine its rating structure because it might be incorrect (the marketing director of a small insurance company).

If poor sales was the symptom, companies used to review their sales strategies, talk to the sales people, re-think their promotional strategies or check their service range for the identification of services which were cannibalising the sales performance of the weak one. In case an operational problem was the symptom, financial institutions reviewed the service delivery process to identify what the problem was. Finally, if an unfavourable customer reaction was detected during the auditing process, companies were getting in contact with customers either through their customer-contact personnel or though an ad hoc piece of qualitative market research (e.g., focus groups).

Once the problem was identified, 15 out of the 17 financial institutions, which followed a diagnostic procedure, reported that they considered and implemented remedial actions when this was possible and economical (8 large, 4 medium and 3 small). For these companies an appropriate remedial action was necessary because it was offering to a deviant financial service a second chance to either perform according to some corporate standards or to comply with the framework of a problem situation:

Revitalising financial services that under-perform is really very important to us. When it is in our hands the elimination of a financial service is considered the last choice. Before we arrive there we try to make sure that we have tried all the alternative corrective actions. But also we try to be pragmatic and fast

due to the finite resources. We don't have and we don't want to boil the ocean (the marketing manager of a large bank).

There are occasions where we are too patient in the sense that although we can eliminate a product directly, we want to give it a second chance by implementing some kind of remedial action (the head of marketing development of a large insurance firm).

The interviews revealed a set of alternative remedial actions, which are summarised in Table 5.4 and discussed below.

Table 5.4: Alternative Remedial Actions

• Price modifications
• Cost structure modifications
• Increase in the effort of sales force/customer contact personnel
• Modifications in the training of the sales force and customer contact personnel
• Modifications or re-design of the service delivery process
• Modifications in the attributes of financial services
• Modifications in the promotions/communications strategy

First, a reported remedial action was *price and cost modifications* aiming at boosting the profitability of a service (identified by 15 companies). Management seemed to be very strict with the profitability of financial services and was expecting immediate results from the implementation of the above remedial action, which aimed to restore poor profitability. If profitability was not improving, the financial service under scrutiny was much closer to elimination. In one case (a small insurance company) it was reported that failure to restore profitability could not only lead to the elimination of the financial service, but also to the elimination of the person who was responsible

for its profitability. The marketing director of this small insurance company commented:

The underwriter who writes the business and commits our firm to accept the risk is responsible for the profitability of that product. If he is unable to secure profit and if the situation does not reverse with a remedial action we will either eliminate the service or him.

Second, financial institutions would *increase the effort and training of the sales force and of customer contact personnel*, as a remedial action aiming at restoring poor sales performance (identified by 12 companies).

Third, remedial actions like *modifications or re-design of the service delivery process* were implemented in cases involving problems of an operational nature (8 companies). Interestingly, one medium-size bank mentioned that past cases of operational problems were simulated and conveyed to new employees (mainly customer-contact ones) during their training, in order for them to be knowledgeable on how to solve them if they re-occurred in the future.

Finally, firms reported *modifications in the attributes of a financial service itself* (7 cases) as well as *changes or intensification of the promotions/communications strategy* (6 cases), aiming at restoring the image of a service in the eyes of customers and at complying with new legislative requirements.

Despite the importance of remedial actions, there were cases where it was not possible or feasible to implement one. When the problem with a financial service was too serious (e.g., huge losses, technological obsolescence) or when the problem was beyond management's control (e.g., a new regulation that made a financial service illegal to sell), companies did not spend their resources in the consideration of alternative revitalisation actions. Instead they either preferred to keep the financial service in the range, but stopped promoting it, or would proceed with its elimination.

The overall picture from the in-depth interviews was that the analysis and revitalisation stage was painstaking and crucial, as it largely determined the future of candidates for elimination. However, most companies acknowledged that they were very unstructured and haphazard in their diagnostic procedures. Two illustrative comments follow:

The real difficulty with the analysis and revitalisation is that in our firm there is not a formal procedure to follow and there is not a formal timetable. There are no deadlines and no deadlines mean no decisions (the head of marketing actuarial of a medium-sized insurance company).

Sometime, you know, it is difficult to find out why a product is under-performing. And if we are not careful, which is what happens very often, we can identify the wrong reasons of weak performance and we will implement a wrong corrective action and wait and wait, losing time and money (the marketing manager of a small building society).

4.4 Evaluation and Decision-Making

The interviews revealed that the large majority of the studied financial institutions (17 cases) conducted an evaluation in order to assess the effect that an elimination decision could have on various areas of the business (8 large, 4 medium and 5 small-sized companies). This stage of the elimination decision-making process was important because in most cases the elimination of financial services had an impact on aspects of the internal and the external environment of financial institutions. The broad objective of the evaluation stage was to make sure that the overall cost (not only in financial terms but also in terms of marketing and human resources) of withdrawing financial services was not greater than the cost of a retention decision. This importance

notwithstanding, evaluation was not conducted unquestionably in all elimination cases. For example, when a new regulation forced financial institutions to comply by eliminating a financial service, there was no retention alternative and as a result there was no need for an evaluation of the impact of the elimination decision. Moreover, the interviews suggested that the assessment of the impact of an elimination decision was not necessary when the elimination candidate was an isolated service, with no knock-on effect on other areas of the business. In the 3 companies that did not report the existence of an evaluation stage, the reasons were that they were either selling financial services that had a silo structure within the range (i.e., not affecting other financial services or other areas of the business) or that by this stage of the elimination decision-making process management was very confident that it could make the right decision without further evaluation.

Unlike the stage of identification of elimination candidates, but as in the stage of analysis and revitalisation, the interviews gave no evidence of a documented evaluation stage. In all the 17 companies that assessed the macro impact of imminent elimination decisions, there was not even a vague blueprint on which the evaluation was based. Instead, companies were engaging in informal discussions during which the participants were using their experience and intuition to assess the effect of a possible elimination decision. The prevailing reason explaining the non-existence of an evaluation blueprint was that this would rather narrow the sight of the evaluation:

If we want to do a good job assessing the effect of an elimination decision we have to be broadminded. We must have a great deal of imagination. So we don't have any checklist because each product is unique and you cannot simply standardise an evaluation process that fits all the idiosyncrasies of different banking products (the marketing manager of a large bank).

With regards to the content of the evaluation stage of the service elimination decision-making process, the interviews revealed 9 evaluation factors (Table 5.5).

Table 5.5: Evaluation Factors

• Impact on the sales of other financial services in the range
• Impact on the profitability of other financial services in the range
• Impact on the relationships with customers
• Impact on the corporate image
• Impact on full-line policy
• Impact on human resources and employee relationships
• Existence of substitute financial services in the market, to satisfy the needs of customers
• Likelihood of organised interventions (e.g., negative press releases, adverse government reaction)
• Benefits that competitors could earn as a result of an elimination decision

Two frequently identified evaluation factors were the *impact upon the sales and the profitability of other financial services in the range* (identified by 17 companies). Although some financial services did not have knock-on effect on the sales of other services in the range, some did. Interestingly if a candidate for elimination was a 'gateway' financial service (i.e., a window to cross-sell other more profitable financial services), financial institutions would seriously consider avoiding elimination, even if the elimination candidate showed poor profitability. This is not to say that at this stage the studied companies had forgotten about their high preoccupation with profitability. By contrast, the interviews suggested that their motive behind this behaviour was a further increase in the corporate profitability:

We are selling foreign exchange, so customers come to us before going abroad to buy foreign currency. But this service doesn't make us any money because today a large part of travellers use their credit cards abroad. But we haven't eliminated and we do not intend to eliminate this service because it gives us the opportunity to talk to travellers through our customer-contact personnel

and sell them other more profitable services, such as travel insurance (the marketing manager of a medium-sized building society).

There was a treasury product that we wanted to eliminate last summer. At that time we didn't only look at the lost sales and profit. We also looked at the incremental sales that this product could generate. And because we would lose a lot in terms of cross-selling we decided to keep the product (the marketing manager of a large bank).

The impact of a financial service's elimination upon their *relationships with customers* was another popular evaluation criterion (identified by 15 companies). Although the interviews suggested that this consideration was more important in elimination cases involving corporate financial services, it was also taken into account in cases involving retail financial services:

We have our student portfolio and every September we try to attract as many students as possible and sell them current accounts and give them overdrafts, which is a risky business and we don't make any money. Every September we know there will be a loss from the new business that we receive. But when they graduate and get a job, at least some of these students will be willing to have an account with us, because we have been their bank when they were studying. You see, we are in a relationship business that we cannot disturb without consequences (the marketing manager of a large bank).

Two additional evaluation criteria were the assessment of the impact of elimination decisions on the *corporate image* (identified by 14 companies) and on *full-line policies* that existed within the company (identified by 13 companies). With reference to the latter evaluation factor, many companies (mainly large) mentioned that they wanted to offer a full range of financial services, no matter if some of them were under-performing in terms of sales and profitability:

In our general pensions portfolio we have some services that we offer only because we want to maintain a presence in the marketplace, as being known as a major player in the pensions market. If we pulled out, somebody may say you are not a major player any more (the marketing director of a large insurance company).

We do not just look at the context of that particular product. We also examine the broader impact that the elimination could have upon the brand of the society as a whole (the marketing director of a large building society).

Another relatively popular consideration during the evaluation stage was the assessment of the *likelihood of organised intervention*, as a result of the elimination of financial services (identified by 10 companies). This concern of some of the studied financial institutions can be understood if one considers the power of the press and its influence on customers' perceptions of financial institutions². The director of a medium-sized bank made the following comment:

When we were planning the elimination of one of our exchange floor products the *Daily Telegraph* somehow found out about our intention and published an article that caused so considerable adverse effect on our image in the eyes of the public that we did not eliminate that product.

The impact of elimination decisions on the *human resources and on the relationships with the employees* was an evaluation factor, identified by just 4 companies. However, the relatively low popularity of this evaluation factor is not synonymous with a detachment of financial institutions from redundancy problems. Of

² The press in the UK and internationally has been very strict with sensitive decisions of financial institutions. One of the most recent examples is Cruickshank's report which criticised the intention of banks to double-charge customers during ATM transactions. This report generated a lot of press releases, focusing on the mistrust towards financial institutions in the UK (e.g., The Economist 2000; Sunday Times 2000a; 2000b).

course if an important financial service (in terms of sales and profitability) was to be eliminated then some employees could lose their jobs. But redundancies as a result of the elimination of individual financial services (as opposed to the elimination of entire service lines) was the exception and not the norm in the studied setting:

Most of the financial services industry is not structured in the way many manufacturing firms are. I mean that usually there are no individual employees responsible for isolated financial services. The structure is product groupings. So we have a group of people who look after a group of products. So the elimination of any individual product is unlikely to affect the jobs of individual employees. So, in our firm and in our industry as far as I know, I would see a redirection rather than a redundancy as the most possible impact of pulling out decisions on our staff (the marketing manager of a medium-sized insurance company).

Finally, two additional evaluation criteria were the extent to which *the market had to offer a similar financial service* to the one that was examined for elimination (identified by 3 companies) and the *benefits that competitors could develop* as a result of a company's decision to eliminate a financial service (identified by 3 companies). Thus, a small part of the studied financial institutions were concerned on the one hand about the ability of customers to find a similar financial service in the market, thus minimising their inconvenience. On the other hand, however, companies were keeping an eye on the benefits that competitors could develop:

By and large if we want to eliminate a financial service we know that our major competitors have already done so or will soon do. But sometimes we are very suspicious and careful. It is a shame to see that a competitor increased his market share, sales and profits because he was the only one left in the market to sell what we eliminated (the marketing manager of a large building society).

4.5 Implementation of the Elimination Decision

Once management has decided that an elimination decision is in the best interests of the company given the circumstances of the internal and the external environment, the next step is the orchestration of the implementation of the decision.

Eleven out of the 20 interviewed companies reported that they assigned the preparation of elimination implementation plans either to an individual or a committee (5 large, 2 medium and 4 small-sized). Among the larger of these companies the plan was guided by written procedures and its compilation and implementation was either assigned to the committee or to a full-time elimination project manager. Smaller firms, with less complicated management hierarchies, were not following documented implementation procedures and tended to assign the implementation plan to an area responsible to secure a smooth implementation, without following any written blueprints.

Of the remaining 9 companies (3 large, 4 medium and 2 small-sized), 7 reported that they did not have any implementation plans (3 large, 3 medium and 1 small) and 2 companies reported that the existence of a plan depended on the importance of the eliminated-to-be financial service and on its impact on the business as a whole (1 large and 1 medium-sized company):

If it is a major decision with a lot of implications for the company, the employees and the customers we follow an implementation plan. If it is a minor decision there is no need for such plan (the marketing manager of a medium-sized building society).

With reference to the issue of information diffusion, the interviews did not reveal a clear direction. Half of the studied companies mentioned that it was important to inform all their employees about the implementation of the elimination decision (5

large, 2 medium and 3 small-sized companies), while the other half reported that that there was no need to do so (3 large, 4 medium and 3 small):

We try to make sure that every single individual knows that a financial service is about to be eliminated and also that they know about the rationale behind this decision (the marketing manager of a large bank).

No, I wouldn't say that we inform everyone at this stage. We do so intentionally because it can be dangerous. Some employees who are opposed to this decision or who haven't understood the reason why we did so, can go and talk to competitors and the press and we don't want them to do so at this point. Later on we wouldn't care (the marketing director of a small insurance company).

Irrespective of the extent of information diffusion, the interviewed companies had their priorities with regards to which areas should be informed first. Customer contact personnel were usually the first to know about the imminent implementation of the elimination decision, followed by the sales force, the IT and technical people:

Everyone who has responsibility for the operational side and the sales of a product will be informed first. People who are just curious to know can wait (the head of business marketing of a large bank).

As far as the means of information diffusion is concerned, larger firms were using written memos and periodically published bulletins for internal circulation only, while smaller firms used less formal ways of information diffusion.

Twelve out of the 20 interviewed companies were not keeping customers informed at this stage of the process (1 large, 5 medium and 6 small-sized companies). Most of these companies were insurers and building societies and this behaviour was attributed to inertia, to the nature of the distribution channels, to the cost of the

communication with the customers and to the fact that existing customers were usually not affected by most elimination decisions:

For us it is not useful to keep the final customer informed, because the business that we write comes through brokers or independent financial advisors and we don't have any relationship with the consumer who buys the travel insurance, for example. It is the job of our intermediaries to let them know (the marketing director of a small-sized insurance company).

The remaining 8 companies (7 large and 1 medium-sized) kept their customers informed about forthcoming elimination decisions. To those firms the issue of keeping their customers informed was very sensitive. The marketing manager of a large bank mentioned:

Before we go on to implement an elimination decision we must communicate the message to our customers and make sure that they understand what is happening. At the end of the day it is their money we are dealing with.

In their attempt to keep customers informed, 7 out of the 8 financial institutions would segment their customer base according to the importance of a customer and according to how severely different groups of customers would be affected by the elimination decision. According to the results of this segmentation, firms were using different means of communications. For example, for severely affected important customers (such as corporate customers, big customers in private banking or big insurance policy holders) a representative would pay a personal visit and see the customers or the latter might be invited to the financial institutions for a meeting. For less severely affected and for less important customers (e.g., current account holders, motor insurance holders) financial institutions would communicate the elimination-related information via letter, internet, telephone or alongside the next regular communication with the

customers (e.g., the next posted account statement). During the communication process many companies experienced complaints because customers could be upset about the fact that a service was no longer on regular offer or because they felt that there was some catch behind the elimination decision. Financial institutions were trying to pacify the upset customers by offering them explanations concerning the reasons behind the elimination. Also, although no material compensation was offered, customers were given the opportunity to migrate to other financial services in the range, when of course this was possible:

We are in a fortunate position to offering customers, almost always, a superior product. We try not to leave them high and dry (the marketing manager of a large building society).

In a lot of cases we do try to migrate customers onto something else, which we feel it is perhaps a better offering. And this is what happens in the majority of cases. But we know that in every elimination decision there will be at least some unsatisfied customers that will be lost (the marketing manager of a small bank).

With reference to the actual strategies used to implement elimination decisions, the discussion in the interviews focused on 10 strategies, which are shown in Table 5.6.

Table 5.6: Discussed Elimination Implementation Strategies

• Drop immediately
• Eliminate the service from new customers but leave the existing customers unaffected
• Eliminate the service from new customers but existing customers cannot purchase additional units
• Eliminate the service from some customer segments but keep it open for other customer segments
• Eliminate the service but keep its name and introduce a replacement with the same name but of different nature
• Eliminate a few services as individual offerings and create a new amalgamated service
• Phase-out slowly
• Eliminate not the core service but some features of it (service simplification)
• Sell-out
• Drop from standard range and re-introduce as a special

Fourteen out of the 20 companies reported that they used one or more strategy to ensure that an elimination decision was properly implemented (6 large, 5 medium and 3 small-sized companies). Of the 10 strategies that were discussed, 7 seemed to prevail (Table 5.7).

Table 5.7: Prevailing Elimination Implementation strategies

• Eliminate a financial service from new customers but leave the existing customers unaffected
• Eliminate a financial service from new customers; existing customers cannot purchase additional units
• Eliminate not the core services but some features of it (service simplification)
• Eliminate a few services as individual offerings and create a new amalgamated service
• Eliminate the service from some customer segments but keep it open for other customer segments
• Drop immediately
• Phase-out slowly

To *eliminate a financial service from new potential customers* but either *leave the existing customers totally unaffected* or unaffected for at least a certain period, after which they *were not allowed to purchase additional units*, were unanimously rated (by the 14 companies) as the most relevant and most frequently used implementation strategies. When a better financial service was available, existing customers were given the choice to migrate to the new one, if the nature of the service would allow it:

When we discontinue a product we usually have another one that is similar but more advantageous. The existing customers are unaffected and we can ensure that, at least for a certain period. Also we give them the choice to move to another product, whenever possible and legal. For example the existing holders of a fixed-rate mortgage that we don't sell any more cannot be given the choice to migrate to another mortgage (the marketing manager of a large building society).

This prevalence of the above strategies, which highlight partial service elimination, showed the importance that many of the interviewed financial institutions placed upon the relationships with their existing customers. Another interesting implication behind these partial implementation strategies is that there were different reasons why they were very popular for some traditional banking services on the one hand and for other banking services, mortgages and insurance services on the other hand. For some traditional banking services, such as current accounts, savings accounts and credit cards, these implementation strategies were widely used because companies did not want to disturb their existing customer base. But for other financial services such as mortgages, insurance policies and loans the above implementation strategies were necessary not only for customer relationship reasons, but for legal reasons too:

You can cut off the selling of the financial service but you cannot cut off the financial impact for that service until every single unit expires and every single claim is completely settled and gone. And this sometimes can take even 30 years (the marketing director of a large insurance company).

The next most relevant elimination strategy (identified by 8 financial institutions) was the *elimination not of the core financial service but of some features of it*. Companies reported that they used this implementation strategy mainly after requests from customers for more ‘user friendly’ financial services, with less terms and conditions. Some companies stated that the strategy was particularly relevant in the volatile technological environment of the British financial services sector in the sense that it enabled them to upgrade technology-intensive services:

Last year we used this strategy to eliminate a computer-based service which was in a DOS environment and we introduced a new service which was more or less the same but its advantage was that it was operating in a Windows environment (the head of business marketing of a large bank).

The *elimination of some financial services as individual offerings and the creation of a new amalgamated service* was an implementation strategy that was identified by 7 companies. However, since the drawback of this strategy was that it could make the amalgamated offering more difficult for customers to understand, it received the criticism of some financial institutions:

We follow this strategy a lot because it is very relevant to the banking environment where we are trying to bundle more than one products together (the marketing manager a small-sized bank).

Our experience with financial services suggests that it is important to keep them as simple as possible. So for us product bundling is a difficult proposition to communicate (the marketing manager of a large building society).

To *eliminate a financial service for some customer segments, keeping it open for other customer segments* was an implementation strategy that was identified by 4 companies:

All of our services are very carefully targeted on particular segments in the market. It is possible from time to time, if we need to balance our risk portfolio, to encourage more business in the less risky targets and less business in the riskier ones and vice versa (the marketing director of a small-sized insurance company).

Although it is not possible to generalise the above comment, an interesting implication is that the use of a segmented elimination implementation strategy allowed companies to make a financial service only temporarily unavailable for some segments and re-market it in the future, depending on the objectives of the firm. Despite the advantages

of this implementation strategy, many firms were opposed to it because it implied discrimination between different customer segments.

Finally, some financial institutions reported the use of two strategies, which are predominantly used in the manufacturing sector. The first was a *phase-out slowly* strategy and the three companies that identified it reported that it was useful for some cash cow financial services, which were phased out due to obsolescence reasons. The second was a *drop-immediately* strategy and was identified by two financial institutions, which mentioned that they used it only when some new legislation necessitated immediate and complete elimination of a financial service.

Concluding the discussion about the implementation stage of the service elimination decision-making process, it is worth noting that the majority of the 14 firms that used one or more strategies seemed to agree that the implementation stage could be more painstaking and time consuming than the whole elimination decision-reaching process. The market development manager of a large bank commented as follows:

The implementation of a withdrawal is a syndication process and takes far longer than the decision-reaching process. We try to make sure that we understand why and when it would happen....Understanding the reason and the impact of an elimination is easier than understanding and planning its implementation.

4.6 The Duration of the Service Elimination Decision-Making Process

One of the tasks of the qualitative phase of the study was to examine issues relating to the actual duration of the service elimination decision-making process and to the factors that influenced it. In detail the discussion during the in-depth interviews focused on:

- a) the identification of the duration of the elimination decision-reaching process, i.e., from the identification of a financial service as a candidate for elimination until the confirmation of the decision to eliminate it,
- b) the identification of the factors that influenced the duration of the decision-reaching process and
- c) the identification of the duration of the implementation stage of the elimination decision-making process.

4.6.1 Duration of the Elimination Decision-Reaching Process

The interviews revealed that the duration of the decision-reaching process ranged from 3 weeks to 1 year. It was evident in the responses of the majority of the interviewed firms that the exact duration was largely situation specific and depended upon factors of the internal and the external environment. The identified factors are shown in Table 5.8 and are discussed below.

Table 5.8: Determinants of the Duration of the Elimination Decision-Reaching Process

• Reason that triggered the elimination in the first place
• Seriousness of the problem with a financial service's performance
• Sensitivity and impact upon existing customers
• Sensitivity and impact upon new customers
• Importance of the service to the company
• Behaviour of competitors
• Availability of a replacement service

The *reason that triggered the consideration of elimination in the first place* was a duration determinant that was identified by 19 financial institutions (8 large, 6

medium and 5 small-sized). The interviews suggested that this duration determinant dictated whether the decision-reaching process would be *managed* (i.e., starting with a regular audit of the service range) or *forced* (i.e., triggered by a problem situation). For example if a change in the legislative environment made a service illegal to sell, financial institutions had simply to comply and eliminate it in a relatively straightforward and fast way. In such cases companies reported that the duration of the decision-reaching process was very short for two reasons: first, they did not have the choice and the time to consider any revitalisation alternatives and second, since there was no retention possibility, the time consuming evaluation stage was not necessary.

The *seriousness of the problem with the performance of a financial service* was identified as a duration determinant by 17 companies (7 large, 5 medium and 5 small-sized firms). Companies reported that they had experienced cases where, although they had the choice for a managed process, they wanted to eliminate a financial service as fast as possible because the problem with it was too serious. The director of a small bank referred to a case of a quick decision-reaching process for a loan for house construction service, when it became unprofitable due to a recent recession in the British housing market:

We saw that if we continued to give loans and at the same time trying to improve the profitability of the product, our money was at risk. So we made the elimination decision immediately.

Fifteen companies (6 large, 5 medium and 4 small-sized) reported that the exact duration of the elimination decision-reaching process was largely determined by the degree of *its sensitivity and impact on the existing customer base*. The financial institutions that identified this duration determinant mentioned that they were highly concerned with the way an elimination decision could affect the loyalty of the existing

customers. In such cases, the revitalisation and the evaluation stage were very detailed and time consuming.

The *importance of a financial service* (mainly in terms of cross-selling power) was identified as a duration determinant by 13 financial institutions (5 large, 3 medium and 5 small-sized). The interviews suggested that when a candidate for elimination was an under-performing financial service in terms of profits and sales but had a strong cross-selling ability, the process of reaching an elimination decision was painstaking and time consuming. In such cases, the evaluation of the macro impact of an elimination decision was the most long-lasting stage of the elimination decision-reaching process.

The *availability of a replacement financial service* was identified as a duration determinant by 5 companies (2 medium and 3 small-sized). The head of marketing actuarial of a medium-sized insurance company commented:

Before we can say for definite that we will withdraw a financial service, we try to ensure that we have something to replace it with so that we won't lose, for too long at least, any sales.

An interesting observation at this point was that the large companies of the sample did not refer to this duration determinant. This could be an indication that, due to the duplication that characterised the proliferated service ranges of the large financial institutions of the sample, there would be something similar to replace an eliminated-to-be financial service.

Three companies (1 medium and 2 small-sized) reported that during the decision-reaching process the *impact of elimination decisions upon new potential customers* was a duration determinant. In such cases the focus was on the evaluation stage. However, it is worth noticing that the low number of financial institutions, which identified this duration determinant, compared with the high frequency of identification of the duration determinant namely *impact upon the existing customers*, suggested that

the latter was a more important duration determinant for the interviewed financial institutions.

Finally, two small-sized companies mentioned that the time needed to reach elimination decisions depended on the *behaviour of their main competitors*. Instead of being proactive, these two financial institutions (both insurance companies) observed the speed with which competitors withdrew financial services and reacted in a similar way.

4.6.2. Duration of the Implementation Stage

Although, as mentioned above, the time to reach elimination decisions for financial services was not too long, their implementation accounted for a notable prolongation of the duration of the service elimination decision-making process. The interviews revealed that financial institutions needed from 1 to even 70 years to implement their elimination decision and to make a service a closed issue for all customers, new and existing. The interviews also suggested that the implementation stage might be longer for some insurance products and mortgages than for current or savings accounts. An illustrative comment made by the director of a small insurer follows:

The duration of the [elimination] process in our firm is not too easy to specify.

It doesn't take too long to decide whether or not to drop a service. But the delays are in the implementation stage because we have to deal with the existing customers. If we write a business on December 30 1999 and we decide to eliminate the service on January 1 2000, we still have to honour our obligations to the policy holders, which could last from 5 years, for the short and medium-tail policies, to 70 years, for the long-tail policies. We found

ourselves in a situation where we had stopped the provision of an insurance policy in the 1930's and today we are still hooked by the obligations that we undertook almost 70 years ago.

The long duration of the implementation process, especially for some insurance and mortgage services, seems to relate to a previous trend of the in-depth interviews, suggesting that the most widely used implementation strategy was to eliminate a financial service from new customers but leave the existing ones unaffected. Companies using this implementation strategy (the majority of which were insurance companies and building societies) considered an elimination decision to be implemented only when they did not have any further obligation to any of their existing customers who had been allowed to keep using an eliminated service. This implies that even though existing customers were offered the privilege of continuity, they had at some time in the future (e.g., at the expiry date of their insurance policy contract) to stop using the eliminated service and migrate to another one or go to another financial institution. However, due to relationship reasons or to reasons relating to contractual obligations, this transitional period could sometimes be too long.

4.7 Participation in Service Elimination Decision-Making

With regards to participation, the task of the qualitative research was the identification of the functional areas/individuals with an advising and decision-making role during service elimination decision-making. The in-depth interviews identified 11 participants. Table 5.9 indicates the main role of each one of the participants (however there were indications that one functional area could assume both advisory and decision-making role). The following paragraphs discuss participation in each one of the steps of the decision-making process.

Table 5.9: The Participants in Service Elimination Decision-Making and their Roles

Identified Participants	Main Role Assumed
The manager of the financial service-candidate for elimination	Decision-making
Finance-actuarial	Advising
Sales area	Advising
Marketing	Advising
Customer-contact personnel	Advising
Administrative staff	Advising
General manager	Decision-making
Management committee	Decision-making
Managing director	Decision-making
CEO/President	Decision-making
Board of directors	Decision-making

4.7.1 Advisory Roles in the Stage of Identification of Candidates for Elimination

With regards to the stage of identification of candidates for elimination, the participants were diverse and this was explained by the different nature of the information that was necessary for the audit of the service range. The managers of the financial services that were monitored were leading the auditing process in the majority of the interviewed cases. Other participants were the areas of marketing and finance, the sales force and sometimes customer contact personnel. In the larger organisations it was observed that the participating areas were bundled in a team or a committee, which was given various names, such as Product Steering Committee, Product Range MOT, Corporate Planning Team or Markets and Solutions.

4.7.2 Advisory Roles in the Stage of Analysis and Revitalisation

In the stage of analysis and revitalisation the participants were, by and large, the same as in the stage of the audit of the service range, i.e. the managers of the service(s) under investigation, the marketing area, the sales area and the finance area. Once the

conducted analysis led to the identification of the causes of the problem with the elimination candidates, if there was room for remedial action the area that was most knowledgeable to implement it was taking the lead in this stage of the process. An interesting trend from the interviews was that when the problem was relating to the delivery process of financial services, customer-contact personnel and sometimes the customers themselves were given a say concerning the choice of an appropriate remedial action.

Due to the fact that by the stage of analysis and revitalisation the elimination decision-making process was getting into the details of why a service was not performing according to plan, the relationships between different functional areas might be disturbed. Six companies (5 large and 1 medium-sized) reported that during this stage there was some conflict between different participants. The reason for conflict was that participants from different functional areas had different perceptions of what was the problem behind the poor performance of an identified candidate for elimination. The conflict was mainly between sales people versus customer contact personnel and marketing versus finance. In the main the conflict was positive because the process was enriched with the different viewpoints of different participants:

The conflict at this stage is certainly positive. It ultimately works towards better understanding of why a service deviates from our standards and it leads to a better fulfilment of our customers' needs (the marketing manager of a medium-sized bank).

Nevertheless, sometimes the conflict was not constructive, particularly in cases where participants were too much attached to their areas and were failing to see the benefit for the organisation as a whole:

People who generate conflict are the ones who don't understand the corporate and the marketing objectives and who don't understand what the business is

trying to achieve. They only see the interests of their jobs (the marketing director of a large insurance company).

4.7.3 Advisory Roles in the Stage of Evaluation of the Impact of Elimination Decisions

With regards to the participants in the evaluation stage, the interviews revealed two main trends. First the major participants were the same as in the first two stages of the process, i.e., service management, marketing, sales and finance-actuarial. This wide participation was explained by the fact that an elimination decision had financial, marketing, service range management and sales implications. The second trend, however, was the wide involvement of customer-contact personnel and of customers, who sometimes were both given a strong say as to whether elimination or retention was needed. In particular 14 out of the 17 companies that reported the existence of an evaluation stage (7 large, 3 medium and 4 small) referred to the need to listen to the views of their front-line employees when assessing the macro impact of a possible elimination of a financial service. Customer contact-personnel were perceived as being in a very good position to understand the internal impact of elimination decisions:

They [customer-contact personnel] can help us with information because they are the ones in the front-line, the important ones. We, the board, are at the back office and we have just a general idea of what is going to happen if we eliminated a service. It is like an orchestra, we are the directors but the individual musicians have a better knowledge of the problems in isolated parts of the orchestra (the director of a small-sized bank).

It was also reported that customer contact personnel were in the best place to understand and convey to the decision-makers the feelings and reactions of customers towards a possible elimination decision:

Customer contact personnel are in the best place to know what will be the ultimate impact of an elimination decision upon the wider relationship with our customers. They are a kind of a corporate ear to the customers. And I have to say that their information can be more accurate than the information we get from a direct customer survey (the marketing director of a large bank).

Sometimes it was reported that the advice from customer contact personnel could even change the nature of the problem and could turn an intention to eliminate a financial service to an action to revitalise it and retain it. The marketing manager of a medium-sized insurance company commented accordingly:

Last year we wanted to eliminate travel insurance because it was not selling so well. We thought that the product was a bad idea and we were ready to drop it. But before that we asked our regional sales managers, who in turn asked front-line staff at the branches who told them that they were receiving an awful lot of enquiries about our travel insurance but the conversion rate was low because our product was not covering certain travel risks that the customers wanted. So we provided for those risks and we kept the product.

Except for customer-contact personnel, some financial institutions consulted the customers themselves in an attempt to make a better evaluation of the impact of elimination decisions. When customers were involved in the evaluation stage of the elimination process, this was done by consumer panels, whereby they were presented with an elimination scenario and their reactions were tracked:

The bottom line is that they [the customers] can tell you things in the way they are. It is very dangerous not to ask for their opinion when you are trying to see the impact of an elimination of a financial service. At the end of the day we are here to deliver services that our customers value. I don't want to say that

we will do whatever they say, but it is important to know what they have to say (the head of business marketing of a large bank).

They [the customers] can help us in a lot of ways: a) they can understand the degree and the nature of the sensitivity of our intention to eliminate a product and b) they can help us to develop an implementation plan, particularly from a communications point of view (the marketing manager of a large building society).

The evaluation stage was not conflict-free. Indeed 10 companies (6 large, 3 medium and 1 small-sized) confirmed that there was conflict among participants. This number is higher than the 6 firms that reported conflict during the stage of analysis and revitalisation. This was explained by the fact that as the decision-making process approached a possible elimination, the conflict between functional areas was intensifying. At this stage of the decision-making process conflict was mainly between sales and finance-actuarial. Sales people could be opposed to an elimination decision because they had volume targets, which would be more difficult to achieve with fewer services in the range, especially if the candidate for elimination was selling well. On the other hand, accountants were more concerned about the profitability of a financial service. As in the stage of analysis and revitalisation, in the evaluation stage conflict was mainly positive. When it was not positive, however, it could cause delays in the progress of the decision-making process. The positively thinking participants were trying to overcome such delays by trying to make the myopic participants see the bigger picture:

The business as a whole is a set of silos. Unfortunately we have individuals who are operating in their departments' own silo and fail to share the corporate knowledge, information and understanding. And they generate conflict which

is going to be negative (the head of marketing development of a large insurance company).

Whenever we see conflict for the conflict, we try and manage it in an even way by convincing the fighting areas that they are wrong, which is not all the time as easy as it sounds (the marketing manager of a medium-sized insurance company).

4.7.4 Decision-Making Roles

When the responsible areas had concluded the various activities of the elimination process, they usually delivered their suggestion to a higher management level, which had authority to decide about elimination or retention. The identified decision-makers were the *board of directors* (11 companies: 4 large, 3 medium and 4 small-sized), a *management committee* (10 companies: 8 large, 1 medium and 1 small-sized), the *managing director* (9 companies: 2 large, 4 medium and 3 small-sized), the *general manager* (6 companies: 1 medium and 5 small-sized) and the CEO/president (3 small-sized companies). In one case, the director of a small bank reported that both responsibility and authority for service elimination were laying at the highest hierarchical level:

We are a very small organisation and we have a very flat management structure. So we only have general board meetings and all service elimination decision-making authority fits in there.

Although in most of the studied financial institutions elimination decision-making authority was laying at a senior management level, the interviews suggested that this was not synonymous with the keen interest of senior management in service

elimination. As a decision outcome service elimination attracted senior management attention. But as a decision-reaching process, senior management was not willing to invest significant time. This probably explains why in most of the studied cases senior executives were not participating in any of the steps of the elimination decision-reaching process:

The senior management realises that it [service elimination] is an important decision, but it is not top priority. Their primary interest is to develop new products (the marketing manager of a medium-sized bank).

4.8 Formality during Service Elimination Decision-Making

With regards to the issue of formality during the service elimination decision-making process, the task of the qualitative phase was to stimulate the interviewees to provide insights into the following questions.

a) With reference to the existence of *written policies* (documentation), *assignment of responsibilities* and *systematic behaviour*, what is the overall formality of the elimination decision-making process? With regards to each one of the three dimensions of formality, in order to minimise idiosyncratic interpretations, respondents were shown continuums ranging from 1 to 7, where 1 was for ‘not at all formal’ and 7 for ‘very formal’.

b) Are more formal elimination decisions better than less formal ones?

The interviews revealed that in 11 out of the 20 studied financial institutions (4 small, 5 medium, 2 large) service elimination procedures were very informal. Five firms (1 medium and 4 large) rated their service elimination procedures as moderately formal, 3 of which mentioned that the degree of formality varied according to the impact that an elimination decision would have to the company as a whole. Finally, the remaining 4

firms (2 small, 2 large) rated their elimination process as highly formal, either because, like all decisions, service elimination decisions were treated with the greatest formality or because they were especially sensitive decisions. The marketing manager of one large building society commented:

When we want to eliminate a service we have to go through a very formal process because for us it is a sensitive and significant issue. We cannot sit down and arbitrarily eliminate a service. We have to prove through the process [of service elimination] that there is strong justification and that we have in place a programme of activities that can manage customer sensitivities to the extent that we can be fair to our customers.

With regards to the role of formality in the quality of elimination decisions, although the above 4 firms believed that formality was necessary in service elimination decisions, the trend among the 16 firms with moderate or informal service elimination processes was that greater formality did not necessarily result in better decisions. Firms with moderate formality talked about the benefits of being able to increase or decrease the degree of formality, depending on the nature of different elimination situations. The marketing manager of a large insurance company stated:

We are in the middle because we believe that complete informality can be very dangerous because you have all sorts of people going to all sorts of directions. But the [elimination] process should not be too formal because then bureaucracy can inhibit efficiency.

Finally, firms with very informal service elimination processes stated that this was the structure that they needed and did not think that it was reducing the quality of the decisions. The marketing manager of a small insurance company argued that, the extent to which the [elimination] process should be formal depends on the condition of the product portfolio. I mean that if you have 100 products and you realise that you only need 30, you may then need a formal elimination process. But if you are selling only 20 products, like we do, then there is no

need to have the infrastructure and the blueprint to deal with it. It will emerge normally through market trends, business changes and new legislation.

5. The Post-Elimination Stage

With regards to the post-elimination stage, the tasks of the qualitative research were as follows:

- a) To find out if financial institutions conducted post-elimination reviews.
- b) If yes, to identify the dimensions that were used for the retrospective assessment of elimination decisions and if no, to discover the reasons why post elimination reviews were not conducted.
- c) To find out if financial institutions ever faced the need to resume the marketing of an initially eliminated service.
- d) If they did, the in-depth interviews sought to identify what caused a re-marketing decision.

5.1 Conduct of Post-Elimination Reviews

Only 7 out of the 20 financial institutions (5 large, 1 medium and 1 small-sized) reported the existence of a post-elimination review system, which was however very informal and unstructured. The interviews identified 9 dimensions that the 7 companies used for the retrospective evaluation of elimination decisions, which are illustrated in Table 5.10.

Table 5.10: Retrospective Evaluation Factors

• Sales of the replacement financial service
• Profitability of the replacement financial service
• Solution to operational problems
• Actual cross-selling impact
• Actual level of customer complaints
• Customer retention rates
• Customers' view of the company
• Propensity of customers to do incremental business with the company
• New customer acquisition rates

The identified retrospective evaluation factors were both of a financial and a non-financial nature. The interviews suggested that the relevance of the factors depended largely upon the reason that triggered the elimination in the first place and upon the macro impact of the decision on certain areas of the business as a whole. In 3 out of the 7 companies, which conducted post-elimination reviews (all small-sized), the only evaluation factor used was the monitoring of the profitability of the financial service that replaced the eliminated one. In the remaining 4 financial institutions (3 large and 1 medium-sized) the appropriateness of elimination decisions was mainly measured with financial and non-financial dimensions, such as profitability of the replacement financial service, impact of the decision on the relationships with the customers and actual level of customer complaints. Interestingly, the marketing manager of one medium-sized insurance company commented that during post-elimination reviews they were looking ahead, rather than behind:

Post-elimination reviews happen but only to assess what is the opportunity cost, I mean by looking at how successful we are in the core activities we wanted to focus on by eliminating a service. So it is not really looking over our shoulder, it is all looking forward. For example when we eliminated our life assurance line, the post-decision review focused on how much we increased the business in the remaining lines.

Also the director of a small bank, which had experienced a lot of legislation-triggered elimination cases mentioned that the activation of a post elimination mechanism was situation specific:

If by eliminating a service we wanted to minimise cannibalisation we would look at if we achieved that after the decision is implemented. But if the service was eliminated by new legislation there is nothing we can see from a post-elimination review.

Depending on the nature of information that firms were looking for at the post-elimination stage, different information sources were used. The prevailing ones were electronic databases, customer-contact personnel and the customers themselves. For example, when financial institutions wanted to assess the actual cross-selling impact of a financial service's elimination they resorted to their on-line sales systems, whereas when the focus was on the operational improvement of the service delivery process, they consulted their customer-contact personnel.

At this point it is interesting to discuss the reasons why 13 of the interviewed financial institutions did not conduct post elimination reviews (3 large, 5 medium and 5 small-sized). The in-depth interviews identified 4 reasons, which are summarised in Table 5.11.

Table 5.11: Reasons for not Conducting Post Elimination Reviews

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The most popular reason for not conducting post-elimination reviews was that the *appropriateness of elimination decisions was fairly obvious* (identified by 10

companies: 5 medium and 5 small-sized). In such cases financial institutions were not willing to spend more time and money in trying to probe the obvious:

The main reason why we eliminate services in our firm is because they are not profitable. So when we drop them we know that this was the right decision (the marketing director of a small-sized insurance company).

Seven companies (3 large, 3 medium and 1 small sized) reported that the post-elimination reviews were meaningless because elimination decisions were largely *irrevocable*:

You cannot change the decision and so you have to go forward. It is too late...if you have given up a service you have given it up (the marketing manager of a small-sized bank)

We do post-launch reviews to see if the performance of the new product is as we expected. But once we have eliminated a product we have discontinued and disturbed its cash-flow and therefore the benefit from a post elimination review is of limited use (the marketing manager of a medium-sized insurance company)

Three large financial institutions mentioned that there was no need to conduct a post-elimination review, because they had ensured that their *existing customers were given the opportunity to use the financial service that was closed to new business*. Finally, the director of one small bank stated that the issue of eliminating services was synonymous to shrinking the business. So when a service was finally gone, they did not wish to talk anymore about it. This *aversion* is illustrated in the following comment:

We are market developers and innovative thinkers. We like to introduce new products and expand the business, not to eliminate products and shrink it. When I make an [elimination] decision I don't want to talk about it any more; it drives me mad.

5.2 Re-Marketing of Eliminated Financial Services

As was mentioned above one of the most frequently stated reasons for not conducting of post-elimination reviews was the irrevocability of elimination decisions. This was reflected in the low number of companies that reported re-marketing decisions after initial elimination. Only 4 of the interviewed companies (1 medium and 3 small-sized) reported a re-introduction of an initially eliminated service due to four reasons that are illustrated in Table 5.12.

Table 5.12: Reasons for Re-marketing Initially Eliminated Financial Services

• Change in the market circumstances
• Very high level of customers complaints
• The service was very innovative when it was firstly launched
• Change in the corporate objectives

A change in the market circumstances

The marketing director of a small-sized insurance company commented:

We used to insure 747 jumbo jets and we eliminated this service because competitors were reducing premiums to attract airlines and if we followed them we wouldn't make any profit. But when many accidents involving 747's started to happen in the mid-80's many of our competitors had to pay huge claims to the airlines and some of them pulled out due to financial problems. It was then that the demand for jumbo jets' insurance increased and that the airlines were willing to pay higher premiums. So at that time we re-entered the market with exactly the same product but at a higher price.

Very high level of customer complaints

The marketing manager of a large building society commented:

We eliminated foreign exchange provision but because there was a high level of customer complaints we brought the service back in the range.

The financial service was ahead of its time when it was initially launched

The marketing manager of a large insurance company commented:

In the 80's we launched a direct-line product that was well ahead of its era. It didn't sell satisfactorily at all and we pulled it out. When the market moved and the demand increased we re-opened the product, which we still sell today.

Change in corporate objectives

The marketing manager of a medium-sized insurance company commented:

In the late 80's we eliminated life assurance because at that time our objective was consolidation. Six years later, when we had stabilised the business enough we wanted to expand and not to have all our eggs in one basket and we re-marketed the product.

6. Companies' Self Criticism of the Service Elimination Decision-

Making Process

Having concluded the presentation of the interview findings concerning the content of the service elimination process, it is interesting to summarise some central points made by the studied financial institutions with regards to the way in which they practise service elimination.

- Many of the interviewed companies (including some of the largest British financial institutions) wanted to see the structure of their elimination process as more rounded, more sophisticated and more computer-assisted. In the era of high technology, they had all the opportunities to use computerised systems to identify, analyse, revitalise, implement and retrospectively review their elimination decision. It was up to them to take advantage of the available technology.

- When no remedial action was possible, many companies stated that they wanted to see their evaluation and implementation activities as more robust, in order to secure as even a withdrawal as possible for the business and the customers.
- In the future, many firms saw service elimination becoming more of a norm than it is today for two reasons. First, due to the shift from the conventional and labour-intensive distribution channels and delivery processes towards more electronic ones. Second, due to the need for rationalisation of financial service ranges and due to the mergers and acquisitions that have already started to dominate the British financial services sector.

7. Summary and some Tentative Conclusions

The initial general description of the service range management activities suggested that in their overwhelming majority the studied financial institutions (16 cases) were very NSD-oriented. They had in place formal NSD processes and blueprints that they followed when they wanted to develop new financial services. This adherence to NSD was not only because it was a challenging and pleasant activity to managers. NSD among some of the studied financial institutions appeared to be a one-way path towards expanding the business and keeping the service range to the most up-to-date condition as possible in the volatile British financial services industry.

This adherence to developing new services could be an explanation as to why the overwhelming majority of the interviewed companies (16 cases) did not have in place a structured service elimination process and why they considered service elimination to be much less important than NSD. Developing new services was viewed as a business development tool and as an indicator of business prosperity, while service elimination was perceived as an activity to shrink the business and as a conveyor of

messages of inadequacy or inefficiency in financial service range management. It was also suggested that service managers believed that the submission of proposals concerning the introduction of new financial services would give them more credit in the eyes of their managers, than if they proposed the elimination of existing ones. Not surprisingly, thus, a small majority of companies (11 cases) did not consider service elimination activities to be an integral part of service range management activities. However, 7 companies considered them to be so and 2 companies reported that in the future they would have a more important role in service range management.

Despite their negative attitude, almost every company had faced the need to eliminate individual financial services. Candidates for elimination could be identified either reactively or proactively. In the former case, firms were reactively triggered to examine the future of a service, predominantly because its profitability was declining, or because a legislative change made it legally incompatible. In proactive situations, financial institutions were regularly monitoring their service portfolios on a set of financially and non-financially related audit criteria. These criteria were interpreted either as strict minimum performance thresholds, or as more flexible red-flags allowing room for some remedial action before elimination.

The behaviour of the studied firms during the various stages of the elimination process led to the following tentative conclusions.

The elimination of many financial services has strong social implications

When evaluating the impact of a possible elimination decision, financial institutions could not be detached from its social implications. Despite the fact that many elimination decisions left the existing users unaffected, the non-availability of the financial service to new customers could imply discrimination and had important social

implications. Companies were very wary of that, since it could backfire through the press attention. For example a negative press release could easily create a negative customer feeling about the involved financial institution and could lead to disloyalty, to lower customer retention rates and ultimately to boycott actions.

Migration is possible for some financial services

For some financial services (e.g., current and savings accounts), the voluntary and free-of-charge migration of existing holders seemed to be easier than it is for a typical product in manufacturing settings. The head of business marketing of a large bank mentioned that:

When we eliminate a current account we give customers the choice to migrate to a new one at no extra cost to them, but when a car manufacturer eliminates a model, they won't migrate you to the new model.

From a company point of view, the soft and intangible nature of financial products gave an opportunity to some financial institutions to have a more customer-friendly appeal by offering at no (or almost no) cost to them a migration opportunity to their customers. From a customer point of view, the intangibility of financial services meant that customers are not sentimentally attached to them. Consequently they might be more willing to migrate to another financial service, especially when this migration does not involve any extra cost to them.

Migration is not possible for all financial services

The voluntary migration was not possible for other financial services, such as certain mortgages or insurance products. For example, for a mortgage that was eliminated, migration might not be legal. So existing holders could only stay with their existing mortgage. For an insurance policy that was closed to new business, elimination might

again be illegal but might not be ethical as well. This was so because when customers bought an insurance policy they only bought an intangible promise, which was committing insurers to honour it. An attempt to migrate existing holders as a result of an elimination decision, might be an infringement of this promise, with ethical and legal implications.

Active advising role of customer-contact personnel and of customers

Customer-contact personnel were actively involved in the decision-making process. Their involvement was more obvious in the analysis/revitalisation and the evaluation stage of the service elimination decision-making process. Not only that, there were cases where the customers themselves were brought into the process, as external participants. This trend could be attributed to the vital role that customer-contact personnel and customers have to play during the service delivery process. The latter seems more applicable in cases involving high-contact and labour intensive delivery processes, rather than low-contact and capital intensive ones.

The disposal of some financial services can sometimes last too long

The interviews suggested that the duration of the implementation stage for some financial services could be too long. This was a consequence of financial institutions' choice or obligation to eliminate a financial service for new potential customers but to keep it open to its existing users. As a result, the complete withdrawal could take too long for some financial services. The long duration of the implementation stage seemed to be the case in long-tail financial services, such as certain insurance policies and mortgages.

Post Elimination Inertia

In the majority of the studied cases, once an implementation was under way, no post-elimination reviews were conducted in order to assess the appropriateness of an elimination decision retrospectively. Only a handful of financial institutions conducted post-elimination reviews, which were very unstructured and unsophisticated. But even in some of these cases, the post-elimination reviews were rather closer to post launch-reviews, as they were mainly focusing on the performance of the financial service that replaced the eliminated one.

This chapter presented the findings of the qualitative phase of the data collection for this study, which attempted the identification of the content of the service elimination process within the studied British financial institutions. The identified content (i.e., the decision variables during the various steps of the elimination process) was then quantified and subjected to a quantitative mail survey. The quantitative data set was then subjected to a statistical analysis in order to measure a) the relative importance/frequency of the content of the elimination process and b) the extent to which the above content was influenced by a set of contextual factors of the internal and the external environment of British financial institutions. These quantitative issues are the focus of the next chapter.

Chapter 6

Quantitative Findings

1. Introduction

This aim of the chapter is to present the findings of the mail survey phase of the study. This presentation has been organised in six main parts. The first part presents the findings relating to the profile of the sample and the second part presents the findings relating to the position of service elimination with the broader array of service range management activities. The third part presents the findings on the service elimination intensity of financial institutions, i.e., the number of services that they had eliminated in the last 5-year period and on the contextual factors that influence it. The fourth part focuses on the pre-elimination decision-making stage, while the fifth and most extensive part of this chapter focuses on the actual service elimination decision-making process. Finally, the sixth and last part presents the findings, which relate to the post-elimination decision-making stage.

2. The Profile of the Sample

2.1 Company Type

The target percentages per stratum of company type that were dictated by the proportion and stratification properties of the sampling process, were not strictly achieved (Table 6.1). Instead, banks and building societies were over-represented by 0.3% and 2.9% respectively, while the insurance companies were under-represented by -3.2%. Over and under-representation of subgroups of the population are inherent problems during mail surveys, as the researcher has practically no control over the exact achievement of the target proportions of subgroups. However, the above fluctuations can be considered slight and expected.

Table 6.1: Composition of the Sample Per Company Type

Company Type	N	Achieved Stratum Proportion	Target Stratum Proportion	Fluctuations
Banks	39	34.80%	34.50%	+0.3%
Building societies	15	13.40%	10.50%	+2.9%
Insurance comp.	58	51.80%	55%	-3.2%
TOTAL	112	100 %	100 %	

2.2 Size Profile of Respondents

Table 6.2 shows the distribution of the respondent financial institutions across the variable of size, which has been operationalised by the total assets in £ bln. Small companies dominated the sample, accounting for 72.1% of all replies, while medium-sized companies accounted for 12.6% and large companies for 15.3%. The range of the size was quite large, with the smallest company having total assets of £5 million and the largest as much as £500 bln, with a mean value of almost £ 20.5 bln and a standard deviation of £62.2 bln.

Table 6.2: Company Size (Total Assets in £ bln)

Size Grouping	N	%	Min (£ bln)	Max (£ bln)	Mean(£ bln)	Sd (£ bln)
Small (<£5 bln)	80	72.10				
Medium (£5-£27)	14	12.60				
Large (>£27 bln)	17	15.30				
TOTAL	111*	100	.005	500	20.42	62.20

*One company did not report its size

Table 6.3 gives a picture of the size distribution per company type. It can be observed that the dominance of small-sized companies persists across the three groupings with regards to company type. Also, in all three size groupings there is a relatively equal presence of banks, building societies and insurance companies.

that the small majority of banks (56.4%) and insurance companies (56.9%) had from 1 to 20 financial services in their range.

Table 6.3: Size Distribution by Company Type

Type of Company	Size Groupings						TOTAL	
	Small		Medium		Large			
	N	%*	N	%*	N	%*	N	%*
Banks	28	71.80	5	12.80	6	15.40	39	100
Building societies	11	73.30	2	13.30	2	13.30	15	100
Insurance companies	41	71.90	7	12.30	9	15.80	57	100

*Percentages within company type groupings

2.3 Number of Financial Services in the Range (Service Diversity)

Table 6.4 illustrates the service diversity among the respondents, where 51.8% of the studied companies had from 1 to 20 financial services in their range, 34.8% had from 21 to 60 and 13.4% were offering over 60 financial services. The range of service diversity was quite large, from companies with only one financial service in their range, up to the widest range of financial services at 750.

Table 6.4: Service Diversity

No of Services	n	%	Min*	Max*	Mean*	Sd*	5% Trimmed Mean*	Mode*	Median*
1-20	58	51.8							
21-60	39	34.8							
61+	15	13.4							
TOTAL	112	100	1	750	50.93	111.62	29.25	15	20

*The numbers represent financial services

The mean value was 51 financial services, with the standard deviation 112. The effect of the relatively high value of standard deviation is reflected in the 5% trimmed mean (i.e, the mean for the variable after the elimination of 5% of the extreme values at the top and 5% at the bottom of the dataset) which dropped to 29 financial services. Table 6.5 illustrates the service diversity across the variable company type. It can be observed

that the small majority of banks (56.4%) and insurance companies (56.9%) had from 1 to 20 financial services in their range, while 46.7% of building societies were marketing from 21 to 60 financial services.

It is either towards an endeavour to reduce operating costs or to imitate the sector's leaders. In the latter case, the findings suggest that a slow

Table 6.5: Service Diversity by Company Type

Type of Company	Service Diversity Groupings						TOTAL	
	1-20		21-60		Over 60			
	N*	%**	N*	%**	N*	%**	N*	%**
Banks	22	56.4	13	33.3	4	10.3	39	100
Building societies	3	20	7	46.7	5	33.3	15	100
Insurance companies	33	56.9	19	32.8	6	10.3	58	100

*The numbers represent financial services

**Percentages within company type groups groupings

2.4 Overall Business Strategy

Table 6.6 is a frequency list for the variable of overall business strategy. Most of the sampled financial institutions (36.6%) characterised themselves as cost reducers, followed by slow imitators (33%). The technological innovators were third in order (20.5%), followed by fast imitators (9.8%).

Table 6.6: Overall Business Strategy

Overall Business Strategy	N	%
Cost Reducer	41	36.6
Slow Imitator	37	33
Technological Innovator	23	20.5
Fast Imitator	11	9.8
TOTAL	112	100

The dominance of cost reducers and slow imitators persists when the overall business strategy is cross-tabulated with company type. Table 6.7 shows that 41% of banks and 33.3% of building societies were slow imitators, while 43.1% of insurance companies

were cost reducers. The above numbers suggest that although there are financial institutions with a strategic focus on technological innovation, in today's British financial services sector the trend is either towards an endeavour to reduce operating costs or to imitate the sector's leaders. In the latter case, the findings suggest that a slow and cautious imitation is largely preferred to a fast one.

Table 6.7: Overall Business Strategy by Company Type

Company Type	Overall Business Strategy								TOTAL	
	Cost Reducer		Fast Imitator		Slow Imitator		Technological Innovator			
	N	%*	N	%*	N	%*	N	%*	N	%*
Banks	12	30.8	3	7.7	16	41	8	20.5	39	100
Building societies	4	26.7	2	13.3	5	33.3	4	26.7	15	100
Insurance companies	25	43.1	6	10.3	16	27.6	11	19	58	100

*Percentages within company type groupings

3. Relative Importance of Service Elimination Activities and Resource Allocation

In the mail survey phase of the study, respondents were given a list of four activities of service range management: a) planning and developing new financial services, b) improving/upgrading existing financial services, c) developing new markets for existing financial services and d) eliminating existing financial services. They were asked to rate them on a rank order scale from 1 to 4 (1: most important, 4: least important) in terms of their importance to the management of the service range and the corporate resources (i.e., temporal, monetary, human) that were allocated to each activity. Since the importance and resource allocation variables were operationalised through ordinal scales, the obtained rankings were analysed by the non-parametric Friedman's test. This statistical test is based on the null hypothesis (H_0) that there is no

difference in the ranking of a set of choices (SPSS 1999). Thus, the null hypotheses for the purposes of the present study were as follows:

- **H₀₁:** No difference exists between the four activities of service range management in terms of their relative importance; and
- **H₀₂:** No difference exists between the four activities of service range management in terms of the resources that financial institutions allocate to them.

3.1 Relative Importance Rankings

The findings in Table 6.8 provide sufficient evidence to reject the null hypothesis H₀₁. As far as the relative importance is concerned, there is a statistically significant difference in the four activities of service range management ($\chi^2=181.9$, $p<.01$). Improving/upgrading/modifying existing financial services was ranked first (mean rank=1.71), followed by planning and developing new services (mean rank=2.01) and developing new markets for existing services (mean rank=2.41). Eliminating existing services was ranked as the least important of the four activities, with a mean rank (3.86) very close to the maximum 4. It is worth noting that although the physical ranking distances between the 1st and 2nd and between the 2nd and 3rd activity in the rank order were 0.3 and 0.4 respectively, the distance of the 4th activity of eliminating services from the 3rd activity in the ranking was 1.45. This is an indication that eliminating financial services was considered by far to be the least important activity of service range management.

Table 6.8: Relative Importance of Service Range Management Activities by

Activities	Relative Importance Ranking*
Planning and developing new services	2.01
Improving/upgrading/modifying existing services	1.71
Developing new markets for existing services	2.41
Eliminating existing services	3.86

*On a rank order scale from 1 to 4

Friedman test statistics
N=111
$\chi^2=181.995$
Df=3
Asymptotic sig: .000

As can be seen in Tables 6.9 and 6.10, the same rank order persists across the three different types of financial institutions and across small, medium and large companies respectively. Eliminating financial services was constantly ranked 4th and its rating was always very close to the value of 4.

Table 6.9: Relative Importance of Service Range Management Activities by Company Type

Activities	Relative Importance Rankings *		
	Banks	Building Societies	Insurance Companies
Planning and developing new services	2.03	1.80	2.05
Improving/upgrading/modifying existing services	1.79	1.73	1.65
Developing new markets for existing services	2.26	2.67	2.46
Eliminating existing services	3.92	3.80	3.84

*On a rank order scale from 1 to 4

Friedman test statistics	n=39 $\chi^2=65.677$ Df=3 Asymptotic sig: .000	n=15 $\chi^2=25.160$ Df=3 Asymptotic sig: .000	n=57 $\chi^2=93.274$ Df=3 Asymptotic sig: .000
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Table 6.10: Relative Importance of Service Range Management Activities by Company Size

Activities	Relative Importance Rankings*		
	Small-sized	Medium-sized	Large
Planning and developing new services	2.01	1.71	2.12
Improving/upgrading/modifying existing services	1.76	1.93	1.35
Developing new markets for existing services	2.38	2.43	2.59
Eliminating existing services	3.85	3.93	3.94

*On a rank order scale from 1 to 4

Friedman test statistics	n=79 $\chi^2=124.078$ Df=3 Asymptotic sig: .000	n=14 $\chi^2=25.114$ Df=3 Asymptotic sig: .000	n=17 $\chi^2=36.176$ Df=3 Asymptotic sig: .000
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The findings in Tables 6.12 and 6.13 show that there were statistically significant differences in the allocation of corporate resources among the four activities of service range management.

3.2 Resource Allocation Rankings

The analysis of the obtained rankings provides enough evidence to reject H_0_2 . In Table 6.11 it can be seen that there were statistically significant differences in the allocation of corporate resources among the four activities of service range management ($\chi^2=183.644$, $p<.01$). In line with the findings on relative importance, improving/upgrading/modifying existing services was ranked first in terms of resource allocation (mean rank=1.65), followed by planning and developing new services (mean rank=2.02) and developing new markets for existing services (mean rank=2.47). Eliminating services was again ranked 4th and the physical distance between the ranking of the four activities testifies that service elimination was receiving by far the least amount of corporate resources among the studied companies.

Table 6.11: Resource Allocation between Service Range Management Activities

Activities	Resource Allocation Ranking*
Planning and developing new services	2.02
Improving/upgrading/modifying existing services	1.65
Developing new markets for existing services	2.47
Eliminating existing services	3.85
*On a rank order scale from 1 to 4	
Friedman test statistics	
N=110	
Chi-square=183.644	
Df=3	
Asymptotic sig: .000	

The findings in Tables 6.12 and 6.13 reveal that the same rank order persists across all company types and size groupings. Eliminating services was constantly ranked 4th, with a mean rank very close to 4.

Table 6.12: Resource Allocation by Company Type

Activities	Resource Allocation Rankings*		
	Banks	Building Societies	Insurance Companies
Planning and developing new services	1.97	1.87	2.09
Improving/upgrading/modifying existing services	1.89	1.67	1.49
Developing new markets for existing services	2.21	2.73	2.58
Eliminating existing services	3.92	3.73	3.84
*On a rank order scale from 1 to 4			
Friedman test statistics	n=38 $\chi^2=62.621$ Df=3 Asymptotic sig: .000	n=15 $\chi^2=24.040$ Df=3 Asymptotic sig: .000	n=57 $\chi^2=102.432$ Df=3 Asymptotic sig: .000

24, with a standard deviation of 1.65. The highest mean rank was 2.47, which is the mean of the new service values in the dataset and the second highest mean rank was 2.09, which is the mean of the lowest values, the mean dropped significantly to 1.65, which is the mean of the eliminated financial services values in the dataset, and the mean of the eliminated services values, which equals 1.2 eliminated financial services.

Table 6.13: Resource Allocation by Company Size

Activities	Resource Allocation Rankings*		
	Small-sized	Medium-sized	Large
Planning and developing new services	2.06	1.86	1.94
Improving/upgrading/modifying existing services	1.67	1.79	1.53
Developing new markets for existing services	2.44	2.43	2.65
Eliminating existing services	3.83	3.93	3.88

*On a rank order scale from 1 to 4

Friedman test statistics	n=78 $\chi^2=124.785$ Df=3 Asymptotic sig: .000	n=14 $\chi^2=24.943$ Df=3 Asymptotic sig: .000	n=17 $\chi^2=32.506$ Df=3 Asymptotic sig: .000
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The relatively low service elimination activity among the sampled companies can also be seen in Table 6.15. In particular the majority of banks (76.9%), building societies (70%) and insurance companies (70%) had eliminated from 1 to 5 financial services during the last 5 years.

4. Number of Eliminated Services

The sampled companies were asked to specify the number of financial services that they had eliminated in the last 5-year period. The reference period was defined thus in order to minimise recollection problems and in order to have a common basis for comparison. In Table 6.14 it can be observed that although the range of the eliminated financial services was wide (min=1, max=1500), the majority of companies (nearly 70%) had eliminated from 1 to 5 financial services in the last 5 years, while 8% of companies reported elimination of more than 20 financial services. The mean value was 24, with a standard deviation of 145. The latter reflects the existence and the impact of a few extreme values in the dataset and after trimming 5% of the highest and 5% of the lowest values, the mean dropped considerably to approximately 6 financial services, which equals 1.2 eliminated financial services per year.

¹ Correlation coefficient is a measure of correlation between two metric variables at a time. It ranges from -1 to 1 and indicates the direction, type and the strength of the linear relationship between two metric variables.

Table 6.14: Financial Services Eliminated in the Last 5-year Period

No of Eliminated Financial Services	N	%	Min*	Max*	Mean*	Sd*	5% Trimmed Mean*	Mode*	Median*
1-5	78	69.6							
6-20	25	22.3							
21+	9	8							
TOTAL	112	100	1	1500	23.98	144.23	5.93	2 and 5	4.58

*The numbers represent eliminated financial services

that the larger an organisation, the fewer the number of eliminated financial services in the last 5-year period ($r=-.271, p<.01$). This relationship remained even after controlling

The relatively low service elimination activity among the sampled companies can also be seen in Table 6.15. In particular the majority of banks (76.9%), building societies (60%), and insurance companies (67.2%) had eliminated from 1 to 5 financial services during the last 5 years.

Table 6.15: Services Eliminated in the Last 5-Year Period by Company Type

Type of Company	Number of Eliminated Services						TOTAL	
	1-5		6-20		Over 21			
	n*	%**	n*	%**	n*	%**	n*	%**
Banks	30	76.9	7	17.9	2	5.1	39	100
Building societies	9	60	3	20	3	20	15	100
Insurance companies	39	67.2	15	25.9	4	6.9	58	100

*The numbers represent eliminated financial services

**Percentages within company type groupings

4.2 Metric Contextual Influence

The relationship between the number of eliminated services and each one of the metric independent variables was measured with Pearson correlation coefficient r^1 .

Table 6.16 shows the bi-variate Pearson correlations between the number of eliminated services and the metric independent variables of the internal and external environment

¹ Pearson correlation coefficient r is a measure of correlation between two metric variables at a time. It ranges from -1 to 1 and indicates the direction (i.e., positive or negative) and the strength of the linear relationship between two metric variables.

of financial institutions. While the market orientation of a company (overall and components, i.e., customer orientation, competitor orientation and interfunctional coordination), market competition, the legislative environment and technological change did not influence the number of eliminated services, the latter was positively and significantly correlated with size and service diversity. Specifically the findings show that the larger an organisation, the larger the number of eliminated financial services in the last 5-year period ($r=.271$, $p<.01$). This relationship persisted even after controlling for the effect of service diversity². Also, a strong and positive statistically significant relationship was found between the service diversity and the number of eliminated services ($r=.427$, $p<.01$), and this relationship persisted after controlling for the effect of size.

Secondly, the most important contextual influence on the service elimination process was the improvement of financially

selected indicators (e.g., profitability and EOD) with a mean value of 3.29. The second

Table 6.16: Bivariate Pearson Correlations-Number of Eliminated Financial Services and the Metric Contextual Influence

Contextual Variables	Number of Services Eliminated in the Last 5-year Period
	Pearson's r
Size	.271***
Service diversity	.427***
Market orientation (overall)	.097
Customer orientation	.119
Competitor orientation	.029
Interfunctional coordination	.094
Competition	-.009
Legislation	.038
Technological change	.081
Statistical significance	
* $p<.10$	
** $p<.05$	
*** $p<.01$	

² The persistence of some statistically significant correlations with Pearson's r was further checked with partial correlations. The latter are used to check the original correlation between two variables (one dependent and one independent), after controlling for the impact that other independent variable(s) (which were significantly correlated with the dependent one) may have on the original bi-variate correlation.

5. The Pre-Elimination Stage

5.1 Pursued Service Elimination Objectives-Relative Importance

The service elimination objectives, which were identified during the in-depth interviews, were tested in the survey phase in order to measure their relative importance. Respondents were asked to rate on a 7-point Likert scale each one of the pre-identified objectives according to the extent to which they guided their companies in the specific service elimination case that they had chosen to discuss (1: not at all, 7: to a great extent).

Table 6.17 lists the relevant descriptive statistics. The objective with the most guiding influence on the service elimination process was the *improvement of financially related indicators* (e.g., profitability and ROI), with a mean value of 5.29. The second most important objective was the *concentration of the corporate resources on what can be done best* (mean value 4.96), which was closely followed by the objective to *keep the service range to the most up-to-date condition* (mean value 4.93). Two additional objectives with less than moderate importance were the *rationalisation to minimise customer confusion* (mean value 3.54) and *rationalisation to minimise cannibalisation* (mean value 3.47).

Table 6.17: Relative Importance of Service Elimination Objectives

Service Elimination Objectives	N	Mean*	Min	Max	Sd
Improvement of financially-related indicators	112	5.29	1	7	1.77
Concentration of the corporate resources on what can be done best	112	4.96	1	7	1.71
Keep the service range to the most up-to-date condition	112	4.93	1	7	1.72
Rationalisation to minimise customer confusion	112	3.54	1	7	1.94
Rationalisation to control cannibalisation	112	3.47	1	7	1.74

*Likert scale
1: not at all, 4: moderately, 7: to a great extent

Table 6.18 presents the mean values for the service elimination objectives by company type. The improvement of financially related indicators was again the most important objective among banks (mean value 5.59) and insurance companies (mean value 5.14). Building societies, however, ranked it second (mean value 5.13), preceded by the objective to keep the service range up-to-date (mean value 5.47). As in the overall ranking, the objectives of ‘rationalising the service to minimise customer confusion’ and ‘rationalising the service range to control cannibalisation’ were ranked fourth and fifth (and vice versa), with mean values less than 4 in all but one type of financial institution (banks, mean value 4.10). However, with regards to company type, the one-way ANOVA ($F=4.907$, $p<.01$) revealed that the only statistically significant difference in the relative importance of the five objectives was between banks and insurance companies in the objective namely *rationalisation to control cannibalisation* (Levene test insignificant, mean difference with Bonferroni test= 1.09 , $p<.01$)³.

³ The Levene test of homogeneity of variances is based on the null hypothesis that the variances in the sub-groups under comparison are equal (in the present case the sub-groups were banks, building societies and insurance companies) (Diamantopoulos and Schlegelmilch 1997; Kinnear and Gray 1997). The test was carried out for the objective *rationalisation to control cannibalisation* and it was insignificant, thus we could assume for equal variances in the three sub-groups with regards to this service elimination objective. Since equal variances were assumed, the chosen Post Hoc test for the one-way ANOVA was the Bonferroni multiple comparison. This test compares the physical distance between the mean values of

Table 6.18: Service Elimination Objectives-Relative Importance by Company Type

Service Elimination Objectives	Banks		Building Societies		Insurance Companies	
	n	Mean*	n	Mean*	n	Mean*
Improvement of financially-related indicators	39	5.59 (1)	15	5.13 (2)	58	5.14 (1)
Concentration of the corporate resources on what can be done best	39	5.03 (3)	15	4.53 (3)	58	5.03 (2)
Keep the service range to the most up-to-date condition	39	5.05 (2)	15	5.47 (1)	58	4.71 (3)
Rationalisation to minimise customer confusion	39	3.85 (5)	15	3.67 (4)	58	3.29 (4)
Rationalisation to control cannibalisation	39	4.10 (4)	15	3.60 (5)	58	3.02 (5)

*Likert scale
1: not at all, 4: moderately, 7: to a great extent

While the variable of overall business strategy did not account for any significant differences in the importance of the service elimination objectives, the one-way ANOVA found some significant mean differences with the variable of the delivery process of the eliminated service, with regards to the objective namely keep the service range to the most up-to-date condition (Levene test insignificant, $F=6.556$, $p<.01$). In detail, in cases where the customers visited the company to use the to-be eliminated financial service, the importance of the above objective was higher than when the company visited the customers (mean difference with Bonferroni test = 1.09, $p<.05$) or when customers and the company were transacting at arm's length (mean difference with Bonferroni test = 1.33, $p<.05$).

Table 6.19 shows the t-tests for the service elimination objectives against the type of eliminated service, which found statistically significant differences with regards to three objectives. As can be seen, for corporate financial services-elimination

each one of the dependent variables of the ANOVA model (in this case the 5 different service elimination objectives) against the sub-groups of the factor (independent) variable (in this case, banks,

candidates, the importance of the financially related objective, the variety reduction objective and the cannibalisation objective was greater than for retail financial services.

Table 6.19: Relative Importance of Service Elimination Objectives by Type of Eliminated Service-T-tests

Service Elimination Objectives	Retail Financial Service		Corporate Financial Service		t
	n	Mean*	n	Mean*	
Improvement of financially-related indicators	79	5.00	33	6.00	-3.168***
Rationalisation to control cannibalisation	79	3.29	33	3.91	-1.729*
Rationalisation to minimise customer confusion	79	3.58	33	3.42	.367
Concentration of the corporate resources on what can be done best (variety reduction)	79	4.68	33	5.64	-3.364***
Keep the service range to the most up-to-date condition	79	4.96	33	4.85	.318

*Likert scale

1: not at all, 4: moderately, 7: to a great extent

6.2.1 Personal Service Elimination Objectives and its Market Contextual Influence

In order to find any patterns among the five service elimination objectives, factor analysis was conducted. The principal components' analysis (with Varimax rotation and eigenvalues over 1) resulted in two factors, explaining 68.5% of the total variance. As the factor loadings in Table 6.20 show, there was a clear distinction between the market-related and the financially related service elimination objectives.

The strongest influence on the service elimination objectives was market context, which accounted for almost one third of all the significant correlations.

In detail, the strongest positive correlation of legislation was with the objective namely *rationalisation to minimise customer confusion* ($r= .397$, $p<.01$). Legislation was also positively correlated with the objectives to keep the service range to the most up-to-date condition ($r=.130$, $p<.10$) and *rationalisation to control cannibalisation* ($r= .120$, $p<.15$), while it was negatively correlated with the objective to improve financial

building societies, insurance companies) and identifies the statistically significant ones (SPSS 1999).

Table 6.20: Service Elimination Objectives-Principal Components Analysis

Service Elimination Objectives	Factor 1: Market-Related Objectives	Factor 2: Financially-Related Objectives
Rationalisation to minimise customer confusion	.857	
Keep the service range to the most up-to-date condition	.811	
Rationalisation to control cannibalisation	.680	
Improvement of financially-related indicators		.845
Concentration of the corporate resources on what can be done best		.648
Eigenvalue	2.042	1.381
Cumulative Variance Explained	40.843%	68.460%
Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy		.633
Bartlett's Test of Sphericity		Chi-Square=107.394, df=10, Sig=.000
Overall Cronbach α		.5870
Cronbach α per Factor	.7257	.3779

companies understand the importance of having a service range, which is clean and tidy.

5.1.1 Pursued Service Elimination Objectives and the Metric Contextual Influence

Table 6.21 shows the Pearson correlation coefficients between the pursued service elimination objectives and the metric contextual variables. While size and service diversity did not have any significant impact on the relative importance of the five service elimination objectives, the latter was significantly influenced by the legislative environment, market competition, the overall market orientation and its components and by technological change. Legislation was the variable with the strongest influence on the service elimination objectives, since it accounted for almost one third of all the significant correlations.

In detail, the strongest positive correlation of legislation was with the objective namely *rationalisation to minimise customer confusion* ($r=.297$, $p<.01$). Legislation was also positively correlated with the objectives to *keep the service range to the most up-to-date condition* ($r=.180$, $p<.10$) and *rationalisation to control cannibalisation* ($r=.194$, $p<.05$), while it was negatively correlated with the objective to improve financially related indicators ($r=-.166$, $p<.10$). If the above correlations are compared with the

relative importance rankings for the service elimination objectives (Table 6.17), it can be observed that the legislative environment forces the latter to enhance the importance of customer-focused service elimination objectives, thus discouraging them from focusing solely upon financially-related objectives.

Market competition enhanced the importance of the objective namely *rationalisation to minimise customer confusion* ($r=.206$, $p<.05$) and *keep the service range to the most up-to-date condition* ($r=.193$, $p<.05$). This finding suggests that as the competition becomes more intense, financial institutions feel the need to have a fresher service range, which reflects the developments in the market. At the same time, companies understand the importance of having a service range, which is clean and tidy and thus easy to understand by the customers.

Not surprisingly, overall market orientation was found to enhance the importance of the objective to *keep the service range to the most up-to-date condition* ($r=.203$, $p<.05$). The components of market orientation showed some significant correlations too.

Finally, the rhythm of technological change was enhancing the importance of the objective to *concentrate the corporate resources on what can be done best* ($r=.170$, $p<.10$).

Table 6.21: Objectives of Service Elimination and the Metric Contextual Influence-Bi-variate Pearson Correlations

Service Elimination Objectives	Contextual Variables						Technological Change (N=112)		
	Size (N=111)	Service Diversity (N=112)	Market Orientation (overall) (N=112)	Customer Orientation (N=112)	Competitor Orientation (N=112)	Interfunctional Coordination (N=112)			
Improvement of financially-related indicators	.141	.125	.098	-.041	.219**	.108	.021	-.166*	-.024
Rationalisation to control cannibalisation	.030	.099	-.018	-.074	.030	.013	.121	.194**	.031
Rationalisation to minimise customer confusion	.103	.072	.152	.173*	.126	.088	.206**	.297***	.091
Concentration of the corporate resources on what can be done best	.035	-.124	.058	-.090	.193**	.083	.132	-.019	.170*
Keep the service range to the most up-to-date condition	-.022	.079	.203**	.241**	.083	.186**	.193**	.180*	-.069
Statistical significance :									
* p<.10									
** p<.05									
*** p<.01									

5.2. Problem Situations making a Service an Elimination Candidate-Relative Importance

Respondents were asked to indicate the importance of each of the eight problem situations, which were identified during the in-depth interviews, in triggering their companies to consider a financial service an elimination candidate (1: no importance, 7: extreme importance). Table 6.22 shows the relevant descriptive statistics.

Table 6.22: Problem Situations-Relative Importance

Problem Situations	N	Mean*	Min	Max	Sd
Declining customer demand and customer rejection	112	5.45	1	7	1.30
Declining profitability	112	5.40	1	7	1.54
Service obsolescence	112	4.42	1	7	1.83
Legislative changes and new regulations	112	4.40	1	7	2.26
Incompatibility with current corporate focus	112	4.37	1	7	1.90
Changed business positioning	112	4.36	1	7	1.87
Technical problems with the service delivery process	112	3.05	1	7	1.90
A person with a vital role in the delivery process left the company	112	1.70	1	7	1.12

*Likert scale

1: of no importance , 4: of moderate importance, 7: of extreme importance

Only two out of the eight problem situations achieved a mean ranking higher than the value of 5. *Declining customer demand and customer rejection* was ranked as the most important problem situation (mean rank=5.45) and was closely followed by *declining profitability* (mean rank=5.40). *Service obsolescence* and *legislative changes and new regulations* were ranked third and fourth respectively. At close distance were two additional problem situations, namely *incompatibility with current corporate focus* and *changed business positioning*. The above relative importance rankings largely comply

with the frequency in which the eight problem situations were identified during in-depth interviews.

Table 6.23 presents the relative importance of the eight problem situations by company type. The rankings by company type comply with the overall ranking in the sense that the two most and the two least important problem situations from an overall angle were the same across the three strata of company type, with the slight exception that banks rated *declining profitability* first. The one-way ANOVA ($F=3.296$, $p<.05$) provided support for the compliance between the relative importance by company type and the overall relative importance, since the only statistically significant difference in the mean values was between banks and insurance companies with regard to the problem situation namely *technical problems with the service delivery process* (Levene test insignificant, mean difference with Bonferroni test: .91, $p<.10$)

Table 6.23: Problem Situations-Relative Importance by Company Type

Problem Situations	Banks		Building Societies		Insurance Companies	
	n	Mean*	n	Mean*	n	Mean*
Declining customer demand and customer rejection	39	5.31 (2)	15	5.40 (1)	58	5.55 (1)
Declining profitability	39	5.49 (1)	15	4.67 (2)	58	5.53 (2)
Service obsolescence	39	4.33 (5)	15	4.20 (6)	58	4.53 (3)
Legislative changes and new regulations	39	4.49 (3)	15	4.40 (4)	58	4.34 (5)
Incompatibility with current corporate focus	39	4.31 (6)	15	4.53 (3)	58	4.36 (4)
Changed business positioning	39	4.41 (4)	15	4.27 (5)	58	4.34 (5)
Technical problems with the service delivery process	39	3.67(7)	15	2.60 (7)	58	2.76 (6)
A person with a vital role in the delivery process left the company	39	1.85 (8)	15	1.27 (8)	58	1.71 (7)

*Likert scale

1: not at all, 4: moderately, 7: to a great extent

Although the one-way ANOVA with the nature of the delivery process of the to-be eliminated service did not detect any significant differences, with the variable of overall business strategy it revealed one significant difference with regards to the problem situation namely *technical problems with the delivery process* ($F=3.335$, $p<.05$). Specifically, cost reducers viewed this problem situation as significantly more important than fast imitators (Levene test significant, mean difference with Tamhane's $T2^4 = .73$, $p<.10$).

The t-test with the type of the eliminated service found only one statistically significant comparison with the eight problem situations. In particular, when the to-be eliminated financial service was for the corporate market, the importance of the problem situation namely *declining profitability* was significantly more important than when it was for the retail market (mean of corporate = 6.09, mean for retail = 5.11, $t=-3.666$, $p<.01$).

An attempt was made to identify any meaningful underlying groups among the eight problem situations. The principal components' analysis (with Varimax rotation) extracted three relatively clean factors, which accounted for over 70% of the total variance (Table 6.24). Factor 1 included problem situations relating to a change in the legislative environment and in the strategy and tactics of financial institutions (eigenvalue=2.508). Factor 2 included problem situations due to a service's poor market

⁴ In this particular one-way ANOVA the Levene test of homogeneity of variances was significant for the problem situation namely *technical problems with the delivery process*, thus the assumption for equal variances was violated and the Bonferroni test could not be used. The Post Hoc test that was used was Tamhane's T2 (this particular test for multiple comparisons was also used for all the following one-way AVONA analyses where the Levene test was significant). This Post Hoc test for multiple comparisons is suitable in one-way ANOVA where the criterion of equal variances has been violated. As the Bonferroni test, Tamhane's T2 compares the physical distance between the mean values of different sub-groups of the factor variable of the ANOVA model (in this cost reducers, fast imitators, slow imitators and technological innovators) with the dependent variables (in this case the various problem situations) and identifies the significant ones.

performance (eigenvalue=1.690) and factor 3 comprised financial and delivery process related problem situations (eigenvalue=1.421).

competition becomes more intense, branch channel managers are tempted to consider

Table 6.24: Problem situations-Principal Components Analysis

Problem Situations	Factor 1: Legislative, Tactical, Strategic change	Factor 2: Poor Market Performance	Factor 3: Profitability and Delivery Process Problems
Incompatibility with current corporate focus	.922		
Changed business positioning	.887		
Legislative changes and new regulations	.583		
Declining customer demand and customer rejection		.807	
Service obsolescence		.797	
Declining profitability			.855
A person with a vital role in the delivery process left the company			.625
Technical problems with the delivery problems			.525
Eigenvalues	2.508	1.690	1.421
Cumulative Variance Explained	31.350 %	52.478 %	70.242 %
Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy		.698	
Bartlett's Test of Sphericity		Chi-Square=277.833, df=28, Sig=.000	
Overall Cronbach α		.7329	
Cronbach α per Factor	.7712	.5524	.5437

Significant correlations. It was found that there were significant correlations between the eight problem situations.

5.2.1 Problem Situations and the Metric Contextual Influence

Table 6.25 has the Pearson correlation coefficients between the eight problem situations and the metric contextual variables. Size and service diversity were the only variables with no significant influence on the problem situations. The remaining 7 independent variables accounted for many significant correlations.

Market competition in particular was the environmental variable with the most and strongest significant correlations, as it enhanced the importance of all but two of the

problem situations. All the problem situations whose importance was enhanced by competition, fell under factors 1 and 2 in Table 6.24. This finding suggests that as competition becomes more intense, British financial institutions are tempted to consider for possible elimination financial services that a) do not perform satisfactorily in terms of sales and b) do not comply with the strategic and the tactical focus of the business.

While the problem situation namely *declining profitability* was positively correlated with overall market orientation ($r=.198$, $p<.05$), competitor orientation ($r=.257$, $p<.01$) and interfunctional coordination ($r=.213$, $p<.05$), it was significantly and negatively correlated with legislation ($r=-.180$, $p<.10$). Apparently, the latter correlation indicates that the legislative environment in the British financial services sector can sometimes force financial institutions to keep in their range financial services which do not perform according to their profitability objectives and which otherwise would have been considered to be elimination candidates. The legislative environment enhanced the importance of the problem situation namely *service obsolescence* ($r=.216$, $p<.05$), while the latter was not influenced (as would be expected) by the rhythm of technological change. Finally, technological change accounted some weak but significant correlations. It was most strongly enhancing the importance of the problem situation namely *changed business positioning* ($r=.236$, $p<.05$) and it was less strongly, but significantly, correlated with *incompatibility with the current corporate focus* ($r=.209$, $p<.05$) and with *declining customer demand* ($r=.181$, $p<.10$).

Table 6.25: Problem Situations and the Metric Contextual Influence-Bi-variate Pearson Correlations

Problem Situations	Contextual Variables						Technological Change (N=112)		
	Size (N=111)	Service Diversity (N=112)	Market Orientation (overall) (N=112)	Customer Orientation (N=112)	Competitor Orientation (N=112)	Interfunctional coordination (N=112)			
Declining profitability	.145	.114	.198**	.069	.257***	.213**	.069	-.180*	.086
Declining customer demand and customer rejection	-.027	.021	.162*	.239**	.027	.131	.229**	.041	.181*
Service obsolescence	.060	-.014	-.091	.014	-.139	-.133	.240***	.216***	.147
Legislative changes and new regulations	-.006	-.036	-.186***	-.185*	-.069	-.221**	.262**	.207***	.201**
Incompatibility with current corporate focus	.032	-.089	-.087	-.084	.007	-.144	.233***	.183*	.209**
Changed business positioning	.009	-.111	-.050	.007	.012	-.158*	.244***	.160*	.236**
Technical problems with the delivery process	.033	.068	-.077	-.085	-.046	-.065	.120	.094	.144
A person with a vital role in the delivery process left the company	-.067	.068	-.046	-.116	-.028	.039	.111	.030	.094

Statistical significance :

* $p < .10$
** $p < .05$
*** $p < .01$

6. The Service Elimination Decision-Making Process

6.1 Audit Criteria for the Identification of Candidates for Elimination-Relative Importance

During the in-depth interview phase of the study the interviewed financial institutions identified eight audit criteria that they were using to screen their range of financial services. In the mail survey phase respondents were asked to indicate the importance of each one of the pre-identified audit criteria on a 7-point Likert scale, where 1 was for no importance and 7 for extreme importance. Table 6.26 has the corresponding descriptive statistics. It can be seen that of the eight audit criteria only three exceeded the scale point of 5. The single most important criterion for the identification of candidates for elimination was *profitability*, closely followed by *sales volume*. The third and last criterion with a mean value above 5 was *market growth potential*. Two additional audit criteria, namely *customers' perceptions* and *activities of competitors* were of above moderate importance in the identification of elimination candidates, since they exceeded the mid-scale point of 4 (which stood for moderate importance). Finally, the three remaining audit criteria namely *market share*, *service's position on the life cycle curve* and *operational problems* were of less than moderate importance, as their mean value was below the mid-scale point of 4.

Table 6.26: Audit Criteria for the Identification of Candidates for Elimination-Relative Importance

Audit Criteria	N	Mean*	Min	Max	Sd
Profitability	112	5.72	1	7	1.54
Sales volume	112	5.41	1	7	1.36
Market growth potential	112	5.02	1	7	1.47
Customers' perceptions	112	4.67	1	7	1.72
Activities of competitors	112	4.28	1	7	1.62
Market share	112	3.57	1	7	1.80
Service's position on the life cycle curve	112	3.52	1	7	1.46
Operational problems (i.e., with the design, the blueprinting and the delivery of a service)	112	3.22	1	7	1.78

*Likert scale
1: of no importance , 4: of moderate importance, 7: of extreme importance

Table 6.27 presents the relative importance of the audit criteria by company type. As in the overall ranking, *profitability* and *sales volume* were the first and the second most important criteria respectively for banks and insurance companies, closely followed by *market growth potential*. Banks and insurance companies rated the rest of the audit criteria in exactly the same order as in the overall ranking. However, two distortions in the overall ranking were caused by building societies. First, although *profitability* and *sales volume* were still the two most important audit criteria, their order was inverted. Second, the third most important criterion was *activities of competitors*, instead of the overall third criterion of *market growth potential*, which was rated fourth by the building societies of the sample. As far as the differences in the mean values are concerned, one-way ANOVA ($F=3.378$, $p<.05$) showed that the only significant difference was between building societies and insurance companies on the audit criterion namely *activities of competitors*, where the former found it statistically significantly more important than the latter (Levene test significant, mean difference with Tamhane's T2 test: 1.07, $p<.05$).

Table 6.27: Relative Importance of Audit Criteria by Company Type

Audit Criteria	Banks		Building Societies		Insurance Companies	
	n	Mean*	n	Mean*	n	Mean*
Profitability	39	5.82 (1)	15	5.33 (2)	58	5.76 (1)
Sales volume	39	5.10 (2)	15	5.53 (1)	58	5.59 (2)
Market growth potential	39	5.05 (3)	15	4.60 (4)	58	5.10 (3)
Customers' perceptions	39	4.72 (4)	15	4.53 (5)	58	4.67 (4)
Activities of competitors	39	4.51 (5)	15	5.00 (3)	58	3.93 (5)
Market share	39	3.28 (6)	15	3.40 (6)	58	3.81 (6)
Service's position on the life cycle curve	39	3.77 (7)	15	3.20 (7)	58	3.44 (7)
Operational problems (i.e., with the design, the blueprinting and the delivery of a service)	39	3.51 (8)	15	2.67 (8)	58	3.17 (8)

*Likert scale

1: not at all, 4: moderately, 7: to a great extent

Table 6.28 has the results of the one-way ANOVA between the audit criteria and the variable of overall business strategy. Significant results were found with three criteria, namely *market share*, *position on the life cycle curve* and *operational problems*. However, market share was the criterion which accounted for the most notable mean differences ($F=3.215$, $p<.05$).

The one-way ANOVA for the type of the delivery process with the audit criteria revealed only one significant difference with regard to the relative importance of the criterion namely *activities of competitors* ($F=2.88$, $p<.05$), which was greater

Table 6.28: Relative Importance of Audit Criteria by Overall Business Strategy- One-way ANOVA

Audit Criteria	Test of Homogeneity of Variances		ANOVA		
	Levene Test	Sig	F	DF	Sig
Sales volume	.165	.920	.995	108	.398
Market share	3.642	.015	3.215	108	.026**
Profitability	1.418	.242	.589	108	.624
Market growth potential	3.470	.019	1.003	108	.395
Position on the life cycle curve	1.724	.166	2.343	107	.077*
Activities of competitors	1.877	.138	1.515	108	.215
Operational problems	2.259	.086	3.315	108	.023**
Customer's perceptions	.659	.479	2.452	108	.167

Market Share			
Post Hoc Tests of Multiple Comparisons with Tamhane's T2			
Benchmark Overall Business Strategy	Comparison Overall Business Strategies	Mean Difference	Sig
Fast imitator	Cost reducer	1.82***	.005
	Slow imitator	1.63**	.024
	Technological innovator	1.53*	.056

Position in the life cycle			
Post Hoc Tests of Multiple Comparisons with Bonferroni Test			
Benchmark Overall Business Strategy	Comparison Overall Business Strategies	Mean Difference	Sig.
Slow imitator	Cost reducer	-.20	.991
	Fast imitator	-.91	.594
	Technological innovator	-.85*	.096

Operational Problems			
Post Hoc Tests of Multiple Comparisons with Tamhane's T2			
Benchmark Overall Business Strategy	Comparison Overall Business Strategies	Mean Difference	Sig.
Cost reducer	Fast imitator	1.42	.194
	Slow imitator	.93	.154
	Technological innovator	1.01*	.077

Statistical significance			
* p< .10			
** p< .05			
*** p<.01			

were any underlying patterns or differences in the process of delivery analysis in the different business strategies.

The one-way ANOVA for the nature of the delivery process with the audit criteria revealed only one significant difference with regards to the relative importance of the criterion namely *activities of competitors* ($F=3.288$, $p<.05$), which was greater

when the customers visited the company, than when the company visited the customers (mean difference = .94, $p < .05$).

The t-tests between the type of the eliminated service and the audit criteria revealed some significant differences, which are shown in Table 6.29. When a retail financial service was examined for possible elimination, *sales volume* and *activities of competitors* were significantly more important audit criteria than in cases involving corporate financial services. By contrast, profitability was a more important criterion for corporate than for retail financial services-candidates for elimination.

Table 6.29: Relative Importance of Audit Criteria by Type of Eliminated Service-T-tests

Audit Criteria	Retail Financial Service		Corporate Financial Service		t
	n	Mean*	n	Mean*	
Sales volume	79	5.61	33	4.94	2.423**
Market share	79	3.71	33	3.24	1.250
Profitability	79	5.54	33	6.15	-2.204**
Market growth potential	79	4.92	33	5.24	-1.045
Position on the life cycle curve	79	3.48	33	3.63	-.470
Activities of competitors	79	4.44	33	3.88	1.697*
Operational problems	79	3.08	33	3.58	1.356
Customer's perceptions	79	4.80	33	4.36	1.223

*Likert scale
1: of no importance, 4: of moderate importance, 7: of extremely importance

Statistical significance
* $p < .10$
** $p < .05$
*** $p < .01$

An attempt was made in the quantitative phase of the study to find out if there were any underlying patterns in the audit criteria. The principal components analysis in Table 6.30 (with Varimax rotation and eigenvalues greater than 1) extracted three factors, which explained just over 60% of the variance. Factor 1 was the strongest (eigenvalue= 2.342, variance explained=29.3%) and contained five market-related audit criteria. Factor 2 (eigenvalue=1.243) comprised the criteria namely *profitability* and

operational problems, while *sales volume* was the only criterion that loaded on factor 3 (eigenvalue=1.219).

was that the importance of the relatively unimportant, according to the overall ranking

Table 6.30: Audit Criteria-Principal Components Analysis

Audit Criteria	Factor 1: Market-Related Criteria	Factor 2: Profits and Operational Problems Related Criteria	Factor 3: Sales Related Criteria
Market growth potential	.757		
Service's position on the life cycle curve	.718		
Customers perceptions	.716		
Market share	.621		
Activities of competitors	.355		
Profitability		.912	
Operational problems		.569	
Sales volume			.892
Eigenvalues	2.342	1.243	1.219
Cumulative Variance Explained	29.275%	44.810%	60.051%
Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy		.683	
Bartlett's Test of Sphericity		Chi-Square=128.459, df=28, Sig=.000	
Overall Cronbach α		.6449	
Cronbach α per Factor	.6601	.4080	NA

for the effect of competitor orientation.

6.1.1 Audit Criteria and the Metric Contextual Influence

Table 6.31 presents the 72 bi-variate correlations between the 8 audit criteria and the 9 metric contextual independent variables, of which 22 correlations (or 30.5%) were statistically significant (5.5 % significant at .01 level, 18% at .05 level and 7% at .10 level).

As in the pre-elimination stage, the size and the service diversity of financial institutions were the only metric independent variables with no significant influence on the relative importance of the audit criteria. All the remaining 7 contextual variables accounted for significant correlations.

The overall market orientation and its components had the most profound impact upon the relative importance of the audit criteria (they accounted for over 43%

of the significant correlations) and the variables of market competition, legislation and technological change exhibited a statistically significant impact. An interesting finding was that the importance of the relatively unimportant, according to the overall ranking in Table 6.26, audit criterion namely *service's position on the life cycle curve* was enhanced by the overall market orientation as well as by its components. In particular, the strongest positive influence on this criterion was exerted by the component of competitor orientation ($r=.270$, $p<.01$). This influence persisted even after controlling for the effect of the other two components of market orientation, i.e. customer orientation and interfunctional coordination. The overall market orientation and two components, namely customer and competitor orientation had a positive influence on the relative importance of the criterion namely *customers' perceptions*. Not surprisingly, the component of customer orientation had the strongest effect of the above audit criterion ($r=.238$, $p<.05$). This relationship persisted even after controlling for the effect of competitor orientation.

The relative importance of the criteria of *sales volume* and *activities of competitors* was enhanced by competition ($r=.270$, $p<.01$ and $r=.250$, $p<.01$ respectively). This indicates that as the competition between financial institutions becomes harsher, under-performing financial services in terms of sales volume have a higher probability of becoming candidates for elimination.

As in the pre-elimination stage, at this stage too the influence of the legislative environment was notable. Specifically, it exerted a positive impact on the relative importance of the criteria *market share* and *sales volume* ($r=.173$, $p<.10$; $r=.237$, $p<.05$) and a stronger positive influence on the criterion *customers' perceptions* ($r=.297$, $p<.01$).

Finally, technological change was enhancing the relative importance of the criteria namely *customers perceptions* ($r=.255$, $p<.01$), *operational problems* ($r=.224$, $p<.05$) and *activities of competitors* ($r=.240$, $p<.05$).

Table 6.31: Audit Criteria and the Metric Contextual Influence-Bi-variate Pearson Correlations

Audit Criteria	Contextual Variables					Legislation (N=112)	Technological Change (N=112)
	Size (N=110)	Service Diversity (N=112)	Market Orientation (overall) (N=112)	Customer Orientation (N=112)	Competitor Orientation (N=112)		
Sales volume	-.026	.062	.111	.144	.049	.085	.270***
Market share	.073	.032	.180	.201**	.183*	.074	.111
Profitability	.125	.119	.056	-.024	.107	.080	.089
Market growth potential	.031	.029	.213**	.219**	.149	.177*	-.036
Service's position on the life cycle curve	.098	.005	.244**	.159*	.270***	.217**	.101
Activities of competitors	-.026	.084	.055	-.044	.199**	.012	.250***
Operational problems	-.033	-.057	-.078	-.122	-.006	-.059	.106
Customers perceptions	.130	-.081	.224**	.238**	.189**	.144	.182*
Statistical significance :							
* p< .10							
** p< .05							
*** p< .01							

6.2 Alternative Remedial Actions-Relative Importance

During the in-depth interviews financial institutions identified seven actions that they used in order to restore the deviant performance of financial services-candidates for elimination. In the mail questionnaire respondents were asked to rate each one of the seven remedial actions according to their importance in the remedial plans that they may have implemented in the specific service elimination case that they had chosen to discuss. The relative importance was measured on a 7-point Likert scale, where 1 stood for no importance at all, and 7 for extreme importance.

Table 6.32 has the descriptive statistics for the alternative revitalisation actions. Three observations can be made with regards to the mean values. First, even at the top of the ranking, no revitalisation action achieved a mean value greater than 5. Second, no action achieved a mean value lower than 3. Third, the physical distance in the relative importance between the most and the least important remedial action was only 1.05 on the 7-point Likert scale. The most important remedial action was *price modifications* (mean value=4.84), followed by the related action namely *cost structure modifications* (mean value=4.56). *Modifications/improvements* in some of the service's attributes was rated third in terms of relative importance (mean value=4.51), while the fourth and last remedial action with a mean value above the mid-scale point of 4 was an *increase in the effort of sales force and customer contact personnel* (mean value=4.12).

Table 6.32: Remedial Actions-Relative Importance

Remedial Actions	N	Mean*	Min	Max	Sd
Price modifications	110	4.84	1	7	1.58
Cost structure modifications	111	4.56	1	7	1.66
Modifications/Improvements in some of the service's attributes	111	4.51	1	7	1.65
Increase the effort of sales force and customer contact personnel	110	4.12	1	7	1.73
Modifications in the promotions/communications strategy	111	3.83	1	7	1.70
Modifications in the service delivery process	110	3.82	1	7	1.56
Modifications in the training of sales force and customer contact personnel	111	3.79	1	7	1.74

*Likert scale
1: of no importance , 4: of moderate importance, 7: of extreme importance

Table 6.33 lists the relative importance rankings for the revitalisation alternatives by company type. A closer look at the mean values for each type of financial institution leads to the same three above observations for the overall ranking (i.e., absence of mean values greater than 5, absence of mean values lower than 3, relatively small physical distance between the most and the least important alternative actions). A fourth observation, however, is that from the most to the least important revitalisation alternative, banks gave higher mean values than did building societies and insurance companies. The ranking by company type for the three most important revitalisation alternatives largely complies with the overall ranking in Table 6.32. However, the one-way ANOVA did not detect any statistically significant differences in the relative importance of the remedial actions across the variable of company type.

respectively).

Table 6.33: Relative Importance of Remedial Actions by Company Type

Remedial Actions	Banks		Building Societies		Insurance Companies	
	n	Mean*	n	Mean*	n	Mean*
Price modifications	39	5.00 (1)	15	4.93 (1)	56	4.70 (1)
Cost structure modifications	39	4.69 (2)	15	4.33 (3)	57	4.53 (2)
Modifications/Improvements in some of the service's attributes	39	4.67 (3)	15	4.40 (2)	57	4.44 (3)
Increase the effort of sales force and customer contact personnel	38	4.43 (4)	15	4.20 (4)	57	3.82 (4)
Modifications in the promotions/communications strategy	39	4.10 (5)	15	3.67 (6)	57	3.68 (6)
Modifications in the service delivery process	38	3.95 (7)	15	3.53 (7)	57	3.81 (5)
Modifications in the training of sales force and customer contact personnel	39	3.95 (6)	15	4.07 (5)	57	3.61 (7)

*Likert scale
1: not at all, 4: moderately, 7: to a great extent

Unlike the variables of overall business strategy and type of the eliminated service, the one-way ANOVA found that the nature of the delivery process of elimination candidates accounted for some significant differences in the relative importance of the remedial actions. In Table 6.34 it can be seen that significant mean differences were detected for two revitalisation alternatives, namely *modifications/improvements* in some of the service's attributes' ($F=4.283$, $p<.05$) and *price modifications* ($F=4.103$, $p<.05$). Specifically, the importance of attributes' modifications as well as of price modifications was significantly higher when the customers visited the company to use the eliminated to-be financial services, rather than when company and customers were transacting at arm's length (Levene test insignificant, mean difference with Bonferroni test = 1.02, $p<.05$, and 1.03, $p<.05$ respectively).

Table 6.34: Relative Importance of Revitalisation Alternatives by the Method of the Service Delivery Process. One-way ANOVA

Remedial Actions	Test of Homogeneity of Variances		ANOVA		
	Levene Test	Sig	F	DF	Sig
Modifications/Improvements in some of the service's attributes	1.397	.252	4.283	107	.016**
Cost structure modifications	.195	.823	.986	107	.376
Price modifications	.321	.726	4.103	106	.019**
Increase the effort of sales force and customer contact personnel	.644	.527	2.042	106	.135
Modifications in the training of sales force and customer contact personnel	.336	.715	1.512	107	.225
Modifications in the promotions/communications strategy	.921	.401	.493	107	.612
Modifications in the service delivery process	2.757	.068	1.883	106	.157

Modifications/Improvements in some of the Service's Attributes Post Hoc Tests of Multiple Comparisons with Bonferroni Test			
Benchmark Method of Delivery Process	Comparison Methods of Delivery Process	Mean Difference	Sig
Customers visited the company	Company visited the customers	.16	1.0
	Customers and company were transacting at arm's length	1.02**	.026

Price Modifications Post Hoc Tests of Multiple Comparisons with Bonferroni Test			
Benchmark Method of Delivery Process	Comparison Method of Delivery Process	Mean Difference	Sig.
Customers visited the company	Company visited the customers	.35	1.0
	Customers and company were transacting at arm's length	1.03**	.018

Statistical significance
* p< .10
** p< .05
*** p<.01

The seven remedial actions were subjected to factor analysis in order to assess their dimensionality. Table 6.35 has the results of the principal components' analysis (with Varimax rotation and eigenvalues over 1) which extracted two clean factors. It can be observed that almost all the remedial actions of a non-financial nature loaded strongly on factor 1 (eigenvalue 2.750), while all the remedial actions of a financial nature loaded heavily on factor 2 (eigenvalue 1.952).

Table 6.35: Remedial Actions-Principal Components Analysis

Remedial Actions	Factor 1: Non-Financially Related Remedial Actions	Factor 2: Financially-Related Remedial Actions
Modifications in the promotions/communications strategy	.878	
Modifications in the training of sales force and customer contact personnel	.862	
Increase the effort of sales force and customer contact personnel	.783	
Modifications in the service delivery process	.723	
Price modifications		.885
Cost structure modifications		.805
Modifications/Improvements in some of the service's attributes		.574
Eigenvalue	2.750	1.952
Cumulative Variance Explained	39.285 %	67.163 %
Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy		.702
Bartlett's Test of Sphericity	Chi-Square=344.189, df=21, Sig=.000	
Overall Cronbach α	.8161	
Cronbach α per Factor	.8551	.6840

6.2.1 Alternative Remedial Actions and the Metric Contextual Influence

Table 6.36 has the 63 bi-variate correlations between the 7 remedial actions and the nine metric contextual variables, of which 25.5% were statistically significant (8% at p<.10, 11.1% at p<.05, 6.4% at p<.01).

In this stage of the service elimination decision-making process, size and market orientation (overall) were the only environmental variables with no influence on the relative importance of the remedial actions.

Competition was the environmental variable with the widest and strongest impact, as it was enhancing the importance of six out of seven remedial alternatives. This finding suggests that as the market competition intensifies, financial institutions try to restore the performance of the pre-identified candidates for elimination by considering a wide spectrum of financial and non-financial remedial actions. Notwithstanding the above, competition had a stronger influence on non-financial

remedial actions. In particular, it was more strongly correlated with the remedial actions namely *modifications in the promotions/communications strategy* ($r=.386$, $p<.01$), *increase the effort of sales force and customer contact personnel* ($r=.326$, $p<.01$) and *modifications in the training of sales force and customer contact personnel* ($r=.286$, $p<.01$).

While the overall market orientation was inert at this stage, the component namely competitor orientation exhibited considerable influence. Interestingly, it enhanced the relative importance of the same three non-financial revitalisation alternatives that were most strongly enhanced by competition. These influences persisted even after controlling for the effect of the variable of competition.

Technological change was positively and significantly correlated with the alternative action namely *modifications in the promotions/communications strategy* ($r=.162$, $p<.10$).

The variables of legislation, interfunctional coordination and customer orientation had only a minor influence in this stage of the elimination decision-making process. Finally, service diversity enhanced the importance of the remedial actions namely *cost structure modifications* ($r=.163$, $p<.10$).

Table 6.36: Revitalisation Alternatives and the Metric Contextual Influence-Bivariate Pearson Correlations.

Remedial Actions	Contextual Variables					Technological Change (N=112)			
	Size (N=107)	Service Diversity (N=108)	Market Orientation (overall) (N=108)	Customer Orientation (N=108)	Competitor Orientation (N=108)	Interfunctional Coordination (N=108)	Competition (N=107)	Legislation (N=108)	
Modifications/Improvements in some of the service's attributes	.051	.116	.123	.117	.011	.189*	.103	.151	.017
Cost structure modifications	.039	.163*	-.024	-.088	.063	-.022	.188*	-.011	.057
Price modifications	.077	.141	-.099	-.184*	-.003	-.051	.233**	-.041	.054
Increase the effort of sales force and customer contact personnel	.059	.026	.115	-.014	.225**	.119	.326***	.024	.105
Modifications in the training of sales force and customer contact personnel	.034	.008	.135	.030	.258***	.088	.286***	.142	.117
Modifications in the promotions/communications strategy	.099	.093	.071	-.049	.224**	.039	.386***	.213**	.162*
Modifications in the service delivery process	.152	.093	.016	.011	.007	.023	.232**	.131	.106

Statistical significance :

* p<.10

** p<.05

*** p<.01

6.3 Factors for the Evaluation of the Macro Impact of Elimination Decisions-

Relative Importance

During the in-depth interviews financial institutions identified nine evaluation factors, that were helping them to assess the macro impact of elimination decisions. In the mail survey phase respondents were asked to indicate the relative importance of the pre-identified evaluation factors on a 7-point scale, where 1 meant no importance and 7 extreme importance. As in the previous stages of the elimination process, respondents were asked to refer to the specific elimination case that they had chosen to discuss.

As can be seen in Table 6.37, the studied financial institutions rated the *impact on the relationship with customers* as the most important evaluation factor in deciding whether or not to eliminate a financial service (mean value=5.38). This evaluation criterion was the only one that achieved a mean value higher than the scale point of 5 and was followed at a distance by the second most important evaluation factor, namely *impact on the corporate image* (mean value=4.63). Two additional evaluation factors namely *impact on the sales of other services* and *impact on the profitability of other services* were rated only third and fourth most important, with mean values of 4.17 and 4.07 respectively. This finding is notable if one considers that sales and profitability considerations were of utmost importance in the stage of identification of candidates for elimination and in the subsequent stage of revitalisation.

The mean value for the 5 remaining evaluation factors did not exceed the mid-scale point of 4. In detail, *impact on full line policy* was rated 5th, followed by the evaluation factor namely *extent to which a similar service exists in the market to satisfy the needs of customers* (mean values 3.90 and 3.69 respectively). At very close distance between one another, the evaluation factors namely *likelihood of organised intervention* and *impact on human resources and employee relationships* were rated 7th and 8th

respectively. Finally, the evaluation factor concerning the benefits that *competitors could earn as a result of an elimination decision* was rated as the least important by the respondents (mean value=3.01).

Companies (mean value 4.36, 4 of respectively, when asked about the importance of the factors)

Table 6.37: Factors for the Evaluation of the Macro Impact of Elimination Decisions-Relative Importance

Evaluation Factors	N	Mean*	Min	Max	Sd
Impact on the relationship with customers	112	5.38	1	7	1.27
Impact on the corporate image	112	4.63	1	7	1.45
Impact on the sales of other services (cross-selling)	112	4.17	1	7	1.90
Impact on the profitability of other services	111	4.07	1	7	1.87
Impact upon full-line policy (i.e., policy to offer a full range of services)	112	3.90	1	7	1.72
Extent to which a similar service exists in the market to satisfy the needs of customers	112	3.69	1	7	1.63
Likelihood on an organised intervention (negative press releases, adverse governmental reaction)	110	3.63	1	7	1.79
Impact on human resources and employee relationships	112	3.62	1	7	1.61
Benefits that competitors can develop as a result of the elimination of the service	111	3.01	1	7	1.59

*Likert scale

1: of no importance , 4: of moderate importance, 7: of extreme importance

The high importance that companies placed on the impact of elimination decisions on the relationship with their customers is supported by the findings in Table 6.38, which presents the relative importance of the evaluation factors by company type. Although the one-way ANOVA did not show any statistically significant differences in the mean values across the variable of company type, some interesting observations about the ranking of the evaluation factors can be made. The *impact on the relationships with the customers* was the most important evaluation factor for all the

three types of financial institutions, with a mean value constantly exceeding the scale point of 5. As in the overall ranking, the evaluation of the '*impact on the corporate image*' was the second most important evaluation factor to banks and insurance companies (mean value 4.56, 4.69 respectively), while it was the 3rd most important to building societies (mean value=4.53). Building societies seemed to pay more attention to the cross-selling impact of elimination decisions (mean value=5.00), than did banks and insurance companies (mean values=3.85 and 4.17 respectively). At the bottom of the ranking the order for building societies and insurance companies is the same as in the overall ranking. However, banks showed some deviations, the most notable of which is the greater importance that they placed on the evaluation of the impact on the *human resources and employee relationships* (mean value=3.74), than did building societies and insurance companies (mean values 3.27, 3.62 respectively).

Table 6.38: Evaluation Factors-Relative Importance by Company Type

Evaluation Factors	Banks		Building Societies		Insurance Companies	
	n	Mean*	n	Mean*	n	Mean*
Impact on the relationship with customers	39	5.21 (1)	15	5.20(1)	58	5.53 (1)
Impact on the corporate image	39	4.56 (2)	15	4.53(3)	58	4.69(2)
Impact on the sales of other services (cross-selling)	39	3.85 (4)	15	5.00(2)	58	4.17(3)
Impact on the profitability of other services	39	3.97 (3)	15	4.00(5)	57	4.16 (4)
Impact upon full-line policy (i.e., policy to offer a full range of services)	39	3.72 (6)	15	4.07(4)	58	3.98 (5)
Extent to which a similar service exists in the market to satisfy the needs of customers	39	3.69(7)	15	3.67 (6)	58	3.69 (6)
Likelihood on an organised intervention (negative press releases, adverse governmental reaction)	39	3.62 (8)	15	3.60(7)	56	3.64 (7)
Impact on human resources and employee relationships	39	3.74 (5)	15	3.27(8)	58	3.62(8)
Benefits that competitors can develop as a result of the elimination of the service	38	3.08(9)	15	3.07(9)	58	2.95 (9)

*Likert scale

1: of no importance , 4: of moderate importance, 7: of extreme importance

Unlike the type of the eliminated service, the nature of the delivery process and the overall business strategy accounted for some statistically significant differences in the relative importance of the nine evaluation factors.

The nature of the delivery process, accounted for one significant difference with regards to the evaluation factor namely *impact on the sales of other services* (Levene test insignificant, $F=5.876$, $p<.01$). The one-way ANOVA showed that when companies and customers were transacting at arm's length, the importance of the cross-selling evaluation criterion was statistically significantly less important than when customers visited the company (mean difference with Bonferroni test = -1.27, $p<.05$) and when the company was visiting the customers (mean difference with Bonferroni test = -1.25, $p<.05$).

The impact of the variable of overall business strategy was more notable. Table 6.39 presents the results of the one-way ANOVA. Of the nine evaluation factors, the F statistic was significant for as many as seven and the Bonferroni tests showed significant mean differences for six of the significant evaluation factors. Some of the most notable findings are as follows. First, the evaluation factor namely *impact on the profitability of other services* (Levene test significant, $F= 5.235$) was significantly less important to slow imitators than to fast imitators and to technological innovators (mean differences with Bonferroni test = -2.19 and -1.29, $p<.01$ and $p<.05$ respectively). Second, slow imitators were not as much concerned with the *impact of the elimination decision on the corporate image*, as were the cost reducers and the fast imitators. Finally, technological innovators were concerned significantly more about the *benefits that competitors could develop* as a result of them eliminating a financial service, than were cost reducers and slow imitators.

Table 6.39: Relative Importance of Evaluation Factors by Overall Business Strategy-One-way ANOVA

Evaluation Factors	Test of Homogeneity of Variances		ANOVA						
	Levene Test	Sig	F	DF	Sig				
Impact on the sales of other services (cross-selling)	1.210	.310	2.561	108	.059*				
Impact on the profitability of other services	1.251	.295	5.235	107	.002***				
Impact on the relationship with customers	.232	.874	3.302	108	.023**				
Impact on the corporate image	1.390	.250	4.294	108	.007***				
Impact upon full-line policy	.875	.457	2.450	108	.067*				
Impact on human resources and employee relationships	1.539	.209	.459	108	.711				
Benefits that competitors can develop as a result of the elimination of the service	1.705	.170	5.243	107	.002***				
Extent to which a similar service exists in the market to satisfy the needs of customers	1.297	.279	1.369	108	.256				
Likelihood on an organised intervention	.066	.978	3.275	106	.024**				
Impact on the sales of other services									
Post Hoc Tests of Multiple Comparisons with Bonferroni Test									
Benchmark Overall Business Strategy	Comparison Overall Business Strategies		Mean Difference	Sig					
Fast imitator	Cost reducer		1.41	.170					
	Slow imitator		1.70*	.055					
	Technological innovator		1.02	.831					
Impact on the profitability of other services									
Post Hoc Tests of Multiple Comparisons with Bonferroni Test									
Benchmark Overall Business Strategy	Comparison Overall Business Strategies		Mean Difference	Sig					
Slow imitator	Cost reducer		-.55	1.0					
	Fast imitator		-2.19***	.004					
	Technological innovator		-1.29**	.043					
Impact on the relationship with customers									
Post Hoc Tests of Multiple Comparisons with Bonferroni Test									
Benchmark Overall Business Strategy	Comparison Overall Business Strategies		Mean Difference	Sig					
Slow imitator	Cost reducer		-.70*	.084					
	Fast imitator		-.95	.156					
	Technological innovator		-.79	.105					
Impact on the corporate image									
Post Hoc Tests of Multiple Comparisons with Bonferroni Test									
Benchmark Overall Business Strategy	Comparison Overall Business Strategies		Mean Difference	Sig					
Slow imitator	Cost reducer		-1.00**	.011					
	Fast imitator		-1.21*	.075					
	Technological innovator		-.81	.180					

Table 6.39 Cont...

Benefits that competitors can develop Post Hoc Tests of Multiple Comparisons with Bonferroni Test			
Benchmark Overall Business Strategy	Comparison Overall Business Strategies	Mean Difference	Sig.
Technological innovator	Cost reducer	1.08**	.044
	Fast imitator	.82	.842
	Slow imitator	1.57***	.001

Likelihood of an organised intervention Post Hoc Tests of Multiple Comparisons with Bonferroni Test			
Benchmark Overall Business Strategy	Comparison Overall Business Strategies	Mean Difference	Sig.
Cost reducer	Fast imitator	1.26	.209
	Slow imitator	1.09**	.043
	Technological innovator	.31	1.0

Statistical significance
* p< .10
** p< .05
*** p<.01

Table 6.40 has the results of the attempt to group the nine evaluation factors under larger identifiable groups. The principal components analysis (with Varimax rotation and eigenvalues greater than 1) identified two clearly defined and almost equally strong factors, which accounted for 55.7% of the total variance. Factor 1 includes all the financial and competition related evaluation factors (eigenvalue 2.539) and factor 2 comprises all the non-financial evaluation factors (eigenvalue 2.477). An interesting observation is that the two most strongly loading items on factor 1 (i.e., sales and profitability related evaluation factors) and factor 2 (i.e., corporate image and customer relationship related evaluations) were the four most important evaluation factors in the overall ranking of Table 6.37.

Table 6.40: Evaluation Factors-Principal Components Analysis

Evaluation Factors	Factor 1: Financial and Competitor Related Evaluations Factors	Factor 2: Non-Financial Evaluation Factors
Impact on the profitability of other services	.863	
Impact on the sales of other services (cross-selling)	.822	
Impact upon full-line policy (i.e., policy to offer a full range of services)	.728	
Benefits that competitors can develop as a result of the elimination of the service	.635	
Impact on the corporate image		.843
Impact on the relationship with customers		.717
Likelihood on an organised intervention (negative press releases, adverse governmental reaction)		.653
Extent to which a similar service exists in the market to satisfy the needs of customers		.617
Impact on human resources and employee relationships		.457
Eigenvalue	2.539	2.477
Cumulative Variance Explained	28.209 %	55.735 %
Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy		.755
Bartlett's Test of Sphericity		Chi-Square=316.008, df=36, Sig=.000
Overall Cronbach α		.8166
Cronbach α per Factor	.8099	.7078

EVALUATION FACTORS

6.3.1 Evaluation Factors and the Metric Contextual Influence

Table 6.41 shows the 81 bivariate correlations between the 9 evaluation factors and the 9 independent metric contextual variables, of which as many as 35 (47%) were statistically significant (13.6% at $p < .10$, 21% at $p < .05$, 12.4% at $p < .01$).

Except for service diversity, all the remaining eight contextual variables had statistically significant influence on the evaluation factors. The widest impact was exerted by competitor orientation, which enhanced the relative importance of all but one of the evaluation factors. This implies that the greater the attention of financial institutions to monitoring their competitors, the wider the array of the considered evaluation factors and the stronger the relative importance during service elimination

decision-making. Of the eight significant correlations, the three strongest and most statistically significant were with the evaluation factors namely *impact upon full-line policy* ($r=.269$, $p<.01$), *impact on the sales of other services* ($r=.256$, $p<.01$) and *impact on the profitability of other services* ($r=.255$, $p<.01$). Though less strongly, competitor orientation was also enhancing the relative importance of the factors namely *impact on the corporate image* ($r=.239$, $p<.05$) and *benefits that competitors can develop as a result of the elimination of the service* ($r=.228$, $p<.05$). All but one of the significant correlations that competitor orientation accounted for persisted even after controlling for the possible effect of market competition⁵.

Market competition was the environmental variable with the second widest impact, since it enhanced the relative importance of seven out of the nine evaluation factors. The strongest positive influence was on the *benefits that competitors can develop as a result of the elimination of the service* ($r=.276$, $p<.01$), followed by a positive impact on cross-selling ($r=.257$, $p<.01$) and on the *relationships with the customers* ($r=.231$, $p<.05$). An interesting and surprising finding was that market competition was enhancing the importance of the *extent to which a similar service exists in the market to satisfy the needs of customers* ($r=.213$, $p<.05$). Considering that this behaviour could give competitors an opportunity to increase the sales of a similar service that they may market, we would normally expect a negative relationship between this particular evaluation factor and the intensity of market competition.

The effect of overall market orientation was notable at this stage of the elimination decision-making process. Of the six significant correlations that the variable accounted for, the four strongest were with market-related evaluation factors, such as *impact on full-line policy* ($r=.270$, $p<.01$), *impact on the relationship with the customers*

⁵ The statistically significant relationship between competitor orientation and the evaluation factor namely *extent to which a similar service exists in the market to satisfy the needs of customers* did not persist after

($r=.257$, $p<.01$), *benefits for competitors* ($r=.223$, $p<.05$) and *impact on the corporate image* ($r=.206$, $p<.05$).

Technological change enhanced the importance of four financial and non-financial evaluation factors. It was most strongly correlated with the evaluation factor namely *impact on the relationship with customers* ($r=.336$, $p<.01$). Also it enhanced the importance of the *extent to which a similar service exists in the market to satisfy the needs of customers* ($r=.333$, $p<.01$) and it was less strongly, but significantly, correlated with the factors namely *impact on the corporate image* ($r=.213$, $p<.05$) and *benefits for competitors* ($r=.212$, $p<.05$).

The legislative environment exhibited four relatively strong positive correlations and enhanced most strongly the importance of the *impact on the relationship with customers* ($r=.330$, $p<.01$) and the importance of the *impact on the corporate image* ($r=.233$, $p<.05$).

Interfunctional coordination was most strongly enhancing the importance of full line considerations and benefits to competitors, while it was less positively correlated with profitability and customer relationship considerations. All the four significant relationships persisted after controlling for the effects of customer and competitor orientation. Another component of the overall market orientation, namely customer orientation, enhanced the relative importance of two evaluation factors, namely *impact on the relationship with customers* ($r=.299$, $p<.01$) and *impact upon full-line policy* ($r=.199$, $p<.05$).

Finally, company size exhibited some significant impact in this stage of the elimination process. Though relatively weakly, it enhanced the relative importance of

controlling for the linear effect of the variable of competition.

the evaluation factors namely *impact on the profitability* and *impact on the corporate image* ($r=.190$, $p<.05=$ and $r=.176$, $p<.10$, respectively).

Table 6.41: Evaluation Factors and the Metric Contextual Influence-Bivariate Pearson Correlations

Evaluation Factors	Contextual Variables						Technological Change (N=112)
	Size (N=110)	Service Diversity (N=112)	Market Orientation (overall) (N=112)	Customer Orientation (N=112)	Competitor Orientation (N=112)	Interfunctional Coordination (N=112)	
Impact on the sales of other services (cross-selling)	.114	.106	.163*	.105	.256***	.075	.257***
Impact on the profitability of other services	.190**	.050	.198**	.103	.255***	.174*	.167*
Impact on the relationship with customers	.140	-.113	.257***	.299***	.192**	.162*	.231**
Impact on the corporate image	.176*	-.034	.206**	.155	.239**	.149	.156
Impact upon full-line policy (i.e., policy to offer a full range of services)	.056	.014	.270***	.199**	.269***	.242**	.171*
Impact on human resources and employee relationships	.050	-.046	.070	.053	.085	.045	.057
Benefits that competitors can develop as a result of the elimination of the service	.157	.089	.223**	.149	.228**	.215**	.276***
Extent to which a similar service exists in the market to satisfy the needs of customers	.074	.014	.155	.125	.231**	.054	.213**
Likelihood on an organised intervention (negative press releases, adverse governmental reaction)	.158	.111	.047	-.038	.161*	.020	.163*

Statistical significance :

* p< .10

** p< .05

*** p< .01

6.4 Strategies for the Implementation of the Elimination Decision-Frequency of Use

The survey phase of the study attempted two tasks with regards to the elimination implementation strategies. The first was to find out what was the frequency in which the studied financial institutions applied implementation strategies in the benchmark elimination cases. The second task was to measure the relative frequency in which each strategy was generally used to implement financial service elimination decisions. Thus, respondents were asked to rate each strategy on a 7-point frequency Likert scale, where 1 stood for ‘very rarely’, 4 for ‘average’ and 7 for ‘very frequently’.

Table 6.42 shows the frequencies in which the elimination strategies were used in the benchmark elimination cases of respondents. As in the qualitative phase, the most widely used strategy was to *eliminate the service to new customers but leave the existing customers unaffected*. Of the 112 respondents, 81.3% used this strategy either solely or in combination with another elimination implementation strategy. Far behind the second most frequently used strategy was *drop immediately*, which was used in 23.4 % of the elimination cases, followed by the strategy namely *eliminate the service to new customers but the existing customers cannot purchase any additional units* (19.6% of the studied elimination cases). The least used strategy was to *drop a service from the standard range and re-introduce it as a special* (1 case).

Table 6.42: Alternative Strategies to Implement Elimination Decisions-Frequency of Use in the Benchmark Elimination Cases

Alternative Elimination Implementation Strategies	Used in the Benchmark Elimination Cases			
	Yes		No	
	N	%	N	%
Drop immediately	26	23.2	86	76.8
Eliminate the service to new customers but leave the existing customers unaffected	91	81.3	21	18.8
Eliminate the service to new customers but the existing customers cannot purchase any additional units	22	19.6	90	80.4
Eliminate the service from some customer segments but keep it open for other customer segments	9	8	103	92
Eliminate not the core service but some service features (service simplification)	9	8	103	92
Eliminate the service but keep its name and introduce a new service with the same name but of different nature and function to the eliminated one	4	3.6	108	96.4
Eliminate a few services as individual offerings and create a new amalgamated service (service merging)	3	2.7	109	97.3
Phase out the service slowly in order to capitalise upon additional sales from loyal customers	11	9.8	101	90.2
Eliminate the service and sell it to another company	7	6.3	105	93.8
Drop a service from the standard range and re-introduce it as a special	1	.9	111	99.1

Table 6.43 has the frequencies in which the 10 strategies had been used in the specific elimination cases, by company type. There were no statistically significant associations between the frequency of use and the three company type strata (all Pearson χ^2 statistics were insignificant). An expected observation, however, is that the strategy that was most widely used in the specific elimination cases by the three types of financial institutions was to *eliminate the service to new customers, but leave the existing customers unaffected* (used by 76.9% of banks, by 80% of building societies and by 84.5% of insurance companies).

Table 6.43: Alternative Strategies to Implement Elimination Decisions-Frequency of Use in the Benchmark Elimination Cases by Company Type

Alternative Elimination Implementation Strategies	Used in the Specific Elimination Case											
	Banks				Buildings Societies				Insurance Companies			
	Yes		No		Yes		No		Yes		No	
	N	%	N	%	N	%	N	%	N	%	N	%
Drop immediately (i.e., the service is completely eliminated and has no further existence or entity in the company)	9	31.1 (2)	30	76.9	3	20 (3)	12	80	14	24.1 (2)	44	75.9
χ^2	Not significant											
Eliminate the service to new customers but leave the existing customers unaffected	30	76.9 (1)	9	23.1	12	80 (1)	3	20	49	84.5 (1)	9	15.5
χ^2	Not significant											
Eliminate the service to new customers but the existing customers cannot purchase any additional units	8	20.5 (3)	31	79.5	4	26.7 (2)	11	73.3	10	17.2 (3)	48	82.8
χ^2	Not significant											
Eliminate the service from some customer segments but keep it open for other customer segments	3	7.7 (4)	36	92.3	0	0 (6)	15	100	6	10.3 (5)	52	89.7
χ^2	Not significant											
Eliminate not the core service but some service features (service simplification)	2	5.1 (5)	37	94.9	3	20 (4)	12	80	4	6.9 (7)	54	93.1
χ^2	Not significant											
Eliminate the service but keep its name and introduce a new service with the same name but of different nature and function to the eliminated one	2	2.1 (7)	37	94.9	0	0 (6)	15	100	2	3.4 (8)	56	96.6
χ^2	Not significant											
Eliminate a few services as individual offerings and create a new amalgamated service (service merging)	1	2.6 (6)	38	97.4	0	0 (6)	15	100	2	3.4 (8)	56	96.6
χ^2	Not significant											
Phase out the service slowly in order to capitalise upon additional sales from loyal customers	2	5.1 (5)	37	94.9	2	13.3 (5)	13	86.7	7	12.1 (4)	51	87.9
χ^2	Not significant											
Eliminate the service and sell it to another company	2	5.1 (5)	37	94.9	0	0 (6)	15	100	5	8.6 (6)	53	91.4
χ^2	Not significant											
Drop a service from the standard range and re-introduce it as a special	0	0 (8)	39	100	0	0 (6)	15	100	1	1.7 (9)	57	98.3
χ^2	Not significant											

Table 6.44 has the descriptive statistics from the general frequency ranking of each strategy on a 7-point Likert scale. It can be observed that the three most frequently used strategies in general terms were the same as the three most frequently used ones in the benchmark elimination cases (Table 6.42). In detail, the strategy namely *eliminate the service to new customers but leave the existing customers unaffected* was in general terms the most frequently used elimination strategy and the only one whose mean value exceeded the scale point of 5 (mean value=5.30). At considerable distance behind this popular elimination implementation strategy (and below the mid-scale point of 4) respondents rated the strategy namely *eliminate the service to new customers but the existing customers cannot purchase any additional units* (mean value=3.81). In general terms, the third most frequently used strategy was *drop immediately* with a mean value of 2.83 (i.e, the service is completely eliminated and has no further existence within the company's service range). Like the drop immediately strategy, the remaining seven strategies did not achieve a mean value higher than 3. As in the specific elimination cases' ranking, the strategy *drop a service from the standard range and re-introduce it as a special* was the least frequently used strategy in general terms (mean value=1.60).

Table 6.44: Alternative Strategies to Implement Elimination Decisions-General Frequency Scale

Alternative Elimination Implementation Strategies	N	Mean*	Min	Max	Sd
Eliminate the service to new customers but leave the existing customers unaffected	107	5.30	1	7	1.59
Eliminate the service to new customers but the existing customers cannot purchase any additional units	105	3.81	1	7	2.05
Drop immediately (i.e., the service is completely eliminated and has no further existence or entity in the company)	111	2.83	1	7	1.93
Eliminate not the core service but some service features (service simplification)	104	2.75	1	7	1.69
Phase out the service slowly in order to capitalise upon additional sales from loyal customers	107	2.66	1	6	1.55
Eliminate a few services as individual offerings and create a new amalgamated service (service merging)	105	2.22	1	6	1.55
Eliminate the service from some customer segments but keep it open for other customer segments	102	2.16	1	7	1.53
Eliminate the service but keep its name and introduce a new service with the same name but of different nature and function to the eliminated one	106	1.96	1	6	1.37
Eliminate the service and sell it to another company	107	1.75	1	6	1.19
Drop a service from the standard range and re-introduce it as a special	105	1.60	1	6	1.11

*Likert scale
1: very rarely , 4: average, 7: very frequently

Table 6.45 has the general frequency rankings for the ten elimination implementation strategies by company type. The two most frequently used strategies were to *eliminate a service to new customers but leave the existing customers unaffected* and to *eliminate the service to new customers but the existing customers cannot purchase any additional units*. The *drop immediately* strategy was the third most

frequently used for banks and building societies, while insurance companies ranked it fifth, their third preference being the strategy namely *phase out slowly to capitalise upon additional sales from loyal customers*. However, the one-way ANOVA detected statistically significant differences only with one elimination strategy. In particular insurance companies tended to favour the strategy *eliminate the service from some customer segments but keep it open for other customer segments* statistically significantly more than did building societies ($F=3.556$, $p<.05$, Levene test significant, mean difference with Tamhane's T2 test= 1.10 , $p<.01$).

Table 6.45: General Frequency Scale of Alternative Strategies to Implement Elimination Decisions by Company Type

Alternative Elimination Implementation Strategies	Banks		Building Societies		Insurance Companies	
	n	Mean*	n	Mean*	n	Mean*
Eliminate the service to new customers but leave the existing customers unaffected	37	5.05 (1)	15	5.60 (1)	55	5.38 (1)
Eliminate the service to new customers but the existing customers cannot purchase any additional units	37	3.70 (2)	15	4.47 (2)	53	3.70 (2)
Drop immediately (i.e., the service is completely eliminated and has no further existence or entity in the company)	39	2.74 (3)	15	3.80 (3)	57	2.63 (5)
Eliminate not the core service but some service features (service simplification)	36	2.53 (4)	15	3.33 (4)	53	2.74 (4)
Phase out the service slowly in order to capitalise upon additional sales from loyal customers	38	2.39 (5)	15	2.60 (5)	54	2.87 (3)
Eliminate a few services as individual offerings and create a new amalgamated service (service merging)	37	2.16 (6)	15	2.13 (6)	53	2.28 (7)
Eliminate the service from some customer segments but keep it open for other customer segments	35	1.97 (7)	15	1.40 (9)	52	2.50 (6)
Eliminate the service but keep its name and introduce a new service with the same name but of different nature and function to the eliminated one	37	1.65 (10)	15	2.00(7)	54	2.17 (8)
Eliminate the service and sell it to another company	37	1.84 (8)	15	1.47 (8)	55	1.76 (9)
Drop a service from the standard range and re-introduce it as a special	37	1.68 (9)	15	2.00 (7)	53	1.43 (10)

*Likert scale
1: very rarely , 4: average, 7: very frequently

The one-way ANOVA found that the only significant difference that the variable of the nature of the delivery process accounted for was with regards to the strategy namely *eliminate the service to new customers but leave the existing customers unaffected*. ($F= 3.747$, $p<.05$). Specifically, the relative frequency of use of this popular strategy was increasing when the financial institutions visiting the customers to deliver

the eliminate-to-be financial service, than when company and customers transacted at arm's length (Levene test insignificant, mean difference with Bonferroni test = .93, $p<.05$).

The one-way ANOVA with the variable of overall business strategy revealed significant differences with regards to two implementation strategies (Table 6.46). First, the strategy namely *eliminate the service to new customers but the existing customers cannot purchase any additional units* (Levene test insignificant $F=3.669$, $p<.05$), was significantly more frequently used by fast imitators, than by slow imitators and technological innovators. Second, the strategy namely *eliminate the service but keep its name and introduce a new service with the same name but of different nature and function to the eliminated one* ($F=4.200$, $p<.01$) was significantly more frequently used by cost reducers, than by fast and slow imitators.

Finally, the type of the eliminated financial service did not have significant influence on the relative frequency of use of the elimination implementation strategies and thus the results are not reported here.

Table 6.46: Relative Frequency of Use of the Elimination Implementation Strategies by Overall Business Strategy-One-way ANOVA

Alternative Elimination Implementation Strategies	Test of Homogeneity of Variances		ANOVA						
	Levene Test	Sig	F	DF	Sig				
Drop immediately	.839	.475	.616	107	.606				
Eliminate the service to new customers but leave the existing customers unaffected	.112	.953	.837	103	.477				
Eliminate the service to new customers but the existing customers cannot purchase any additional units	.740	.531	3.669**	101	.015				
Eliminate the service from some customer segments but keep it open for other customer segments	1.786	.155	2.126	98	.102				
Service simplification	1.380	.253	.799	100	.497				
Eliminate the service but keep its name and introduce a new service with the same name but of different nature and function to the eliminated one	5.233	.002	4.200***	102	.008				
Service merging	.680	.567	.757	101	.521				
Phase out Slowly	.611	.609	1.823	103	.148				
Eliminate and Sell out	4.119	.008	1.623	103	.189				
Drop and re-introduce	1.387	.251	.287	101	.834				
Eliminate the Service to New Customers; Existing Customers cannot Purchase any Additional Units									
Post Hoc Tests of Multiple Comparisons with Bonferroni Test									
Benchmark Overall Business Strategy	Comparison Overall Business Strategies		Mean Difference	Sig					
Fast imitator	Cost reducer		1.11	.631					
	Slow imitator		1.97**	.029					
	Technological innovator		1.99**	.049					
Eliminate the service, Keeping its name and Introducing a New Service with the same Name but of different Nature and Function to the Eliminated one									
Post Hoc Tests of Multiple Comparisons with Tamhane's T2									
Benchmark Overall Business Strategy	Comparison Overall Business Strategies		Mean Difference	Sig.					
Cost reducer	Fast imitator		1.21***	.001					
	Slow imitator		.92**	.026					
	Technological innovator		.39	.923					
Statistical significance * p<.10 ** p<.05 *** p<.01									

Table 6.47 presents the results of the factor analysis into which the 10 elimination implementation strategies were subjected in order to find whether they

could be grouped under fewer identifiable and meaningful categories. Principal components analysis (with Varimax rotation and eigenvalues greater than 1) extracted 4 factors explaining 64.4% of the total variance. The similar properties of the strategies, which loaded to each factor, signified a meaningful classification of the ten elimination implementation strategies. Factor 1 was the strongest factor (eigenvalue 2.675) and comprised five items. It was called ‘pseudo-elimination strategies’ because all the strategies that loaded on this factor implied that the eliminated service was still present (at least to some extent) in the service range after financial institutions had authorised its elimination. Factor 2 (eigenvalue 1.410) comprised the two most popular elimination strategies, namely *eliminate the service to new customers but leave the existing customers unaffected* and *eliminate the service to new customers but the existing customers cannot purchase any additional units*. Due to the fact that both the above strategies have a relationship component in them, this factor 2 was called ‘relationship elimination strategies’. Factor 3 (eigenvalue 1.236) comprised only the ‘sell out’ strategy (and it was named accordingly), while factor 4 (eigenvalue 1.112) comprised the two drop strategies (i.e., *drop immediately* and *drop a service from the standard range and re-introduce it as a special*).

Table 6.47: Alternative Elimination Implementation Strategies-Principal Components Analysis

Alternative Elimination Implementation Strategies	Factor 1: Pseudo-Elimination Strategies	Factor 2: Relationship Elimination Strategies	Factor 3: Sell-Out	Factor 4: Drop Strategies
Eliminate the service from some customer segments but keep it open for other customer segments	.828			
Eliminate a few services as individual offerings and create a new amalgamated service (service merging)	.695			
Eliminate the service but keep its name and introduce a new service with the same name but of different nature and function to the eliminated one	.688			
Eliminate not the core service but some service features (service simplification)	.590			
Phase out the service slowly in order to capitalise upon additional sales from loyal customers	.553			
Eliminate the service to new customers but leave the existing customers unaffected		.837		
Eliminate the service to new customers but the existing customers cannot purchase any additional units		.779		
Eliminate the service and sell it to another company			.802	
Drop a service from the standard range and re-introduce it as a special				.720
Drop immediately (i.e., the service is completely eliminated and has no further existence or entity in the company)				.718
Eigenvalues	2.675	1.410	1.236	1.112
Cumulative Variance Explained	26.752%	40.854%	53.217%	64.333%
Kaiser-Meyer-Olkin (KMO)	.586			
Measure of Sampling Adequacy				
Bartlett's Test of Sphericity	Chi-Square=178.736, df=45, Sig=.000			
Overall Cronbach α	.5653			
Cronbach α per Factor	.7112	.5409	NA	.2027

6.4.1 Alternative Elimination Implementation Strategies and the Metric Contextual Influence

Table 6.48 has the corresponding 90 bi-variate correlations between the elimination implementation strategies and the 9 metric contextual variables, of which

only as few as 15 (or 16.7%) were statistically significant (5.5% at $p<.10$, 4.4% at $p<.05$ and 6.7% at $p<.01$).

The variable of overall market orientation and its components accounted for nine of the fifteen significant correlations. Interestingly, the relative frequency of use of the *service merging* strategy was significantly enhanced by the overall market orientation ($r=.298$, $p<.01$) and by all its three components. However, the significant correlations between this elimination strategy and each of the three components of market orientation, did not persist after controlling for the linear effects of the other two components at a time. An interesting finding was that the frequency of use of the *drop immediately* strategy was reduced by both the overall market orientation and the component of interfunctional coordination ($r=-.165$, $p<.10$ and $r=-.272$, $p<.01$ respectively). Not surprisingly, customer orientation enhanced the use of the strategy to *eliminate the service to new customers but leave the existing customers unaffected* ($r=.278$, $p<.01$). Finally, interfunctional coordination was enhancing the frequency of use of the service simplification strategy ($r=.184$, $p<.10$).

The variable of market competition was a relatively active environmental variable at this stage of the elimination decision-making process and accounted for three interesting significant correlations. First, and contrary to the overall market orientation, it was relatively strongly boosting the use of the *drop immediately* strategy ($r=.256$, $p<.01$). Second, it enhanced the frequency of use of the strategy namely *drop a service from the standard range and re-introduce it as a special* ($r=.200$, $p<.05$) and third it had a negative influence on the frequency of use of the *phase out slowly* strategy ($r=-.166$, $p<.10$).

The variable of legislation did not have a major impact at this stage of the elimination decision-making process. It was significantly and positively correlated with

the two relationship elimination strategies. Specifically, its stronger and more significant correlation was with the strategy namely *eliminate the service to new customers but leave the existing customers unaffected* ($r=.206$, $p<.05$).

Finally, technological change was negatively correlated with the strategy namely *eliminate a service and sell it to another firm* ($r=-.171$, $p<.10$) and positively correlated with the strategy to *eliminate the service from some customer segments, but keep it open for other customer segments* ($r=.166$, $p<.10$).

Table 6.48: Alternative Elimination Implementation Strategies and the Metric Contextual Influence-Bivariate Pearson Correlations

Alternative Strategies	Contextual Variables						Technological Change (N=112)
	Size (N=110)	Service Diversity (N=112)	Market Orientation (overall) (N=112)	Customer Orientation (N=112)	Competitor Orientation (N=112)	Interfunctional Coordination (N=112)	
Drop immediately	.043	.099	-.165*	-.152	.003	-.272***	.256***
Eliminate the service to new customers but leave the existing customers unaffected	-.048	.000	.055	.108	-.011	.034	-.024 .206**
Eliminate the service to new customers but the existing customers cannot purchase any additional units	.036	.076	.160	.278***	-.021	.128	.123 .073 .014
Eliminate the service from some customer segments but keep it open for other customer segments	.139	-.092	.122	.003	.173*	.161	-.073 .172* .074
Service simplification	.024	.105	.145	.146	.040	.184*	-.041 .000 .050 .095
Eliminate the service but keep its name and introduce a new service with the same name but of different nature and function to the eliminated one	-.005	.077	.009	-.034	-.025	.088	
Service merging	.072	-.047	.298***	.232***	.247**	.299***	.050 .000
Phase out Slowly	.030	.044	.041	-.020	.080	.059	-.166* .129
Eliminate and Sell out	.124	-.022	-.049	-.044	-.037	-.045	-.090 .080 .171*
Drop and re-introduce	-.045	-.061	-.060	-.142	.060	-.053	.200** .081 .002
Statistical significance:							
* p< .10							
** p< .05							
*** p< .01							

6.5 Issues Relating to the Duration of the Service Elimination Decision-Making Process

6.5.1 Determinants of the Duration of the Elimination Decision-Reaching Process-Relative Importance

During the in-depth interviews participants were asked to identify the factors that determined the time that elapsed from the identification of a financial service as a candidate for elimination until the confirmation of the decision to eliminate it. Seven duration determinants were identified, as a result. In the mail survey phase respondents were asked to rate each one of the seven determinants on a 7-point Likert type scale (1: no importance, 4: moderate importance, 7: extreme importance), according to their importance in determining the duration of the decision-reaching process in the benchmark elimination cases.

Table 6.49 shows the relevant descriptive statistics. The most important duration determinant was the *reason that triggered the elimination in the first place* (mean value=5.06) and it was the only item with a mean value greater than the scale point of 5. The second most important duration determinant was the *sensitivity and impact* [of elimination decisions] *upon existing customers* (mean value=4.76), followed by the *importance of the service to the company* (in terms of sales and profits) (mean value=4.31). The fact that these two duration determinants were of more than moderate importance indicates the concern of the studied financial institutions about customer relationship and financially-related considerations during service elimination decision-making. The rest of the duration determinants were of less than moderate importance, as their mean values did not exceed the mid-scale point of 4. In particular, the duration determinant namely *seriousness of the problem with the service* was fourth in relative

importance (mean value=3.85), followed by the *availability of a replacement product* (mean value=3.77). Contrary to the relatively high importance of the impact that an elimination decision could have on the existing users of an eliminated to-be financial service, *sensitivity and impact upon new customers* was a less important determinant of the service elimination decision-reaching process (mean value=3.37).

Insignificant. Mean difference with Behaviour of competitors

Table 6.49: Determinants of the Duration of the Elimination Decision-Reaching Process-Relative Importance

Duration Determinants	N	Mean*	Min	Max	Sd
Reason that triggered the elimination in the first place	111	5.06	1	7	1.64
Sensitivity and impact upon existing customers	111	4.76	1	7	1.71
Importance of the service to the company	111	4.31	1	7	1.82
Seriousness of the problem with the service	111	3.85	1	7	2.05
Availability of a replacement product	111	3.77	1	7	2.04
Sensitivity and impact upon new customers	111	3.67	1	7	1.76
Behaviour of competitors	111	3.05	1	7	1.65

*Likert scale
1: of no importance , 4: of moderate importance, 7: of extreme importance

Table 6.50 presents the mail survey findings on the relative importance of the duration determinants by company type. As in the overall importance ranking, the factors namely *reason that triggered the elimination in the first place* and *sensitivity and impact upon existing customers* were the two most important determinants of the duration of the elimination decision-reaching process to all three types of financial institutions. For banks and insurance companies the third most important duration determinant was the *importance of the service to the company* (mean values 4.33 for banks, 4.46 for insurance companies), while this was the fourth most important factor to building societies (mean value=3.67), their third most important being the *sensitivity*

and impact upon new customers (mean value=3.93). As far as the mean differences are concerned, the one-way ANOVA showed statistically significant results only with reference to the duration determinant namely *seriousness of the problem with the service* ($F=4.098$, $p<.05$). In particular it was shown that this duration determinant was significantly more important to insurance companies than to banks (Levene test insignificant, Mean difference with Bonferroni test=1.14, $p<.05$).

inferences to the relative importance of the duration determinants

Table 6.50: Determinants of the Duration of the Elimination Decision-Reaching Process-Relative Importance by Company Type

Duration Determinants	Banks		Building Societies		Insurance Companies	
	n	Mean*	n	Mean*	n	Mean*
Reason that triggered the elimination in the first place	39	4.85 (1)	15	4.93 (1)	57	5.25 (1)
Sensitivity and impact upon existing customers	39	4.49 (2)	15	4.13 (2)	57	5.11 (2)
Importance of the service to the company	39	4.33 (3)	15	3.67 (4)	57	4.46 (3)
Seriousness of the problem with the service	39	3.23 (6)	15	3.47 (6)	57	4.37 (4)
Availability of a replacement product	39	4.26 (4)	15	3.60 (5)	57	3.47 (6)
Sensitivity and impact upon new customers	39	3.41 (5)	15	3.93 (3)	57	3.77 (5)
Behaviour of competitors	39	3.03 (7)	15	3.07 (7)	57	3.07 (7)

*Likert scale

1: of no importance , 4: of moderate importance, 7: of extreme importance

The variable of overall business strategy accounted for significant mean differences only with the duration determinant namely *behaviour of competitors* (Levene test insignificant, $F=6.533$, $p<.01$). In detail, this duration determinant was significantly less important to slow imitators, than it was to fast imitators (mean difference with Bonferroni test = -1.54, $p<.05$) and technological innovators (mean difference with Bonferroni test = -1.54, $p<.01$).

The nature of the delivery process accounted for one significant mean difference, relating to the availability of a replacement service in the market (Levene

test insignificant, $F=5.937$, $p<.01$). The relative importance of the latter determinant was significantly lower when the to-be eliminated service was delivered at arm's length, than when customers visited the financial institutions in order to use the financial service (mean difference with Bonferroni test = -1.43, $p<.01$) and vice versa (mean difference with Bonferroni test = -1.31, $p<.05$).

Finally, the type of the eliminated service did not account for any significant differences in the relative importance of the duration determinants.

Table 6.51 shows the results of the factor analysis for the duration determinants. As can be seen, the principal components' analysis categorised the seven duration determinants under 2 factors, which explained almost 56.5% of the variance. Factor 1 was the strongest (eigenvalue=2.629) and accounted for 37.5% of the explained variance. It included five items, two of which related to the internal environment of a company (i.e., *availability of a replacement product* and *importance of the service to the company*) and the remaining three to the external environment. The second factor, which accounted for the remaining 24.6% of the explained variance (eigenvalue=1.320), comprised two items namely *seriousness of the problem with the service* and *reason that triggered the elimination in the first place*.

Table 6.51: Duration Determinants of the Elimination Decision-Reaching Process- Principal Components Analysis

Duration Determinants	Factor 1	Factor 2
Sensitivity and impact upon new customers	.790	
Availability of a replacement product	.727	
Importance of the service to the company	.614	
Sensitivity and impact upon existing customers	.594	
Behaviour of competitors	.530	
Seriousness of the problem with the service		.782
Reason the triggered the elimination in the first place		.700
Eigenvalue	2.629	1.320
Cumulative Variance Explained	37.558%	56.411%
Kaiser-Meyer-Olkin (KMO)		.711
Measure of Sampling Adequacy		
Bartlett's Test of Sphericity	Chi-Square=153.283, df=21, Sig=.000	
Overall Cronbach α		.6968
Cronbach α per Factor	.7169	.4313

service ($r=162$, $p<.10$)

6.5.2 The Duration Determinants and the Metric Contextual Influence

Table 6.52 shows the bi-variate correlations between the seven duration determinants and the nine metric contextual variables. Of the 63 correlations, 14 (or 22.3%) were statistically significant (12.7% at $p<.10$, 6.4% at $p<.05$ and 3.2% at $p<.01$). Company size and legislation did not have any significant impact on the relative importance of the duration determinants. By contrast, all the remaining seven environmental variables accounted for some significant correlations.

The overall market orientation, as well as its three components, had the widest impact on the relative importance of various duration determinants. The relative importance of the duration determinant namely *behaviour of competitors* was enhanced by the overall market orientation ($r=.231$, $p<.05$) as well as by the components of competitor orientation and interfunctional coordination ($r=.282$, $p<.01$ and $r=.238$, $p<.05$ respectively). The positive correlation between competitor orientation and *behaviour of competitors* persisted even after controlling for the linear effect of

interfunctional coordination, while the latter component's positive correlation with the above duration determinant did not persist after controlling for the effect of competitor orientation. Overall market orientation enhanced also the relative importance of the duration determinant namely *sensitivity and impact upon existing customers* ($r=.186$, $p<.10$). Also, competitor orientation enhanced the importance of the *sensitivity and impact upon new customers* ($r=.163$, $p<.10$) and interfunctional coordination was positively correlated with the *importance of the service to the company*.

Technological change had a notable influence on the relative importance of three duration determinants. It was most strongly enhancing the importance of the determinants namely *sensitivity and impact upon existing customers* ($r= .255$, $p<.01$), *behaviour of competitors* ($r=.208$, $p<.05$) and *seriousness of the problem with the service* ($r=.162$, $p<.10$).

Two additional contextual variables accounted for statistically significant influence. First, market competition enhanced relatively strongly the importance of two duration determinants, namely *availability of a replacement product* ($r=.278$, $p<.01$) and *behaviour of competitors* ($r=.219$, $p<.05$). Finally, service diversity reduced the relative importance of the *reason that triggered the elimination in the first place* ($r=-.166$, $p<.10$).

Table 6.52: Duration Determinants of the Elimination Decision-Reaching Process and the Metric Contextual Influence-Bivariate Correlations

Duration Determinants	Contextual Variables						Technological Change (N=112)
	Size (N=110)	Service Diversity (N=112)	Market Orientation (overall) (N=112)	Customer Orientation (N=112)	Competitor Orientation (N=112)	Interfunctional Coordination (N=112)	
Reason that triggered the elimination in the first place	-.021	-.166*	.136	.083	.133	.144	.020
Seriousness of the problem with the service	.069	-.061	.082	.011	.117	.100	.003
Sensitivity and impact upon existing customers	.114	-.140	.186*	.159*	.161*	.162*	.004
Sensitivity and impact upon new customers	.049	.036	.115	.025	.163*	.129	.083
Importance of the service to the company	-.026	-.032	.144	.022	.151	.225**	.010
Behaviour of competitors	.085	.108	.231**	.104	.282***	.238***	.043
Availability of a replacement product	.057	.064	.174*	.166*	.135	.147	.278***
							Statistical significance :
							* p<.10
							** p<.05
							*** p<.01

6.5.3 Actual Duration of the Elimination Decision-Reaching Process In the mail questionnaire respondents were asked to specify the time (in months) that elapsed from the moment a financial service was initially identified as a candidate for elimination, until the moment the decision to eliminate it was made.

Table 6.53 has the corresponding descriptive statistics. On average the studied financial institutions needed 5.6 months ($n=111$, $sd=6.176$) to reach the elimination decision in the benchmark elimination cases. The quickest reported decision-reaching time was two weeks (3 cases), while the longest was as long as 36 months (1 case). When the 5% of the highest and 5% of the lowest values was trimmed, the mean value of the duration of the decision-reaching process dropped to 4.7 months.

Table 6.53: Actual Duration of the Elimination Decision-Reaching Process

N	Min*	Max*	Mean*	Sd*	5% Trimmed Mean*	Mode*	Median*
111	.5	36	5.639	6.176	4.707	3	6

*The numbers are in calendar months

The one-way ANOVA showed that the three categorical contextual variables of company type, overall business strategy and nature of the service delivery process did not have any statistically significant influence on the duration of the elimination decision-reaching process. Moreover, t-tests showed that the type of the financial service (i.e., retail or corporate) did not account for significant differences in the duration of the decision-reaching process.

6.5.3.1 Actual Duration of the Elimination Decision-Reaching Process and the Metric Contextual Influence

Table 6.54 shows the bi-variate correlations between the duration of the elimination decision reaching process and the nine metric contextual variables. Of the

nine correlations only one was statistically significant. In particular, the intensity of market competition tended to reduce the time that financial institutions devoted to reaching elimination decisions ($r = -.214$, $p < .05$).

With reference to the new potential customers, it can be observed that the time that elapsed from the confirmation to the

Table 6.54: Actual Duration of the Elimination Decision-Reaching Process and the Metric Contextual Influence-Bivariate Pearson Correlations

Metric Contextual Variables	Duration of the Elimination Decision-Reaching Process
	Pearson's r
Size	-.008
Service Diversity	-.079
Market Orientation (overall)	.022
Customer Orientation	.126
Competitor Orientation	-.090
Interfunctional Coordination	-.005
Competition	-.214**
Legislation	.024
Technological Change	-.092
Statistical significance	
* $p < .10$	
** $p < .05$	
*** $p < .01$	

existing customers was statistically significant.

6.5.4 Time Elapsing from the Confirmation to the Implementation of the Elimination Decision for New VS Existing Customers

As far as the implementation of elimination decisions is concerned, the in-depth interviews suggested different implementation behaviour towards the existing users of a financial service and the new potential ones. The identified trend was that the studied British financial institutions preferred to implement the elimination decision by making the eliminated service unavailable to new customers, while leaving the existing customers either totally unaffected, or unaffected with certain restrictions (e.g., time restrictions, renewal barriers). In other words, from the moment a company made the elimination decision, its implementation took longer for the existing users of the eliminated financial service than for the potential new customers.

The mail survey attempted to detect statistically significant differences in the duration of the elimination implementation stage for new and existing customers. Table 6.55 shows the corresponding descriptive statistics. With reference to the new potential customers, it can be observed that the time that elapsed from the confirmation to the implementation of the elimination decision was 2.7 months, with a minimum duration of zero months and a maximum of 48 months. As far as existing customers are concerned, the equivalent elapsing time was 5.2 months. The average duration of the implementation stage for new and existing customers did not change considerably after trimming 5% of the highest and 5% of the lowest observations of the data set. Attention should also be paid to the mode values: the mode for new customers was 1 month (35 cases), while in the majority of cases the eliminated financial service remained open to existing customers (33 cases). The paired t-test in Table 6.56 showed that the considerable difference in the duration of the implementation stage for new versus existing customers was statistically significant.

Table 6.55: Duration of the Elimination Implementation Stage-New VS Existing Customers

	N	Min*	Max*	Mean*	Sd*	5% Trimmed Mean*	Mode *	Median*
New customers	111	0	24	2.697	3.681	2.096	1	2
Existing customers	105	.3	Still open	5.211	7.700	4.076	Still open	3

*The numbers are calendar months

Table 6.56: Duration of the Implementation Stage-Paired T-test for New VS Existing Customers

Pair	Mean difference	Sd	t	df	2-tailed sig.
Implementation for new customers (-) Implementation for existing customers	-2.498	8.307	-3.066***	103	.003
Statistical significance					
* p<.10					
** p<.05					
*** p<.01					

Table 6.57 has the results on the duration of the implementation process by company type. It can be seen that the duration of the implementation process for existing customers was longer than the one for new potential customers, in all the three types of financial institutions. However, the paired t-test showed that only among insurance companies was there a statistically significant difference in the duration of the implementation stage for existing versus new customers (mean difference new (-) existing = -4.519, p<.01).

Table 6.57: Duration of the Implementation Stage For New VS Existing Customers by Company Type-Between-Groups Comparisons with Paired T-tests

Duration of the Implementation Process	Banks		Building Societies		Insurance Companies	
	n	Mean♦	n	Mean♦	n	Mean♦
For new customers	37	2.791	14	1.671	53	2.920
For existing customers	37	3.014	14	2.529	53	7.439
Mean Differences with Paired T-tests	37	-.223	14	-.857	53	-4.519***

♦ The numbers are calendar months
 Statistical significance
 * p<.10
 ** p<.05
 *** p<.01

So far, the findings showed that the time that elapsed from the confirmation of the decision to eliminate a financial service until the moment it was no longer available in the market was statistically significantly shorter for new potential customers than for its existing users. But was there any statistically significant difference in the duration of the implementation stage for new versus existing customers, across company type? Table 6.58 has the corresponding one-way ANOVA results, which indicate that there were no significant differences across company type, with regards to the duration of the implementation process to new customers ($F=650$, NS). By contrast, statistically significant differences were detected for the duration of the implementation process for existing customers. In detail, insurance companies needed 4.7 months more than banks ($p<.01$) and 5 months more than building societies ($p<.10$) in order to implement elimination decisions for existing customers.

Table 6.58: Duration of the Implementation Process for New VS Existing Customers by Company Type-Within Groups Comparisons with One-way ANOVA

Duration of the Implementation Process	Test of Homogeneity of Variances		ANOVA		
	Levene Test	Sig	F	Df	Sig
For new customers	.884	.416	.650	100	.524
For existing customers	5.675	.005	5.132	100	.008***
Duration of the Implementation Stage For Existing Customers Post Hoc Tests for Multiple Comparisons: Tamhane's T2					
Benchmark Company Type	Comparison Company Types	Mean Difference♦		Sig.	
Insurance companies VS	Banks	4.568***		.008	
	Building societies	5.053*		.071	
♦ Numbers in calendar months Statistical significance : * $p<.10$ ** $p<.05$ *** $p<.01$					

Additional one-way ANOVA showed that the categorical contextual variables of overall business strategy and nature of the service delivery process did not account for statistically significant differences in the duration of the implementation process for new versus existing customers and therefore the results they are not reported here. Finally, the t-tests showed that the variable of service type did not show significant influence too.

6.5.4.1 Time Elapsing from the Confirmation to the Implementation of the Elimination Decision for New VS Existing Customers and the Metric Contextual Influence

It was among the tasks of the mail survey phase of the study to measure the influence that the nine metric contextual variables exerted upon the duration of the implementation process. Of the 18 bi-variate correlation coefficients, none was statistically significant, thus the results are not reported here.

6.6 Participation in the Service Elimination Decision-Making Process

During the in-depth interviews financial institutions identified various organisational participants with elimination responsibility and authority. In the mail survey phase of the study the task was to find out the relative influence of the pre-identified participants in the various stages of the service elimination decision-making process. The latter has split into 3 phases, namely initiation (which included the stage of identification of elimination candidates), collection and analysis of information (which included the stages of analysis-revitalisation and evaluation) and decision-making. The mail questionnaire listed the 11 pre-identified functional areas and asked respondents to rank the ones that were involved in each of the aforementioned three phases of the elimination decision-making process, according to the influence of their say.

An analysis of the obtained rankings revealed that the maximum number of participants in each one of the three phases of the decision-making process was no more than six. Tables 6.59, 6.60 and 6.61 show the frequencies for the six most influential participants in each one of the three phases of the elimination decision-making process⁶. The first observation that can be made is that each one of the three phases had a different most influential organisational participant. In the initiation stage 37 respondents ranked the marketing area as the first most influential participant, followed by finance/actuarial (23 cases) and by the manager of the eliminated service (16 cases). In the stage of collection and analysis of the elimination-related information, finance/actuarial was by far the most influential participant (46 cases), followed by marketing (27 cases) and the manager of the eliminated service (12 cases). When the elimination process came to the stage of decision-making, the most frequently ranked 'first' decision-maker was a management committee (34 cases).

⁶ The rankings for the participating functional areas in the phases of initiation, collection/analysis and decision-making must be interpreted with caution. This is so because the large number of missing cases did not allow for conducting an appropriate statistical test of significance, such as the Friedman test for ordinal data. The large number of missing values was due to the fact that not all of the 11 functional areas participated in each of the three phases of the service elimination decision-making process.

Table 6.59: Initiation of Elimination Decisions-The Six most Important Participants

Participants	Mean Ranking	Initiation Stage											
		First		Second		Third		Fourth		Fifth		Sixth	
		n	%	n	%	n	%	n	%	n	%	n	%
The manager of the eliminated service	2.45	16	14.7	12	10.7	12	19	10	25.6	1	5	1	8.3
Finance/Actuarial	2.03	23	21.1	20	17.9	9	14.3	4	10.3	-	-	1	8.3
Sales	2.58	5	4.6	13	11.6	12	19	5	12.8	1	5	-	-
Marketing	1.74	37	33.9	11	9.8	8	12.7	4	10.3	-	-	1	8.3
Customer-contact personnel	4.00	1	.9	2	1.8	8	12.7	6	15.4	10	50	1	8.3
Administrative staff	5.14	1	.9	2	1.8	-	-	3	7.7	4	20	7	58.3
Management committee	2.77	11	10.1	8	10.1	2	3.2	4	10.3	-	-	-	-
General manager	4.82	1	.9	1	.09	3	4.8	-	-	1	5	-	-
Managing director	2.91	5	4.6	3	2.7	1	1.6	1	2.6	1	5	1	8.3
CEO/President	4.00	4	3.7	1	.9	5	7.9	-	-	1	5	-	-
Board of Directors	4.26	2	1.8	6	5.4	1	1.6	2	5.1	1	5	-	-
Other		3	2.8	-	-	2	3.2	-	-	-	-	-	-
Total		109		79		63		39		20		12	
Missing Values		3		33		49		73		92		100	

Table 6.61: Decision-Making-The Least Important Participants

The manager of the eliminated service	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59	1.59
Finance/Actuarial	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04	3.04
Sales	4.08	4.08	4.08	4.08	4.08	4.08	4.08	4.08	4.08	4.08	4.08	4.08	4.08
Marketing	3.16	3.16	3.16	3.16	3.16	3.16	3.16	3.16	3.16	3.16	3.16	3.16	3.16
Customer-contact personnel	5.52	5.52	5.52	5.52	5.52	5.52	5.52	5.52	5.52	5.52	5.52	5.52	5.52
Administrative staff	7.42	7.42	7.42	7.42	7.42	7.42	7.42	7.42	7.42	7.42	7.42	7.42	7.42
Management committee	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58
General manager	1.68	1.68	1.68	1.68	1.68	1.68	1.68	1.68	1.68	1.68	1.68	1.68	1.68
Managing director	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12	3.12
CEO/President	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41	3.41
Board of Directors	3.52	3.52	3.52	3.52	3.52	3.52	3.52	3.52	3.52	3.52	3.52	3.52	3.52
Other	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58	1.58
Total													
Missing Values													

Table 6.60: Collection and Analysis of Information-The Six most Important Participants

Participants	Mean Ranking	Collection and Analysis of Information											
		First		Second		Third		Fourth		Fifth		Sixth	
		n	%	n	%	n	%	n	%	n	%	n	%
The manager of the eliminated service	2.84	12	11.1	8	9.8	11	18.3	10	32.3	3	16.7	1	9.1
Finance/Actuarial	1.36	46	42.6	19	23.2	4	6.7	1	3.2	-	-	-	-
Sales	2.51	4	3.7	17	20.7	9	15	2	6.5	3	16.7	1	9.1
Marketing	2.13	27	25	18	22	10	16.7	7	22.6	1	5.6	-	-
Customer-contact personnel	3.42	2	1.9	7	8.5	13	21.7	4	12.9	7	38.9	2	18.2
Administrative staff	3.14	5	4.6	7	8.5	10	16.7	5	16.1	3	16.7	6	54.5
Management committee	3.44	6	5.6	1	1.2	2	3.3	1	3.2	1	5.6	-	-
General manager	6.40	-	-	1	1.2	-	-	-	-	-	-	-	-
Managing director	4.00	2	1.9	2	2.4	-	-	-	-	-	-	-	-
CEO/President	7.29	1	.9	-	-	1	1.7	-	-	-	-	1	9.1
Board of Directors	7.13	1	.9	1	1.2	-	-	-	-	-	-	-	-
Other		2	1.9	1	1.2	-	-	1	3.2	-	-	-	-
Total		108		82		60		31		18		11	
Missing Values		4		30		52		81		94		101	

Table 6.61: Decision-Making-The Six most Important Participants

Participants	Mean Ranking	Decision-Making											
		First		Second		Third		Fourth		Fifth		Sixth	
		n	%	n	%	n	%	n	%	N	%	n	%
The manager of the eliminated service	3.39	6	5.5	8	10.5	11	21.2	4	16	2	12.5	1	12.5
Finance/Actuarial	3.64	2	1.8	8	10.5	9	17.3	4	16	4	25	-	-
Sales	4.05	2	1.8	5	6.6	5	9.6	4	16	2	12.5	-	-
Marketing	3.16	8	7.3	12	15.8	7	13.5	5	20	-	-	2	25
Customer-contact personnel	5.93	1	.9	-	-	-	-	1	4	6	37.5	1	12.5
Administrative staff	7.82	-	-	-	-	-	-	1	4	-	-	4	50
Management committee	1.58	34	30.9	18	23.7	7	13.5	3	12	1	6.3	-	-
General manager	2.05	8	7.3	5	6.6	5	9.6	-	-	1	6.3	-	-
Managing director	1.72	17	15.5	2	2.6	3	5.8	-	-	-	-	-	-
CEO/President	2.41	6	5.5	8	10.5	4	7.7	2	8	-	-	-	-
Board of Directors	1.82	25	22.7	9	11.8	1	1.9	1	4	-	-	-	-
Other		1	.9	1	1.3	-	-	-	-	-	-	-	-
Total		110		76		52		25		16		8	
Missing Values		2		36		60		87		96		104	

The cross-tabulations between the participating areas and the variables of overall business strategy, type of eliminated service, company type and nature of the service delivery process did not show any statistically significant associations and therefore they are not reported here.

6.7 Formality during Service Elimination Decision-Making

In the present study the variable of formality during the service elimination decision-making process was conceptualised using the three dimensions of systematic behaviour, assignment of responsibilities and documentation (written forms and documents). During the in-depth interviews it was found that the financial institutions differed according to the extent to which their service elimination decision-making process was formal. Over half of the twenty interviewed companies reported that they were very informal, while only less than a quarter reported a formal decision-making process. Another trend that arose from the interviews was that companies which followed a moderately formal or an informal service elimination decision-making process stressed the value of their ability to adapt the extent of formality during service elimination decision-making, according to the importance of individual service elimination cases.

6.7.1 Degree of Formality during the Service Elimination Decision-Making Process

In the mail questionnaire respondents were asked to indicate the extent to which each one of the nine activities of the formality construct were representative of the way in which things happened in their companies during service elimination decision-making. To operationalise the construct, a 7-point Likert scale was used, where 1 was

for ‘absolutely false’ and 7 for ‘absolutely true’. Table 6.62 shows the corresponding descriptive statistics for each one of the formality-related activities.

As far as the component of systematic behaviour is concerned, the activities that had to do with a regular review of the service range and with the existence of explicit audit criteria for the evaluation of the performance of financial services achieved mean values higher than the mid-scale point of 4. However, the item referring to the existence of minimum performance standards for each audit criterion achieved a mean value of 3.62. The mean value of the activity namely we *initiate elimination activities only when problems develop with particular services* achieved a mean value of 4.22, but for the descriptive purposes of Table 6.62 this score was not reversed and thus it does not have the same directionality with the other mean values mentioned above. While the mean values of the two items of the component of assignment of responsibilities were one at the mid-scale point of 4 and the other slightly below it, the mean values of all the three items of the documentation component were far below the mid-scale point.

Table 6.62: Descriptive Statistics for the Items of the Construct of Formality

Formality	N	Mean*	Min	Max	Sd
Systematic Behaviour					
The performance of all our services is reviewed regularly and systematically, In order to identify possible problems	112	5.28	1	7	1.51
We have explicitly defined audit criteria against which we evaluate the performance of our services	112	4.02	1	7	1.91
For each audit criterion we have explicit minimum performance standards. Services not meeting them become elimination candidates	112	3.62	1	7	1.69
We initiate elimination activities only when problems develop with particular services ♦	112	4.22	1	7	1.69
Assignment of Responsibilities					
Responsibility for service elimination has been clearly assigned in our company	112	3.87	1	7	1.91
No specific elimination responsibilities have been assigned. Elimination decisions are made through informal conversations and activities ♦	112	4.00	1	7	1.95
Documentation					
Service elimination decisions are guided by a written procedure	112	2.66	1	7	1.65
A standard document is used to reach elimination decisions	112	2.19	1	7	1.44
A standard document is used to implement elimination decisions	112	2.40	1	7	1.66

*Likert scale
1: Absolutely false; 7: Absolutely true

♦: Due to negative wording, the scoring on the two items marked with this symbol was reversed for the calculation of the overall mean of the constructs of 'systematic behaviour' and 'assignments of responsibilities' in Table 6.7, that follows. In this table the mean scores were not reversed.

In order to gain a better picture of the degree of formality during service elimination decision-making, the nine items of the scale were added up to create a single dimension for the overall formality. The same process took place for the items of each one of the three components of overall formality. For the adding up processes the scores for the two negatively worded items were reversed, so that mean values closer to the scale point of 7 would uni-dimensionally indicate greater formality.

Table 6.63 has the relevant descriptive statistics. The construct of overall formality achieved a mean value of 3.53, which indicates that the studied financial institutions were largely informal during service elimination decision-making. With regards to the three components of formality, systematic behaviour achieved the highest

mean score (4.17) which, however, exceeded only slightly the mid-scale point of 4. The component of assignment of responsibilities achieved a mean score of 3.93, while the mean score of the component of documentation was as low as 2.42.

Table 6.63: Descriptive Statistics for Overall Formality and its Components

Formality	N	Mean*	Min	Max	Sd
Overall Formality	112	3.53	1	6	1.11
Systematic behaviour	112	4.17	2	7	1.36
Assignment of responsibilities	112	3.93	1	7	1.62
Documentation	112	2.42	1	6	1.35

*Likert scale
1: Absolutely false; 7: Absolutely true

Treating formality as a dependent variable, an attempt was made in the mail survey phase of the study to find out if the categorical contextual variables (i.e., company type, overall business strategy, nature of the service delivery process, and type of service) had any statistically significant influence on formality. The analysis revealed that company type and the type of service did not account for statistically significant differences in the degree of the overall formality and of its components, thus the results are not reported here. By contrast, the variables of overall business strategy and of the method of the delivery process accounted for some statistically significant differences. Table 6.64 shows the mean values for the overall formality and its components, by overall business strategy. An interesting observation is that fast imitators achieved the highest mean scores in the overall formality in all its three components, while slow imitators achieved the lowest mean scores.

Table 6.64: Mean Values of Overall Formality and Components by Overall Business Strategy

Formality	Cost Reducer		Fast Imitator		Slow Imitator		Technological Innovator	
	n	Mean*	n	Mean*	n	Mean*	n	Mean*
Overall Formality	41	3.50	11	4.30	37	3.22	23	3.71
Systematic behaviour	41	4.17	11	4.84	37	3.86	23	4.35
Assignment of responsibilities	41	3.91	11	5.27	37	3.62	23	3.82
Documentation	41	2.35	11	2.94	37	2.10	23	2.80

*Likert scale

1: Absolutely false, 7: Absolutely true

The one-way ANOVA revealed statistically significant differences only with regards to the overall formality and the component of assignment of responsibilities. Table 6.65 shows only the significant one-way ANOVA results. As far as overall formality is concerned, it can be seen that the only statistically significant difference in the mean scores was between fast and slow imitators, whereby the former were significantly more formal than the latter (Levene test significant, $F=3.084$, $p<.05$, mean difference with Tamhane's $T2=1.08$, $p<.05$). The one-way ANOVA for the component of assignment of responsibilities ($F=3.187$, $p<.05$) found that fast imitators were significantly more formal than cost reducers, slow imitators and technological innovators (Levene test insignificant, mean differences with Bonferroni test: 1.36 ($p<.10$), 1.65 ($p<.05$) and 1.45 ($p<.10$) respectively.

use the financial service the following year. In contrast, the new formality. By contrast, for the eliminated firms it was much more difficult to increase the coverage of firm's length distance (e.g. via a new branch office). This indicates that overall formality and all its components were important factors for the survival of

Table 6.65: Overall Formality and Components by Overall Business Strategy- Within Groups Comparisons with One-way ANOVA

Overall Formality and Components		Test of Homogeneity of Variances		ANOVA		
		Levene Test	Sig	F	Df	Sig
Overall Formality		2.359	.076	3.084	108	.030**
Systematic behaviour		5.223	.002	1.677	108	.176
Assignment of responsibilities		.202	.895	3.187	108	.027**
Documentation		1.592	.196	1.935	108	.128

Overall formality			
Post Hoc Tests for Multiple Comparisons: Tamhane's T2			
Benchmark Overall Business Strategy	Comparison Overall Business Strategies	Mean Difference	Sig.
Fast imitator	Cost reducer	.80	.103
	Slow imitator	1.08**	.011
	Technological innovator	.59	.524

Assignment of responsibilities			
Post Hoc Tests for Multiple Comparisons: Bonferroni Test			
Benchmark Overall Business Strategy	Comparison Overall Business Strategies	Mean Difference	Sig.
Fast imitator	Cost reducer	1.36*	.074
	Slow imitator	1.65**	.017
	Technological innovator	1.45*	.081

Statistical significance :
* p<.10
** p<.05
*** p<.01

P=1.380, p<.05, mean difference with slow imitator is significant.

Table 6.66 shows the mean values for the overall formality and its components, by the nature of the delivery process of the eliminated financial service. Interestingly it can be seen that, except for the component of systematic behaviour, for the eliminated financial services where the customers were visiting the financial institution in order to use the financial service the followed elimination process was the most formal. By contrast, for the eliminated financial services which were delivered to the customers at arm's length distance (e.g via e-mail, mail, telephone) the mean scores of overall formality and all its components were the lowest.

Table 6.66: Mean Values of Overall Formality and Components by the Method of Delivery Process

Formality	Customers Visited the Company to use the Eliminated service		Company Visited the Customers		Company and Customers Transacting at Arm's Length	
	n	Mean*	n	Mean*	n	Mean*
Overall Formality	34	3.70	40	3.65	37	3.24
Systematic behaviour	34	4.16	40	4.42	37	3.88
Assignment of responsibilities	34	4.5	40	3.95	37	3.39
Documentation	34	2.55	40	2.42	37	2.31

*Likert scale
1: Absolutely false; 7: Absolutely true

The one way ANOVA revealed significant mean score differences only with regards to the component of assignment of responsibilities. Table 6.67 shows only the statistically significant results. In cases where customers visited financial institutions the assignment of responsibilities during the elimination process was more formal than in the cases where customers and companies transacted at arm's length (Levene test insignificant, $F=4.380$, $p<.05$, mean difference with Bonferroni test=1.11, $p<.05$).

Table 6.67: Overall Formality and Components by the Method of Delivery Process-Within Groups Comparisons with One-way ANOVA

Formality	Test of Homogeneity of Variances		ANOVA		
	Levene Test	Sig	F	Df	Sig
Overall Formality	.186	.830	1.808	108	.169
Systematic behaviour	2.575	.081	1.522	108	.223
Assignment of responsibilities	2.249	.110	4.380	108	.015**
Documentation	2.796	.065	.282	108	.755

Assignment of responsibilities Post Hoc Tests for Multiple Comparisons: Bonferroni Test			
Benchmark Method of Delivery Process	Comparison Methods of Delivery Process	Mean Difference	Sig.
Customers visited company	Company visited customers	.55	.413
	Arm's length transaction	1.11**	.011
Statistical significance : * $p<.10$ ** $p<.05$ *** $p<.01$			

6.7.1.1 Formality and the Metric Contextual Influence

Table 6.68 has the 36 bi-variate correlations between the overall formality and its components on the one hand and the nine metric contextual variables on the other hand. As many as 24 correlations (or 66.6%) were statistically significant (5.5% at $p<.10$, 8.3% at $p<.05$ and 52.7% at $p<.01$). Of the nine contextual variables only market competition and technological change did not exert influence on the formality construct and its components.

It can be seen that the variable of market orientation and all its components were positively correlated with overall formality and with all its three components and that every single correlation was statistically significant at the 1% level of significance. Overall market orientation enhanced most strongly the degree of overall formality ($r=.518$) and the component of systematic behaviour ($r=.504$), as did customer orientation ($r=.455$ and $r=.459$ respectively). Those two correlations of customer orientation were the only ones that persisted after controlling for the linear effects of competitor orientation and interfunctional coordination. Competitor orientation and interfunctional coordination had a strong positive influence on the overall formality and on the component of systematic behaviour ($r=.443$ and .423 for competitor orientation and $r=.447$ and .421 for interfunctional coordination respectively). For competitor orientation, three of the four correlations (with overall formality, systematic behaviour and documentation) persisted after controlling for the effect of customer orientation and interfunctional coordination. Finally, for interfunctional coordination only one of the four correlations (the one with assignment of responsibilities) continued to be significant after controlling for the effect of customer and competitor orientation.

Another variable with notable influence on the degree of formality was service diversity. Its strongest influence was on the component of documentation ($r=.290$,

p<.01; the significance persisted when we controlled for the effect of size). It was also relatively strongly correlated with overall formality ($r=.224$, $p<.05$; relationship persisting even after controlling for the effects of size) while it was less strongly, but significantly, enhancing the assignment of responsibilities ($r=.173$, $p<.10$; however, the correlation did not remain significant when after controlling for the effects of size).

Finally, the degree of overall formality and of its component of documentation were boosted by size ($r=.209$, $p<.05$ and $r=.278$, $p<.01$ respectively; the relationships persisted after controlling for the effects of service diversity) and legislation ($r=.215$, $p<.05$ and $r=.328$, $p<.01$ respectively).

Table 6.68: Formality during Service Elimination Decision-Making and the Metric Contextual Influence-Bivariate Pearson Correlations

Formality	Contextual Variables					Technological Change (N=112)
	Size (N=111)	Service Diversity (N=112)	Market Orientation (overall) (N=112)	Customer Orientation (N=112)	Competitor Orientation (N=112)	
Overall Formality	.209**	.224**	.518***	.455***	.443***	.447***
Systematic behaviour	.100	.096	.504***	.459***	.423***	.421***
Assignment of responsibilities	.132	.173*	.363***	.323***	.249***	.366***
Documentation	.278***	.290***	.319***	.254***	.331***	.251***
						Statistical significance :
						* p< .10
						** p< .05
						*** p< .01

6.7.1.2 Degree of Formality and the Combined Metric Contextual Impact-Multiple Regression Analysis

Although the results in Table 6.68 clearly indicate that the degree of formality during service elimination decision-making is notably influenced by the majority of the metric contextual variables, they do not provide evidence about which variables can constantly predict the degree of formality. In order to find such a model, it was felt necessary to subject the formality variables (treated as dependent again) into multiple regression analysis with the nine metric contextual independent variables.

Multiple regression analysis is a statistical method used to find whether or not three or more independent variables can predict one dependent variable⁷. The literature on regression analysis identifies two main computational techniques for the selection of the model for multiple linear regression: a) the forward and b) the backward stepwise selection procedure (Wetherill *et al* 1986). In a forward stepwise procedure, the regression model starts with no independent variables in the equation and gradually adds those ones which give the largest increase in the sum of squares, i.e., which increase the explanatory properties of the regression model. In the backward stepwise procedure the regression model starts in the first step with all the independent variables and deletes step by step those ones, which do not contribute reliably to the regression equation. Thus, in backwards stepwise selection the last step of the regression contains only the independent variables (predictors) that explain in the most reliable way the variability of the dependent (criterion) variable (*ibid.*). Although the forward stepwise selection can prepare a regression equation in a faster way, its main disadvantage is that

⁷ The equation for multiple linear regression is $y = \beta_0 + \beta_1 x_1 + \dots + \beta_n x_n + \epsilon$, where:
 y = criterion variable (dependent).

β_0 = intercept (or constant) of the equation
 $x_1 \dots x_n$ = independent variables
 $\beta_1 \dots \beta_n$ = ratios of the independent variables
 ϵ = error of the regression model

it can be seriously misleading because of the restriction to adding in the regression model one independent variable at a time. Moreover, forward selection may work with significantly inflated estimates of residual sum of squares, which is something that can be controlled with a backwards stepwise selection (*ibid.*). Also, when researchers are dealing with a moderate number of predictor (independent) variables, a backwards stepwise selection procedure is more appropriate (*ibid.*). Based on the above considerations, it was decided to use a backwards stepwise selection procedure for the regression model.

An important task of researchers who are using multiple regression analysis is to control for multicollinearity, which is present when two or more of the independent variables of the regression model are highly correlated (i.e., when there are Pearson correlations of .80 or .90). The problem which is caused by multicollinearity is a failure of the final regression equation to detect significant predictor variables (this has been called Type II error), which in turn affects its reliability (Ofir and Khuri 1986; Mason and Perreault 1991). A rule of thumb for detecting multicollinearity is to examine the correlation matrix of the independent variables for high correlations⁸. The variable of overall market orientation was (expectedly) very highly correlated with its 3 components (Appendix 5 shows the corresponding correlation matrix) namely customer orientation ($r=.892$), competitor orientation ($r=.825$) and interfunctional coordination ($r=.876$). According to the classification of Mason and Perreault (1991), this collinearity level was very likely to be troublesome in the regression equation. Thus, it was decided not to include overall market orientation in the regression model. By contrast, an

⁸ Although the presence of one or more high bi-variate correlations (of .80 and over) between some of the independent variables of the regression model is an indication of multicollinearity, absence of such high correlations does not conclusively show lack of multicollinearity. It is thus suggested that a more accurate detection of multicollinearity would pay attention not only to the bi-variate correlations between the independent variables, but also on the sample size and on the R^2 (i.e., the proportion of the variability in the dependent variable which is accounted for by the multiple regression equation (Mason and Perreault

examination of the correlations between the three components of market orientation (Appendix 5) suggested that the level of collinearity would not affect the reliability of the regression equation. Thus, the three components were included in the regression model, as were the variables of size, service diversity, competition, legislation and technological change (Appendix 6 shows the correlation matrix between all the eight metric contextual variables that were included in the regression models). Four separate multiple linear regressions were run, with overall formality and its components as criterion variables one at a time. All were statistically significant at the 1% level.

Table 6.69 shows the results of the last step of the regression analyses for the four formality variables (i.e., the overall formality and its three components). The first regression with overall formality as criterion variable, needed four purifying steps to identify the five most meaningful predictor variables ($R^2 \text{ adjusted} = .343$). The strongest predictor of overall formality during service elimination decision-making was interfunctional coordination ($b = .334$, $p < .01$), followed by legislation ($b = .285$, $p < .01$), by competitor orientation ($b = .263$, $p < .01$) and by service diversity ($b = .226$, $p < .01$). Interestingly, although technological change was inert at the bi-variate correlations level, in the regression model it was reducing the degree of overall formality during service elimination decision-making ($b = -.143$, $p < .10$). The variables of size and customer orientation, which were enhancing the overall formality at a bi-variate correlation level, did not appear to be meaningful predictors in the regression model.

The second regression used the component of systematic behaviour as criterion variable and needed as many as seven backward steps to identify the predictors ($R^2 \text{ adjusted} = .235$). The strongest predictor was customer orientation ($b = .327$, $p < .01$), followed by competitor orientation ($b = .231$, $p < .05$). Unlike at the bi-variate correlations

1991)). These considerations were also taken into account in the attempts to control for multicollinearity in the regression model of this study.

level, interfunctional coordination was not a meaningful predictor of systematic behaviour in the regression model.

The third regression used the assignment of responsibilities as criterion variable and needed five steps to purify the original regression model and indicate the four predictors ($R^2 \text{ adjusted} = .186$). Interfunctional coordination was the strongest positive predictor ($b=.422$, $p<.01$), followed by service diversity ($b=.190$, $p<.05$) and by competition ($b=.174$, $p<.05$). As in the first regression, interestingly technological change was reducing the formality with regards to the assignment of responsibilities ($b=.224$, $p<.05$), although it was inert in the bi-variate correlations.

The fourth regression, with the component of documentation as criterion variable, needed six steps to identify the three most meaningful predictors ($R^2 \text{ adjusted} = .285$). The degree of documentation during service elimination decision-making was most strongly enhanced by legislation ($b=.354$, $p<.01$), which also accounted for the strongest positive effect in the bi-variate correlations. The second strongest predictor was competitor orientation ($b=.324$, $p<.01$), followed by service diversity ($b=.254$, $p<.01$). The variables of size, customer orientation, interfunctional coordination and competition, which showed some significant impact at the bi-variate correlations level, were not successful predictors of the degree of documentation in the regression model.

Concluding with the multiple regression analyses, attention should be paid to the collinearity statistic, which accompanies each one of the four regression models. This statistic ranges from 0 to 1. When the value for a predictor variable is close to 0, this suggests that this variable is a linear combination of the other predictor variables, and thus multicollinearity might have affected the reliability of the final regression equation (SPSS 1999). In Table 6.69 it can be seen that the value of the collinearity tolerance was

not close to zero for all the predictors in the four regression models. This provides further support that multicollinearity did not affect the regression results.

Table 6.69: Formality during the Service Elimination Decision-Making Process-The Combined Metric Contextual Influence with Multiple Linear Regression Analysis

Criterion Variable	Predictor Variables					R	R^2	$R^2(\text{Adj}\text{usted})$	F
	Size (N=111)	Service Diversit y (N=112)	Customer Orientation (N=112)	Competitor Orientation (N=112)	Interfunctional Coordination (N=112)				
Overall Formality (4 Regression Steps)									
Standardised <i>b</i>	.226	Dropped in step 4	.263	.334	Dropped in step 2	.285	-.143		
T	-	2.884***	-	2.662***	3.412***	-	3.531***	-1.742*	.610 .343
Collinearity Tolerance	-	.975	-	.613	.624	-	.919	.882	12.476***
Systematic Behaviour (7 Regression Steps)									
Standardised <i>b</i>	Dropped in step 3	Dropped in step 4	.327	.231	Dropped in step 6	Dropped in step 7	Dropped in step 5		
T	-	-	3.177***	2.239**	-	-	-		.499 .249
Collinearity Tolerance	-	-	.655	.655	-	-	-		.235 17.893***
Assignment of Responsibilities (5 Regression Steps)									
Standardised <i>b</i>	Dropped in step 3	.190	Dropped in step 4	.422	.174	Dropped in step 5	-.224		
T	-	2.190**	-	-	4.793***	1.801*	-		.465 .216
Collinearity Tolerance	-	.979	-	-	.953	.790	-		.787 .186
Documentation (6 Regression Steps)									
Standardised <i>b</i>	Dropped in step 6	.254	Dropped in step 3	.324	Dropped in step 5	Dropped in step 4	.552		
T	-	3.146***	-	4.012***	-	-	.304		.285 15.596***
Collinearity Tolerance	-	.994	-	.994	-	-	.997	-	
Statistical significance									
* p< .10									
** p< .05									
*** p< .01									

6.7.2 The Impact of Formality on the Content of the Service Elimination Decision-Making Process

The remaining task of the mail survey phase of the study with regards to formality was to investigate its impact upon the content of the service elimination decision-making process. This involved treating formality as an independent variable and making a comparison of the content of the more formal versus the less formal decision-making processes of the sample. In order to formulate the two comparison groups, the 112 financial institutions of the sample were split into two groups, based on their median score on the construct of overall formality (median score =3.56 on a scale from 1 to 7, where greater mean scores indicated greater formality). Thus, companies above the median score were considered to be the more formal elimination decision-makers, while companies below the median score were considered to be the less formal ones.

Table 6.70 has the results of the corresponding comparisons. A first observation of the mean values for the steps of the elimination decision-reaching process (i.e., audit criteria for the identification of elimination candidates, revitalisation actions and evaluation of the impact of the elimination decision on various parts the business) clearly shows that the more formal companies scored higher than their less formal counterparts in 22 out of the 24 involved decision variables. This finding indicates that the more formal companies of the sample were placing more importance on 92% of the decision variables than did their less formal counterparts, which ultimately implies that they were putting more effort to reaching elimination decisions involving financial services. As can be seen in the last column of Table 6.70, of the 22 mean comparisons where the more formal companies scored higher than the less formal, 50% were statistically significant. In detail, as far as the audit criteria are concerned, the more

formal companies were placing more attention on the market share ($t=2.22$, $p<.05$) and the PLC stage of their financial services ($t=1.83$, $p<.10$). When the candidates for elimination had been identified, more formal companies were significantly more concerned with most of the revitalisation alternatives than were the less formal companies. Having concluded that no revitalisation is possible (or feasible), the more formal financial institutions were significantly more concerned, than their less formal counterparts, with the impact of an elimination decision on the sales and the profitability of other financial services in the range ($t=2.67$, $p<.01$ and $t=3.42$, $p<.01$ respectively), the impact on the relationships with the customers ($t=1.92$, $p<.10$) and the impact on the full-line policy ($t=3.30$, $p<.01$).

With reference to the alternative strategies for the implementation of elimination decisions, the means were compared on a 1 to 7 very rarely/very frequently Likert scale. As can be observed in Table 6.70, the more formal companies used six strategies relatively more frequently than their less formal counterparts, including the most popular elimination strategy namely *eliminate the service to new customers but leave the existing customers unaffected*. However, none of the comparisons were statistically significant.

Table 6.70: More Formal Vs Less Formal Service Elimination Decision-Making Processes-Median Test

Steps of the Elimination Process	Higher Formality (Companies Scoring above the Median Value of 3.56)		Lower Formality (Companies Scoring below the Median Value of 3.56)		t
	n	Mean Value	n	Mean Value	
Audit Criteria♦					
Sales volume	52	5.63	59	5.24	1.60
Market share	52	3.94	59	3.20	2.22**
Profitability	52	5.94	59	5.51	1.49
Market growth potential	52	5.10	59	4.97	.46
Service's position on the life cycle curve	52	3.79	59	3.29	1.83*
Activities of competitors	52	4.46	59	4.15	1.01
Operational problems	52	3.21	59	3.27	-.175
Customers perceptions	52	4.83	59	4.51	.975
Remedial Actions♦					
Modifications/Improvements in some of the service's attributes	51	4.84	57	4.19	2.05**
Cost structure modifications	51	4.94	57	4.14	2.59**
Price modifications	51	5.18	57	4.49	2.31**
Increase the effort of sales force and customer contact personnel	51	4.49	57	3.81	2.11**
Modifications in the training of sales force and customer contact personnel	51	4.25	57	3.39	2.68***
Modifications in the promotions/communications strategy	51	4.22	57	3.46	2.40**
Modifications in the service delivery process	51	3.84	57	3.74	.352
Evaluation Factors♦					
Impact on the sales of other services (cross-selling)	51	4.63	57	3.68	2.67***
Impact on the profitability of other services	51	4.73	57	3.42	3.90***
Impact on the relationship with customers	51	5.59	57	5.12	1.92*
Impact on the corporate image	51	4.80	57	4.40	1.45
Impact upon full-line policy (i.e., policy to offer a full range of services)	51	4.41	57	3.37	3.30***
Impact on human resources and employee relationships	51	3.86	57	3.37	1.62
Benefits that competitors can develop as a result of the elimination of the service	51	3.25	57	2.82	1.43
Extent to which a similar service exists in the market to satisfy the needs of customers	51	3.55	57	3.81	-.84
Likelihood on an organised intervention (negative press releases, adverse governmental reaction)	51	3.90	57	3.42	1.39

Cont...

Table 6.70 cont...

Steps of the Elimination Process	Higher Formality (companies scoring above the median value of 3.56)		Lower Formality (companies scoring below the median value of 3.56)		t
	n	Mean Value	n	Mean Value	
Elimination Implementation Strategies♦♦					
Drop immediately	49	2.53	53	2.91	-.99
Eliminate the service to new customers but leave the existing customers unaffected	49	5.47	53	5.17	.94
Eliminate the service to new customers but the existing customers cannot purchase any additional units	49	4.00	53	3.68	.78
Eliminate the service from some customer segments but keep it open for other customer segments	49	2.27	53	2.06	.69
Service simplification	49	2.69	53	2.77	-.24
Eliminate the service but keep its name and introduce a new service with the same name but of different nature and function to the eliminated one	49	2.00	53	1.85	.56
Service merging	49	2.43	53	1.96	1.53
Phase out Slowly	49	2.47	53	2.75	-.95
Eliminate and Sell out	49	1.80	53	1.62	.73
Drop and re-introduce	49	1.47	53	1.74	-1.217
♦: Means on a Likert scale 1(of no importance) to 7 (of extreme importance) ♦♦: Means on a Likert scale 1(very rarely) to 7 (very frequently) Statistical significance * p< .10 ** p< .05 *** p<.01					

7. The Post Elimination Stage

7.1 Conduct of Post-Elimination Reviews

In the mail questionnaire respondents were asked to specify whether or not they conducted a retrospective assessment of their decision to eliminate the specific service that they had chosen to discuss. Table 6.71 shows that 31.3% of the studied companies did conduct a post-elimination review. The chi-square statistic shows that there is a statistically significant association between the variable of company type and the conducting/not conducting binary variable. Thus insurance companies were

significantly more active in terms of conduct of retrospective assessment, while building societies were the least active.

Table 6.71: Conduct of Post Elimination Review by Company Type-Frequencies

Company Type	Conduct of Post-Elimination Reviews				Total	
	Yes		No			
	N	%*	n	%*	n	%*
Banks	9	23.1	30	76.9	39	100
Building societies	2	13.3	13	86.7	15	100
Insurance companies	24	41.4	34	58.6	58	100
Total	35	31.3	77	68.8	112	100

*: Within-group percentages
Association statistics
N=112
Pearson $\chi^2=2.224$
Df=2
Asymptotic sig.: .045

(68.8%) did not conduct a post-elimination review in the benchmark service elimination

case. The null questionnaire responses were not included in the analysis. The overall business strategy. The statistical tests showed that there was a significant association between the two cross-tabulated variables ($\chi^2=2.224$, $p<.05$). The technological innovators were the most active in the conduct of post-elimination reviews and they were followed by the fast imitators. The least active were the slow imitators. The cross-tabulations with the variables of the nature of the delivery process and the type of the eliminated service, did not show any significant association and are not reported here.

customers were left unaffected by the elimination of the service. The number of companies indicated that they had to change because, due to the increasing

Table 6.72: Conduct of Post Elimination Review by Overall Business Strategy-Frequencies

Overall Business Strategy	Yes		No		Total	
	N	%*	n	%*	n	%*
Cost reducer	12	29.3	29	70.7	41	100
Fast imitator	5	45.5	6	54.5	11	100
Slow imitator	7	18.9	30	81.1	37	100
Technological innovator	11	47.8	12	52.2	23	100
Total	35	31.3	77	68.8	112	100

*: Within-group percentages
Association statistics
n=112
Pearson $\chi^2 = 2.224$
Df=2
Asymptotic sig: .045

As was seen in Table 6.71, the majority of the studied financial institutions (68.8%) did not conduct a post-elimination review in the benchmark service elimination case. The mail questionnaire provided for an investigation of the reasons why this happened. In detail, respondents were given a list with four reasons for not conducting post-elimination reviews, which had been identified during the in-depth interviews, and were asked to choose the one(s) for which they avoided a post elimination review in the specific case that they were using as a benchmark. Table 6.73 shows the corresponding findings. As can be seen, the most popular reason was that the appropriateness of the decision to eliminate the specific financial services was fairly obvious, and thus a post elimination review would make no further contribution to the understanding of the decision-makers (55 cases). The second most frequent reason was that the existing customers were left unaffected by the elimination decision (40 cases). A considerable number of companies indicated that a post-elimination review was not conducted because, due to the irrevocability of the elimination decision, it would not change

anything (33 cases). Finally, three companies were not willing to invest any more corporate resources in studying the aftermath of their decision to eliminate financial services.

(mean value=5.53). Two additional factors namely customer retention rates and

customer satisfaction levels also had mean values of 5.31).

Table 6.73: Reasons for Not Conducting Post Elimination Reviews

Reason	Number of Cases Choosing a Reason*
The appropriateness of the elimination decision was very obvious	55
The elimination decision was irrevocable	33
The existing customers were left unaffected	40
There was an aversion to deal with the elimination case any further	3

*The total exceeds 112 because respondents were asked to indicate all the possible reasons why they did not conduct a post-elimination review

7.2 Factors for the Retrospective Assessment of Elimination Decisions-Relative Importance

During the in-depth interviews the respondents who reported the conduct of a post-elimination reviews (31.3%) were asked to identify the dimensions/factors along which they were measuring the success/appropriateness of their elimination decisions. The interview phase identified nine such factors. In the mail survey phase the objective was to measure the relative importance of those factors, and thus respondents were asked to rate them on a 1 to 7 Likert scale, where 1 meant no importance and 7 extreme importance.

Table 6.74 has the corresponding descriptive statistics. The findings show that five out of the nine retrospective assessment factors achieved a mean value higher than the scale point of 5, while the mean values of the remaining four factors did not drop below the mid-scale point of 4 and were very close to the scale point of 5. If one considers the high importance of profitability considerations during the steps of the

elimination decision-making process, it was not surprising to find that the *profitability of the service that replaced the eliminated one* was the single most important factor during the retrospective assessment of the appropriateness of elimination decisions (mean value=5.53). Two additional factors namely *customer retention rates* and *customers' view of the company* were equally important (mean value=5.31). Considering the relatively high importance of sales-related considerations during the elimination decision-making process (i.e., sales performance and cross-selling impact), it was somewhat surprising to observe that the factors namely *sales of the service that replaced the eliminated one* and *actual cross-selling impact* were the two least important factors during the retrospective assessment of elimination decisions (mean values=4.88 and 4.60 respectively).

Table 6.73: Relative Importance of the Retrospective Assessment Factors-Mean
Comparisons and T-tests

Table 6.74: Factors Used to Evaluate Retrospectively the Appropriateness of Elimination Decisions-Relative Importance

Retrospective Evaluation Factors	N	Mean*	Min	Max	Sd
Profitability of the service that replaced the eliminated one	34	5.53	1	7	1.60
Customer retention rates	35	5.31	1	7	1.51
Customers' view of the company	35	5.31	2	7	1.47
Extent to which operational problems were solved	35	5.09	1	7	1.54
Actual level of customer complaints	35	5.03	1	7	1.72
New customer acquisition rates	35	4.97	1	7	1.89
Propensity of existing customers to do incremental business with the company	35	4.91	1	7	1.76
Sales of the service that replaced the eliminated one	34	4.88	1	7	1.61
Actual cross-selling impact	35	4.60	1	7	1.67

*Likert scale

1: of no importance ; 4: of moderate importance; 7: of extreme importance

While the ANOVA with the variables of company type, overall business strategy and nature of the service delivery process against the 9 factors for retrospective assessment did not show any statistically significant differences, the t-tests with the type of the eliminated service revealed some interesting relationships. In Table 6.75 the most

striking observation is that the relative importance of eight out of the nine factors was constantly higher when the eliminated service was for the retail market, than when it was sold to business customers. The t-tests, however, revealed three significant mean differences. In detail, when a retail financial service was eliminated, companies placed significantly more attention on the sales of the replacement financial service ($t=2.848$, $p<.01$) and to the actual cross-selling impact of the elimination decision ($t=2.058$, $p<.05$) than when a corporate financial service was eliminated. Moreover, the relative importance of the *extent to which operational problems were solved* was significantly higher in elimination decisions involving retail financial services than in ones involving corporate financial services ($t=2.201$, $p<.05$).

Table 6.75: Relative Importance of the Retrospective Assessment Factors-Mean Comparisons with T-tests.

Retrospective Evaluation Factors	Retail Financial Service		Corporate Financial Service		t
	n	Mean♦	n	Mean♦	
Extent to which operational problems were solved	23	5.48	12	4.33	2.201**
Actual cross-selling impact	23	5.00	12	3.83	2.058**
Actual level of customer complaints	23	5.22	12	4.67	.895
Sales of the service that replaced the eliminated one	22	5.41	12	3.92	2.848***
Profitability of the service that replaced the eliminated one	22	5.68	12	5.25	.747
Customer retention rates	23	5.52	12	4.92	1.130
New customer acquisition rates	23	5.17	12	4.58	.876
Customers' view of the company	23	5.22	12	5.50	-.534
Propensity of existing customers to do incremental business with the company	23	5.00	12	4.75	.395
Statistical significance					
* $p<.10$					
** $p<.05$					
*** $p<.01$					
♦ 1: of no importance ; 4: of moderate importance; 7: of extreme importance					

Overall Cross-tabulation
Cross-tabulation per Factor

The nine retrospective evaluation factors were subjected to factor analysis, in order to find out whether they could be grouped under meaningful categories. Table

6.76 presents the relevant statistics. Principal components' analysis (with Varimax rotation and eigenvalues over 1) extracted three strong and clean factors, which accounted for as much as over 81% of the variance. Factor 1 (eigenvalue=2.894, explained variance=32.1%) was the strongest and included three items, two of which were customer-related and one profitability-related. Factor 2 (eigenvalue=2.512, explained variance=27.9%) contained four items, the majority of which were again customer related. Finally, the third factor (eigenvalue=1.894, explained variance=21%) was the easiest to name, in terms that it contained only sales-related items.

notable influence.

Table 6.76: Retrospective Evaluation Factors-Principal Components Analysis

Retrospective Evaluation Factors	Factor 1: Customer and Profitability-Related Factors	Factor 2: Customer and Delivery Process-Related Factors	Factor 3: Sales-Related Factors
Propensity of existing customers to do incremental business with the company	.878		
New customer acquisition rates	.855		
Profitability of the replacement service	.806		
Actual level of customer complaints		.831	
Extent to which operational problems were solved		.831	
Customers' view of the company		.777	
Customer retention rates		.642	
Actual cross-selling impact			.910
Sales of the replacement product			.769
Eigenvalues	2.894	2.512	1.894
Cumulative Variance Explained	32.155%	60.066%	81.114%
Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy		.744	
Bartlett's Test of Sphericity		Chi-Square=178.134, df=36, Sig=.000	
Overall Cronbach α		.8728	
Cronbach α per Factor	.8880	.8439	.8025

7.2.1 Factors for the Retrospective Assessment of Elimination Decisions and the Metric Contextual Influence

Table 6.77 has the 81 bi-variate correlations between the 9 retrospective evaluation factors and the 9 metric contextual variables, of which sixteen (or 20%) were significant (10% at $p < .10$, 3.7% at $p < .05$ and 6.2% at $p < .01$). It can be observed that service diversity and interfunctional coordination were the two variables with the most notable impact upon the nine retrospective evaluation factors and that all the remaining contextual variables (except for technological change which was inert) had a less notable influence.

The most interesting finding was the strong and negative impact of service diversity. The variable was most strongly and negatively correlated with the *extent to which operational problems were solved* ($r = -.502$, $p < .01$). Negative and relatively strong relationships stood also with three retrospective factors namely, *customers' view of the company* ($r = -.394$, $p < .05$), *actual level of customer complaints* ($r = -.352$, $p < .05$) and *propensity of existing customers to do incremental business with the company* ($r = -.288$, $p < .10$).

Contrary to the negative impact of service diversity, interfunctional coordination was enhancing relatively strongly the relative importance of four factors. It was most strongly enhancing the importance of the *propensity of existing customers to do business with the firm* ($r = .485$, $p < .01$) and of *customers' view of the company* ($r = .446$, $p < .01$). It was also less strongly, but positively, correlated with the factors namely *new customer acquisition rates* ($r = .340$, $p < .05$) and *profitability of the replacement service* ($r = .329$, $p < .10$). After controlling for the effects of customer and competitor orientation, the only relationship that did not persist was with the factor *customers' view of the company*.

The overall market orientation was positively correlated with the *propensity of existing customers to do incremental business with the company* ($r=.329$, $p<.01$) and it was more strongly correlated with the factor *customers' view of the company* ($r=.474$, $p<.01$), as were the variables of customer and competitor orientation ($r=.483$, $p<.01$ and $r=.300$, $p<.10$).

The variable of market competition was enhancing the relative importance of the factors namely *profitability of the replacement service* ($r=.294$, $p<.10$) and *customer retention rates* ($r=.288$, $r<.10$).

Finally, legislation was enhancing the relative importance of the factor namely *extent to which operational problems were solved* ($r=.292$, $p<.10$), which was negatively correlated with size ($r=-.293$, $p<.10$).

Table 6.77: Factors for the Retrospective Assessment of Elimination Decisions and the Metric Contextual Influence-Bivariate Pearson Correlations

Retrospective Evaluation Factors	Size (N=34)	Service Diversity (N=34)	Market Orientation (overall) (N=34)	Customer Orientation (N=34)	Competitor Orientation (N=34)	Environmental Variables		Competition (N=34)	Legislation (N=34)	Technological Change (N=34)
						Interfunctional Coordination (N=34)	Competitor Orientation (N=34)			
Extent to which operational problems were solved	-.293*	-.502***	.203	.201	.131	.194	.172	.292*	.178	
Actual cross-selling impact	-.262	-.207	-.024	-.096	-.003	.047	.137	.259	.040	
Actual level of customer complaints	-.082	-.352**	.227	.202	.164	.227	.242	.215	.251	
Sales of the replacement service	-.235	-.102	-.051	-.004	-.172	.033	.268	.197	.061	
Profitability of the replacement service	-.004	-.192	.223	.227	.018	.329*	.294*	.100	-.046	
Customer retention rates	-.103	-.206	.209	.321	-.025	.227	.288*	.213	.179	
New customer acquisition rates	-.226	-.268	.193	.199	-.046	.340**	.179	.167	-.148	
Customers' view of the company	-.284	-.394**	.474***	.483***	.300*	.446***	.138	.053	.129	
Propensity of existing customers to do incremental business with the company	-.112	-.288*	.329*	.261	.111	.485***	.153	-.199	.057	
Statistical significance :										
										*p<.10
										** p<.05
										*** p<.01

7.3 Re-marketing Eliminated Services

During the in-depth interviews it was found that one of the reasons for not conducting post-elimination reviews was the irrevocability of elimination decisions. The mail survey verified the popularity of that reason. However, four firms (or 20% of a total of twenty interviews) reported that they had re-marketed, at least once, a financial service that they had previously eliminated. In the mail survey phase, 35 of the 112 sampled companies (or 31.25%) reported that they had re-marketed initially eliminated financial services. Since the question was general and was not referring to the re-marketing of the specific eliminated service that respondents used as a benchmark, the associations with the variables, namely nature of the delivery process and type of the eliminated service were not conducted. From the cross-tabulations with the variables of company type and overall business strategy, only the latter showed a statistically significant association. Table 6.78 has the relevant findings. The most active re-marketers of previously eliminated financial services were the fast imitators (63.6%) and were followed by the technological innovators (39.1%).

Table 6.78: Frequencies of Re-marketing Initially Eliminated Financial Services by Overall Business Strategy

Overall Business Strategy	Re-Marketing a Previously Eliminated Financial Service				Total	
	Yes		No			
	n	%*	n	%*	N	%*
Cost reducer	10	24.4	31	75.6	41	100
Fast imitator	8	63.6	4	36.4	11	100
Slow imitator	8	21.6	29	78.4	37	100
Technological innovator	9	39.1	14	60.9	23	100
Total	35	31.25	78	69.6	112	100

*: Within-group percentages
Association statistics
n=112
Pearson $\chi^2=2.626$
Df=3
Asymptotic sig: .035

Table 6.79: Relative Reasons for Re-marketing Previously Eliminated Financial Services

7.3.1 Reasons for Re-marketing-Relative Importance

During the in-depth interviews the companies that had re-marketed previously eliminated financial services were asked to identify the reasons for having done so. As a result, four reasons were identified and the mail survey sought to measure the relative frequency in which each reason led the studied companies to a re-marketing decision.

Table 6.79 has the corresponding descriptive statistics. The most frequent reason was *a change in the market circumstances* (mean value=5.00), and it was closely followed by *a change in the corporate objectives* (mean value=4.89). The re-marketing of an eliminated service because *it was very innovative when it was first introduced* achieved a mean value over the mid-scale point (4.21), while the reason namely *high level of customer complaints* was the only item whose mean was below 4 (3.71).

Table 6.79: Reasons for Re-marketing an Eliminated Service-Relative Frequency

Reasons for Re-marketing	N	Mean*	Min	Max	Sd
A change in the market circumstances	35	5.00	1	7	1.75
A change in the corporate objectives	35	4.89	1	7	1.69
The service was very innovative when it was firstly introduced	34	4.21	1	7	1.92
A very high level of customer complaints	35	3.71	1	6	1.81

*Likert scale

1: very rarely; 4: average; 7: very frequently

Table 6.80 shows the relative frequency of the re-marketing reasons by company type. An interesting observation is that building societies were re-marketing previously eliminated financial services due to *a change in the market circumstances* more frequently than insurance companies and notably more frequently than banks.

Table 6.80: Relative Frequency of Reasons for Re-Marketing by Company Type

Reasons for Re-marketing	Banks		Building Societies		Insurance Companies	
	N	Mean*	n	Mean*	n	Mean*
A change in the market circumstances	11	3.81 (2)	6	6.00 (1)	18	5.33 (1)
A change in the corporate objectives	11	4.82 (1)	6	3.83 (2)	18	5.28 (2)
The service was very innovative when it was firstly introduced	11	3.73 (3)	6	2.50 (3)	17	5.12 (3)
A very high level of customer complaints	11	3.55 (4)	6	3.83 (2)	18	3.78 (4)

*Likert scale

1: very rarely, 4: average, 7: very frequently

The one-way ANOVA with company type found out that not all the re-marketing reasons accounted for statistically significant differences. As can be seen in Table 6.81, for only two of the four reasons was the ANOVA test significant. First, the reason namely *a change in the market circumstances* ($F=4.070$, $p<.05$) was found to be a significantly less frequently used re-marketing reason by banks, than by building societies and insurance companies (Levene test insignificant, mean difference with

Bonferroni test for building societies= -2.09, p<.05, and for insurance companies= -1.42, p<.10). Second, the reason namely *the service was very innovative when it was first introduced* was significantly more frequently applicable to insurance companies than to building societies (Levene test insignificant, mean difference with Bonferroni test=2.62, p<.01). *namely a change in the market circumstances had a rather weak loading* The one-way ANOVA with the variable of overall business strategy did not reveal any statistically significant mean differences and therefore the results are not reported here.

Table 6.80: Reasons for Re-marketing: Principal Components Analysis

Table 6.81: Relative Frequency of Re-marketing Reasons by Company Type-Within Groups Comparisons with One-way ANOVA

Reasons for Re-marketing	Test of Homogeneity of Variances		ANOVA		
	Levene Test	Sig	F	Df	Sig
A change in the market circumstances	.760	.476	4.070	32	.027**
A high level of customer complaints	.794	.461	.068	32	.934
The service was very innovative when it was firstly introduced	.928	.406	6.046	32	.006***
A change in the corporate objectives	.053	.949	1.719	32	.195

A change in the Market Circumstances
Post Hoc Tests for Multiple Comparisons: Bonferroni Test

Benchmark Type of Company	Comparison Types of Company	Mean Difference	Sig.
Banks	Building societies	-2.09**	.046
	Insurance companies	-1.42*	.082

The Service was Very Innovative when it was Firstly Introduced
Post Hoc Tests for Multiple Comparisons: Bonferroni Test

Benchmark Type of Company	Comparison Types of Company	Mean Difference	Sig.
Insurance companies	Banks	1.39	.121
	Building societies	2.62***	.008

Statistical significance :

*p< .10

** p< .05

*** p<.01

namely the service was very innovative when it was firstly introduced (F=6.046, df=32, p=.006) with the exception of competitor orientation (F=4.070, df=32, p=.027).

The factor analysis revealed the uni-dimensionality of the construct of the re-marketing reasons. As can be seen in Table 6.82, principal components' analysis (with Varimax rotation and eigenvalues over 1) extracted only one factor, which explained almost 50% of the variance. Three items were loading strongly to the extracted factor, while the reason namely *a change in the market circumstances* had a rather weak loading.

Table 6.82: Reasons for Re-marketing-Principal Components Analysis

Reasons for Re-marketing	Factor 1
A change in the corporate objectives	.814
A very high level of customer complaints	.809
The service was very innovative when it was firstly introduced	.777
A change in the market circumstances	.251
Eigenvalues	1.985
Cumulative Variance Explained	49.624 %
Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy	.680
Bartlett's Test of Sphericity	Chi-Square=20.316, df=6, Sig=.002
Overall Cronbach α	.6212

7.3.1.1 Reasons for Re-marketing and the Metric Contextual Influence

Table 6.83 shows the bi-variate correlations between the 4 re-marketing reasons and the 9 metric contextual independent variables of the study. The findings indicate that the metric contextual influence was very limited, since only two of the 36 bi-variate correlations were statistically significant. The up-to-now highly influential variables of overall market orientation and its components, were largely inert at this stage, with the exception of competitor orientation, which was negatively correlated with the item namely *the service was very innovative when it was first introduced* ($r=-.356$, $p<.05$).

By contrast, the relative frequency of this particular reason for re-marketing was, expectedly, increasing with the rhythm of technological change ($r = .314$, $p < .10$).

Table 6.83: Reasons for Re-Marketing and the Metric Contextual Influence-Bivariate Pearson Correlations

Reasons for Re-marketing	Environmental Variables						Technological Change (N=112)		
	Size (N=34)	Service Diversity (N=34)	Market Orientation (overall) (N=34)	Customer Orientation (N=34)	Competitor Orientation (N=112)	Interfunctional Coordination (N=112)			
A change in the market circumstances	.107	.172	-.006	.100	.012	-.147	.147	.061	.155
A very high level of customer complaints	.111	-.103	-.112	-.123	-.167	-.004	-.105	-.136	-.073
The service was very innovative when it was firstly introduced	.029	.130	-.184	-.106	-.356**	-.049	.026	-.053	.314*
A change in the corporate objectives	.156	.145	.005	-.048	-.052	.117	-.054	-.228	.012
Statistical significance :									
							*p<.10		
							** p<.05		
							*** p<.01		

8. Summary

This chapter focused on the presentation of the mail survey findings. It was shown that the studied financial institutions rated service elimination as the least important service range management activity. Between 1995 and 2000, only a relatively small number of financial services was eliminated.

With regards to the pre-elimination phase, the mail survey findings showed that the most important service elimination objective for the studied companies was the improvement of financial indicators (e.g., profits and sales). Following this objective, the two most important reasons that could lead a company to examine the future of a financial service with elimination as an option was declining customer demand or and declining profitability.

With reference to the service elimination decision-making process, the findings revealed that the most important audit criteria for assessing the performance of financial services were profitability, sales volume and market growth potential. Following the predominance of profitability and sales as audit criteria, price and cost structure modifications were the prevailing remedial actions that the studied companies considered in order to restore the poor performance of elimination candidates. If no remedial action could restore the problem with a financial service, the evaluation of the impact of its potential elimination was predominantly focused on the relationships with the customers and on the corporate image. An interesting finding with regards to the implementation of a financial service's elimination, was that the most widely used implementation strategy was to eliminate the service to new customers, leaving the existing customers unaffected, at least for a certain period of time. The prevalence of this elimination implementation strategy was verified by the fact that the duration of the implementation process for existing customers was statistically significantly longer,

than it was for new potential customers. With regard to the issue of participation into the various stages of the service elimination decision-making process, the mail survey findings showed the presence of more than one participant. In the initiation stage the most influential functional area was marketing, while finance/actuarial had the most influential role in the stage of collection and analysis of elimination-related information. Finally, the actual elimination/retention decision was in the hands of higher level executives, with a higher-echelon management committee being the most frequent decision-maker among the studied financial institutions.

The studied companies were relatively informal during the service elimination decision-making process, especially in terms of specific assignment of responsibilities and of documentation pertaining to service elimination decisions.

Once the elimination of a financial service was implemented, the overwhelming majority of the studied financial institutions were not conducting a post-elimination review in order to assess the appropriateness of elimination decisions. The most frequent reason for this post-elimination inertia was that the appropriateness of the decision was obvious beforehand. However, in the few cases where post elimination reviews had been conducted, the most important retrospective assessment factor was the profitability of the financial service that replaced the eliminated one. The irrevocability of the elimination decisions in the studied companies was further supported by the finding that only a few companies had ever re-marketed a financial service that they had previously eliminated. In the few re-marketing cases, however, the most important reasons were either a change in the market circumstances or a change in the corporate objectives.

The mail survey findings also revealed that the content of a) the pre-elimination stage, b) the elimination decision-making process and c) the post-elimination stage was

influenced by the categorical contextual variables of company type, overall business strategy, method of the process in which the eliminated services were delivered and type of the eliminated financial services. Moreover, the choice and the relative importance of the decision variables prior, during and after the service elimination decision-making process were significantly influenced by some of the metric organisational and environmental variables of size, service diversity, market orientation (and components), the intensity of market competition, the impact of the legislative environment and the rhythm of technological change.

The next chapter discusses the implications of the findings of this study (both qualitative and quantitative).

Chapter 7

Discussion

1. Introduction

The aim of this chapter is to discuss and explain the main findings of the study and to compare them with the literature. Following the structure in which the qualitative and quantitative findings were presented, the discussion, explanation and juxtaposition of the findings in this chapter was organised under 5 parts as follows:

- a) the place of service elimination within the service range management activities,
- b) the intensity of service elimination activity (i.e., number of eliminated financial services),
- c) the pre-elimination stage,
- d) the service elimination decision-making process and
- e) the post-elimination stage.

2. Service Elimination within Service Range Management

The qualitative findings revealed that very few of the studied financial institutions had a favourable attitude towards service elimination. Instead, they valued the activities that had to do with the development of new financial services and with the improvement of existing ones. The positive attitude towards these two activities was attributed to three main reasons: first, they were viewed as offering an inherent potential for growth and expansion, second they attracted the attention of senior management and third, they offered more credit to employees. By contrast service elimination was viewed as an inherently negative activity and as focusing on how to shrink the capabilities of a financial institution.

The mail survey findings largely confirmed these negative attitudes of the majority of the interviewed firms, service elimination being rated as the least important

service range management activity, far behind new service development, improvement of existing services and new market development for existing services. It was also confirmed that service elimination was allocated the least amount of corporate resources, compared to other service range management activities. The unfavourable ranking of service elimination activities was consistent across company type and size. These findings confirmed the literature on product elimination (Rothe 1970; Avlonitis 1983-1984).

Developing new products and services are undoubtedly vital activities to the profitability and expansion of every business organisation (e.g, Hart 1996; Avlonitis and Papastathopoulou 2000). In that respect, the finding that service elimination was the least important service range management activity is not surprising. However, it is a cause for concern that many of the interviewed managers viewed service elimination simply as an inherently negative activity, thus overlooking its vital contribution to a strategic approach in financial service range management (Ennew 1995b). Moreover, additional concern is caused by the fact that although the service ranges of many financial institutions are already proliferated (Dover 1987; Davison *et al* 1989; Easingwood and Storey 1991; Edgett 1993; Edgett and Parkinson 1994; Johne and Pavlidis 1996), service elimination is either not listed in the main responsibilities of financial service range managers (Strieter *et al* 1999), or in the isolated cases that it is mentioned (Easingwood and Arnott 1991), it is considered to be an activity with minimal impact upon the overall performance of financial institutions. In the British financial services sector of today the strategic focus has shifted from expansion to consolidation, centralisation and rationalisation (The Sunday Times 1999; Financial Times 2000b; 2000d; Montgomery and Kirwan 2000; The Banker 2000). Under these circumstances it is believed that the myopic perception in the minds of managers of

what is service elimination and what are the benefits that it can offer may result in serious negative consequences for the health and the competitiveness of financial service ranges.

3. Number of Eliminated Financial Services

The number of eliminated services was found to be influenced by the size of a company and, even more strongly, by the number of services that a company had in its range. The rationale behind the latter finding is that the more proliferated a service range the greater the need to prune it. The overwhelming majority of the studied financial institutions in the mail survey (almost 70%) reported that between 1995 and 2000 they had eliminated from 1 to 5 financial services, or 1 financial service per year. Although there is not a measure to indicate the appropriate number of services that should be eliminated in a year's time, the above elimination rhythm seems low as an absolute number, if one considers that the diversity of the service ranges of British financial institutions has increased considerably as a result of the deregulation of the 1980's (e.g., Ennew 1995b). In that respect, the finding is in line with the research on product elimination. Hise and McGinnis (1975) concluded that the manufacturers that they studied made too few product deletions in a benchmark 5-year period, as they had eliminated less than 20 products (i.e., 4 products per year). Similarly, Avlonitis (1983-1984) described the elimination frequency in the British engineering industry as rather low, since the companies of his sample had eliminated less than 10 products (on average) in a 5-year reference period (i.e., 2 products per year).

4. The Pre-Elimination Stage

4.1 Pursued Service Elimination Objectives

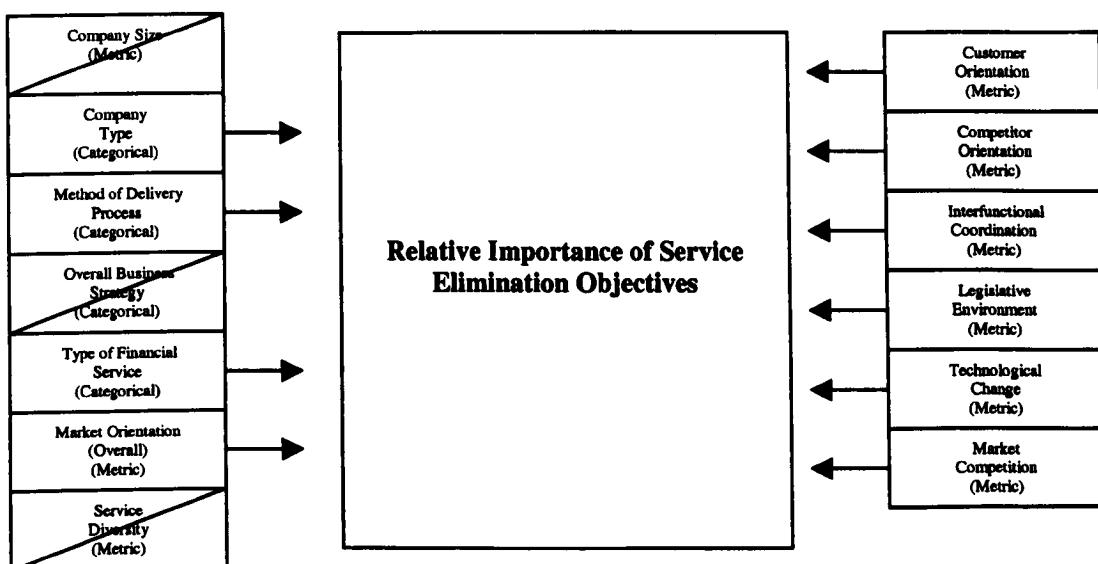
It was axiomatic in the theoretical literature on product elimination that manufacturers eliminated products because the latter failed to meet the corporate objectives for sales and profitability (e.g., Eckles 1971; Hamelman and Mazze 1972; Kratchman *et al* 1975; Worthing 1975). Contrary to that view, empirical research found that products can be eliminated for reasons other than only a poor sales or profit performance, such as governmental regulation, third party decisions, variety reduction policy etc (Avlonitis and James 1982; Avlonitis 1987a). However, although this implies, if not specifies, the existence of both financial and non-financial reasons behind the elimination of products, the elimination literature fails to provide comprehensive empirical evidence on what are the objectives that companies pursue by eliminating products. Instead, elimination thinking starts either with a regular audit of the product range or with a precipitating circumstance that triggers companies to engage in the elimination decision-making process (Avlonitis 1982; Avlonitis 1986a; Avlonitis 1987a; Hart 1988; Harness *et al* 1998; Harness and Marr 2000; Avlonitis *et al* 2000).

Contrary to the above conceptualisation, the in-depth interviews of the study suggested that, no matter if the engagement into the service elimination decision-making process is managed (e.g., due to a regular audit of the service range) or forced (e.g., due to a trigger from the internal or the external environment, which is beyond the immediate control of management), financial institutions were guided by five overriding service elimination objectives. These are as follows: a) to improve financially-related indicators, b) to concentrate the corporate resources on corporate effectiveness (variety reduction policy), c) to keep the service range to the most up-to-

date condition, d) to rationalise the service range in order to minimise customer confusion and e) to rationalise the service range in order to control cannibalisation. Overall, the mail survey findings showed that the *improvement of financially related indicators* and the *concentration of the corporate resources on corporate effectiveness*, were the two most important guides in the elimination decisions of the studied British financial institutions. Companies were more than moderately concerned with keeping their service range up-to-date, while they were less than moderately concerned with the objectives of rationalisation of the service range in order to minimise customer confusion and to control cannibalisation.

The quantitative findings indicated that the relative importance of the identified service elimination objectives was influenced by some of the contextual variables of the study. Figure 7.1 illustrates which of the contextual variables influenced the relative importance of the service elimination objectives and which did not. Some interesting relationships are discussed below.

Figure 7.1: A Summary of the Contextual Influence on the Service Elimination Objectives



The objective to improve financially related indicators was the most important to banks and insurance companies, but it was the second most important to building societies. The latter were guided more by the objective to keep their service range to the most up-to-date condition. Before deregulation, building societies were very bureaucratic from an organisational point of view and largely supply-driven as regards the financial services that they were offering to the market (Edgett and Thwaites 1990; Nellis and Lockhart 1995; Cowell 1995; Hammond and Thwaites 2000). As a result, in the new environment of the British financial services sector that followed the deregulation of the 1980's, building societies were less experienced than banks and insurance companies in dealing with turbulent market conditions (Cowell 1995). Thus, a plausible explanation for the above finding is that building societies had to pay extra attention to the composition of their service range, if they were to survive the competition with the more experienced financial institutions. Another interesting relationship that the variable of company type accounted for was that banks were guided by the objective to rationalise their service range in order to control for cannibalisation significantly more than insurance companies did. This seems to be the outcome of banks tending towards broader service ranges than insurance companies (Ennew *et al* 1990). Moreover if one considers that most of the new banking services are just a modification of existing ones, such as a change in the interest rate of current accounts, or advancements in delivery systems (e.g., Wright and Howcroft 1995), the potential for cannibalisation between two or more similar banking services seems greater than it is for insurance companies.

The method of delivery process of a financial service accounted for some differences in the importance of the service elimination objectives. In particular, when there was physical contact between the financial institution and the customer (i.e, when

the customer visited the company or vice versa), the importance of the objective to keep the service range to the most up-to-date condition was greater than when an eliminated-to-be financial service was delivered at arm's length.

The importance of three service elimination objectives differed significantly between retail and corporate financial services. First, the importance of the elimination objectives namely *rationalisation to control cannibalisation* and *improvement of financial indicators* was greater for corporate than for retail financial services. The rationale behind this finding may be related to the special nature of corporate customers and to the increased attention that financial institutions pay to them. Corporate customers are fewer in number but larger in size and importance to financial institutions than retail customers (McKechnie and Harrison 1995). Therefore, due to the large amounts involved, cannibalisation between two or more corporate financial services could have a more notable effect on the overall performance and welfare of financial institutions. Second, the importance of the objective to *concentrate the corporate resources on what can be done best* was significantly higher for corporate financial services. Corporate customers have a better understanding of their financial requirements than retail customers do and thus their expectations from financial institutions are higher (Moriarty *et al* 1983; Meidan 1996; Tyler and Stanley 1999). Indeed sometimes corporate customers can have more expertise in dealing with some financial services than the financial institutions themselves, which reverses the issue of knowledge dependence (Thunman 1992). Also financial institutions understand that it is critical to obtain a position of distinction and excellence in the minds of corporate customers (Turnbull and Gibbs 1987). It is probably due to the increased knowledge and requirements of corporate customers that financial institutions realised that not

being all things to all people is a particularly relevant service elimination objective when corporate financial services were considered for possible elimination.

The legislative environment was enhancing the importance of the objective of rationalisation to minimise customer confusion, while it was reducing the importance of the objective to improve financial indicators. The literature provides support for this finding, in the sense that the legislator for the British financial service sector attempts to make financial institutions more concerned with customer convenience and best advice, while it puts pressure on the continual pursuit by companies to increase profits (Devlin and Wright 1995).

Moreover, the findings suggested that the higher the degree of market-orientation of financial institutions, the greater the importance of service elimination objectives relating to the improvement of customers' convenience and satisfaction. This is in line with the fundamental principle of market orientation, to have the customer in the centre of business activities, since his or her satisfaction is what will actually determine the overall performance of the business (e.g., Levitt 1960; Kohli and Jaworski 1990; Narver and Slater 1990).

4.2 Problem Situations

The in-depth interviews revealed eight problem situations, which could force financial institutions to have a closer look at a financial service, with elimination as an option. In line with the research on product elimination (Avlonitis and James 1982; Hart 1988; 1989), it was found that financial services could become candidates for elimination for reasons other than only poor sales and profitability. In that respect the findings of the present study supported also the findings of Harness *et al* (1998) that British financial institutions could eliminate services due to environmental factors,

strategic issues, operational reasons and customer focused issues. However, the attempt of the present study to classify the identified problem situations under larger categories resulted in three factors, whose content differed from the classification of Harness *et al* (1998). The three factors were as follows: problem situations relating to a) legislative, tactical, strategic change, b) poor market performance and c) profitability and delivery process problems. The differences in the content can be attributed to the fact that the classification of Harness *et al* was subjective and followed qualitative research, while the classification of the present study was the result of a principal components' factor analysis, with a satisfactory percentage of explained variance (over 70%).

With regards to the relative importance of the problem situations, the mail survey showed the prevalence of two financially related triggers. The first was a decline in customer demand (defined by conversion rates) and the second a decline in profitability. The in-depth interviews suggested that small-sized financial institutions were putting more emphasis on the day-to-day profitability of their financial services because they could not afford to have loss leaders in their service range. By contrast, the large companies were adopting a more long-term focus to profitability. Taking into account that the profitability of financial services is directly related to the pricing objectives of financial institutions (Cowell 1995; Wright and Howcroft 1995) the implication behind this finding could be that larger financial institutions set different and more long-term pricing objectives than their smaller counterparts. Although profit maximisation is the main long-term strategic pricing objective, it is not necessarily the main short-term tactical pricing objective for all financial institutions (Meidan 1996).

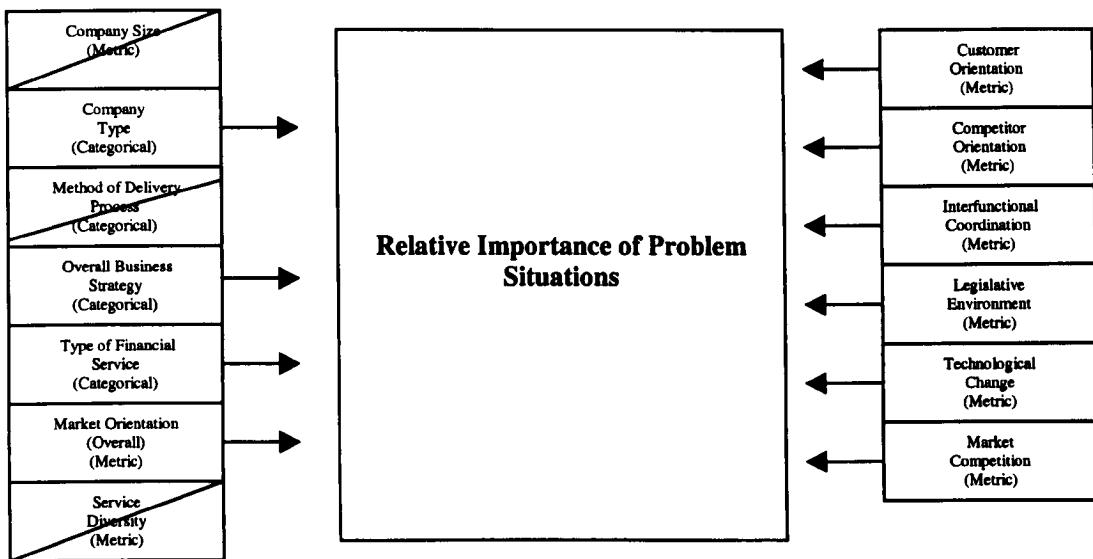
The next most important problem situation was a financial service's obsolescence mainly because of the advent of new technologies, which made it expensive to produce and deliver. The importance of this problem situation finds

support in the need for British financial institutions to follow the rapid technological developments in the British financial services sector (e.g., Dover 1987; Marr and Prendergast 1993; Lewis 1995; Howcroft and Kiely 1995; Mols 1999; Nelson 1999).

Legislative change was another relatively important problem situation. This finding is not in line with the research on product elimination, where government policies and regulations were not found to be such an important precipitating circumstance for possible elimination of products (Avlonitis 1987a). This may have changed though since Avlonitis conducted his research, given increased government intervention in both products and services sectors. However, the above finding does confirm the literature on financial services, which clearly stresses that the legislative environment in the British financial services sector exerts a significant impact on the operations of financial institutions (Carter *et al* 1989; Scarbrough and Lannon 1989; Shelton 1990; Johnson 1991; Devlin and Wright 1995; Nellis and Lockhart 1995; Llewellyn 1998). Despite the importance of this problem situation, the in-depth interviews suggested that legislative changes could differ according to their degree of strictness and the room they allowed financial institutions for compliance. The interviews indicated that there were cases where a legislative change was necessitating complete and immediate elimination of financial services, while there were less strict legislative changes that allowed financial institutions to examine remedial actions and comply with the new legislative requirements.

The mail survey showed that the relative importance of some problem situations was influenced by some of the contextual variables of interest to this study. Figure 7.2 illustrates the contextual impact on the problem situations. Some interesting relationships are discussed below.

Figure 7.2: A Summary of the Contextual Influence on the Relative Importance of Problem Situations



First, when market competition intensified financial institutions paid more attention to problem situations relating to the poor market performance of financial services, as well as to problem situations relating to legislative, tactical or strategic changes in the organisation. Second, the overall market orientation and two of its components (competitor orientation and interfunctional coordination), were enhancing the importance of declining profitability as a problem situation. This was in line with Narver and Slater (1990), who verified the interconnectedness of market orientation and business profitability. Third, the legislative environment tended to reduce the importance of the problem situation of declining profitability. This implies that British financial institutions could be forced to assign less weight to the profit performance of financial services, which was otherwise a consideration of paramount importance in viewing a financial service as a candidate for elimination. In the in-depth interviews two insurance companies mentioned that in the recent past they continued to sell unprofitable industrial branch insurance policies, because they were forced to do so by

the legislative environment. The pressure that the legislative environment was putting on the continuous pursuit of financial institutions to increase profitability complies with a previous finding of this study, which suggested that the legislative environment tended to reduce the relative importance of the otherwise primary service elimination objective to improve financial indicators. This profit-moderating role of the legislative environment finds support in the literature on financial services, where it is stressed that it imposes a lot of compliance restrictions on financial institutions, including pressure on profits (Llewellyn 1988; Devlin and Wright 1995; Meidan and Chin 1995; Financial Times 2001a; 2001b).

5. The Service Elimination Decision-Making Process

5.1 Identification of Candidates for Elimination

During the in-depth interviews the majority of the interviewed companies reported that they had an auditing mechanism that they followed systematically in order to screen the performance of their financial services. Interestingly a considerable number of financial institutions reported that their service range auditing was guided by written procedures and even by computerised auditing mechanisms. This contradicted Hise *et al* (1984) and Avlonitis (1986b), who found that the large majority of the studied manufacturers did not conduct a periodic audit of their product range. Moreover, the finding contradicted another conclusion of Hise *et al* and Avlonitis, that when it was conducted the product range auditing was very unstructured and largely operated on a 'catch-as-catch-can' way (Hise *et al* 1984, p. 62). Although an obvious explanation of this contradiction could be the generic differences in the marketing management practices between products and services, it seems more possible that it was

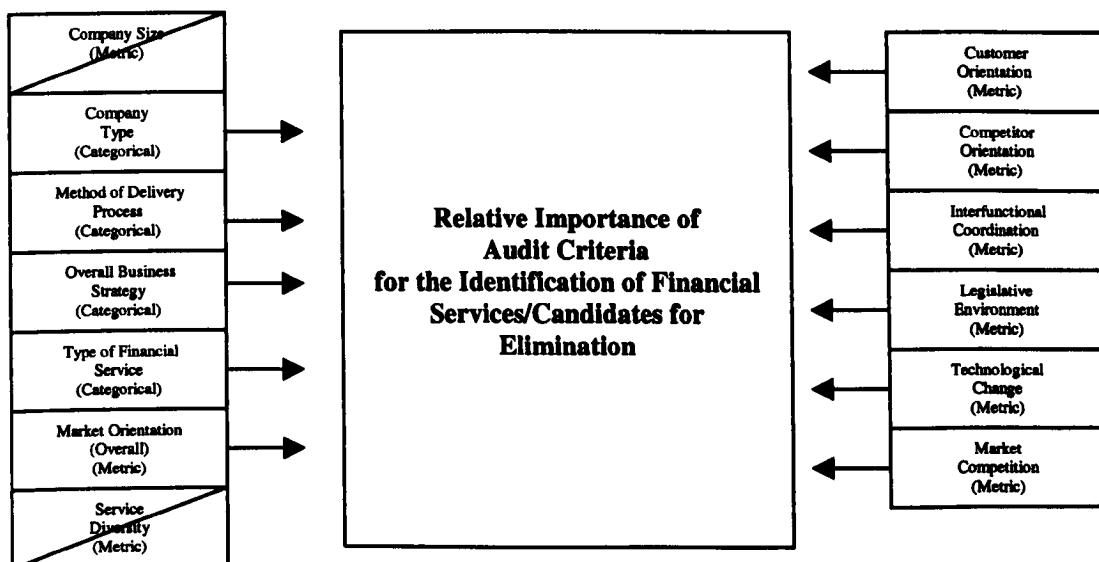
due to the time interval between Hise *et al* and Avlonitis' work and the present study. In the 1980's and before, the implementation of periodic and sophisticated product line audits, which required the support of computers (as the early normative elimination literature was suggesting, e.g., Hamelman and Mazze (1972)), was more difficult to implement than it is in the highly technological marketplace of today. The contention of Palmer (1998, p. 54) that 'information technology allows firms to calculate important percentages and ratios that can indicate how a service is performing in its marketplace' provides support to the above explanation.

With regards to the used audit criteria for the measurement of the performance of financial services, the findings of the present study partly concurred and partly contradicted the empirical findings on product elimination. With regards to the paramount importance of sales volume and profitability, the present findings were in line with the product elimination literature (e.g., Banville and Pletcher 1974; Hise and McGinnis 1975; Avlonitis 1986b). Moreover, there was agreement with regards to the relatively low importance of life cycle and market share considerations in this stage of the elimination decision-making process (Hise and McGinnis 1975; Avlonitis 1986b). The in-depth interviews suggested that market share information was collected more because it had to be there (since managers wanted to be aware of market-share information) rather than because of its meaningfulness as an audit criterion. Especially for smaller companies, a very low market share in absolute numbers is satisfactory and it is by no means an indication of poor performance. In the same vein, the mail survey findings showed that market share was a less than moderately important audit criterion. Contrary to Avlonitis (1986b), but in line with Hise and McGinnis (1975), the present study found that the market growth potential of financial services was an important decider of elimination candidacy. Also, British financial institutions viewed the

perceptions of their customers as a relatively important performance indicator, while no empirical research on product elimination makes reference to any customer related audit criterion in the identification stage of the elimination decision-making process. The rationale behind this finding could be the inseparability of production and consumption of services in general (Zeithaml *et al* 1985) and of financial services in particular (McKechnie and Harrison 1995), which makes financial institutions more open to hear the views of their customers and to incorporate them into their service range management strategy. Moreover, the fiduciary responsibility of financial institutions towards their customers (e.g., March 1988; McKechnie and Harrison 1995; Cartwright 1999) makes the above openness more of an obligation and less of a courtesy or choice.

The mail survey showed that the relative importance of the audit criteria for the identification of elimination candidates was influenced by some of the contextual variables of interest to this study. Figure 7.3 illustrates the active and the inert contextual variables, while some interesting relationships are discussed below.

Figure 7.3: A Summary of the Contextual Influence on the Relative Importance of the Audit Criteria for the Identification of Candidates for Elimination



The mail survey showed that while sales performance was a significantly more important audit criterion for retail financial services, profitability performance was significantly more important for corporate financial services. The origins of this significant difference are also traced in the in-depth interviews. Managers reported a preoccupation with sales maximisation for retail services (such as current accounts, or students' belongings insurance), even when the latter were not profitable. By contrast, managers reported that ignoring the cost and pursuing sales maximisation (even in the short-term) was more difficult for corporate services, where the delivery process was labour intensive and high cost (Stevenson 1989a).

As regards the overall business strategy of a financial institution, an interesting pattern was that fast imitators were significantly more concerned with the market share performance than the technological innovators. A plausible explanation of this relationship is that fundamentally technological innovators are more concerned with market leadership, while fast imitators focus on ways in which they can increase market share (Kotler 1997).

As market competition intensified, financial institutions were forced to pay even more attention to the sales performance of financial services and to the activities of their competitors, while the strictness of the legislative environment was making them pay attention to the perceptions of their customers. As the rhythm of technological change became more rapid, financial institutions were forced to pay more attention to operational problems with the delivery process of financial services and to the perceptions of customers. The latter relationships find support in the financial services' literature, which stresses the importance of financial institutions consulting their customers prior to introducing a kind of new technology in the delivery process of

financial services (e.g., Zeithaml and Gilly 1987; Moutinho and Meidan 1989; Marr and Prendergast 1993).

5.2 Analysis of Candidates for Elimination and Alternative Remedial Actions

The in-depth interviews indicated that in 17 out of the 20 studied financial institutions there was some kind of analytical-diagnostic procedure in order to detect the reason behind a financial service's deviant performance and in order to investigate if there was room for remedial action. However, the high number of companies that reported the existence of an analysis/revitalisation stage was not to say that the latter was formal and regularly conducted. Contrary to the widely systematic and computer-assisted service range auditing procedures, only one financial institution reported the existence of a formalised blueprint pertaining to the analysis and revitalisation stage. As respondents explained, the reason behind this informality was that in many cases there was no need for the activation of a diagnostic procedure, either because the problem with a financial service was too obvious and serious (such as poor profitability) or because there was no feasibility for the implementation of a remedial action (e.g., new legislation making a financial service illegal to sell any more). However, even in cases where more search was needed to distinguish the problem from the symptom behind a financial service's deviant performance, this was the outcome of informal discussions between the functional areas that had red-flagged the financial service in the previous stage of the elimination decision-making process. So far, the in-depth interview findings supported Avlonitis (1985b; 1986a), who concluded that the diagnostic procedures that British engineering companies were following were largely informal and based on unstructured reasoning, discussion and deliberation. Notwithstanding that, in the British engineering companies that he studied, Avlonitis (1985b) was able to detect a three-step

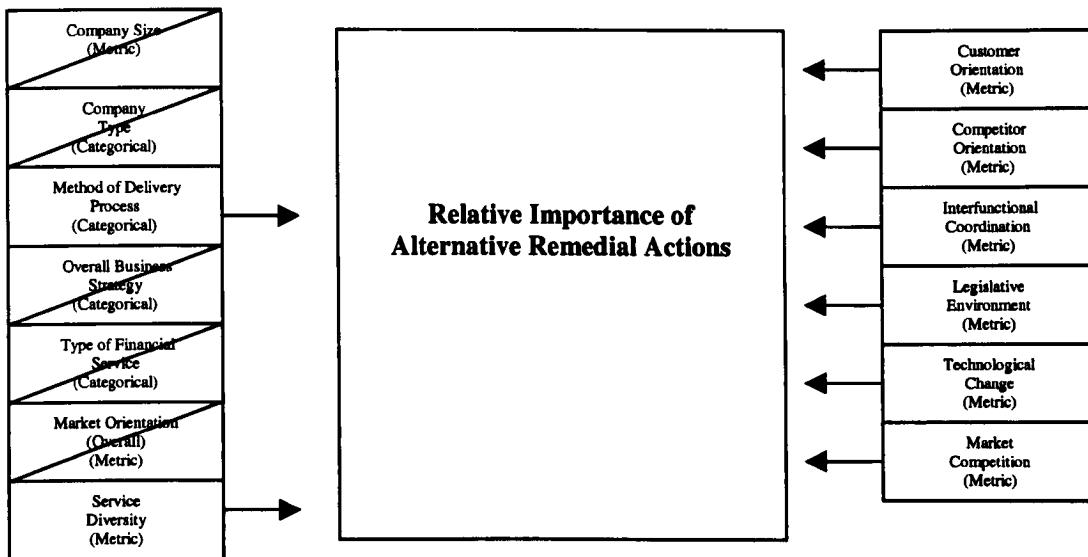
diagnostic procedure, which started with management's review of all the possible sources of deviation in a product's performance, continued with the identification of the causes of deviation and concluded with the preparation of written memos and reports specifying the causes of the poor performance. The in-depth interviews of the present study provided no evidence about the existence of such a diagnostic procedure within the studied British financial institutions.

Once management had clarified what was the problem with a service, if the nature and seriousness of the problem allowed it, some remedial action was implemented. During the in-depth interviews managers identified an array of financial and non-financial remedial actions, including price and cost modifications, intensification of the effort of the sales force and of front-line staff, better training of the latter, modifications in the delivery process of the financial service, modifications in the attributes of a financial service and modification in the promotional strategy. The mail survey findings showed that price modifications were the most important revitalisation action in the studied 112 financial service elimination cases. This reflected the importance of the pricing element of financial institutions' marketing mix, especially in the turbulent conditions of today's British financial services sector (e.g., Llewellyn and Drake 1995; Meidan 1996). An interesting finding was the relatively high importance of modifications/improvements in the attributes of a financial service as a revitalisation action. This indicated that the studied financial institutions were paying attention to the tangible component of their financial services. This marketing practice is in line with the suggested remedies to the intangibility of services in general and of financial services in particular (e.g., Shostack 1982; Levitt 1981; Ennew and Watkins 1995). Another interesting pattern that emerged from the mail survey findings was that the remedial action to *increase the effort of sales force and customer contact personnel* was

considered more important by the studied companies than the modifications in the training of sales force and of customer contact personnel. In other words, in cases where the cause of the deviant performance of a financial service was isolated to the front-line, financial institutions had more confidence in the methods that they used to train their front-line staff than in the way in which the latter interpreted and implemented the acquired knowledge. This is probably an explanation of why they placed more attention on the remedial action to push front-line staff to increase their effort and considerably less attention on the correction of problems of the training methods, which could be the true reason behind front-line staff's under-performance. The latter becomes more believable if one considers that in today's highly IT dependent British financial services sector, during training financial institutions tend to over-emphasise their employees proficiency in the IT infrastructure of financial services. This training makes many employees perceive financial services only as 'batched commands coded on their computers' (Trethewan and Scullion 1997, p. 66) thus not understanding the rudimentary nature of financial services. However, this indicates a need to complement the emphasis during training methods, rather than to push employees to increase their efforts.

The mail survey findings indicated that the relative importance of the identified remedial actions was influenced by some of the contextual variables of the study's conceptual framework. Figure 7.4 graphically summarises the contextual influence. Some notable significant relationships are discussed below.

Figure 7.4: A Summary of the Contextual Influence on the Relative Importance of the Alternative Remedial Actions



The method of the delivery process accounted for an interesting relationship.

The modifications in the peripheral tangible attributes of financial services was a significantly more important remedial action for financial services for which the customers visited financial institutions than for ones where transaction was effected at arm's length (e.g., via telephone or Internet). The rationale behind this finding can be found in the importance of physical evidence when customers visit the branch of a financial institution in order to use a financial service (Saunders and Watters 1993; Ennew and Watkins 1995). By contrast, customers using the telephone, the Internet or other means of electronic service delivery, tend to pay more attention to issues like less waiting time, convenience and simplicity during transactions with financial institutions and they are less concerned about the tangibles accompanying the financial service that they are using (e.g., Birch and Young 1997; Mols 1999). Thus, the latter type of customers would not value so much (if they noticed them at all) remedial actions

involving changes in the tangibles of financial services, such as a new chequebook or a new document wallet.

The variable of market competition had a positive impact upon the relative importance of all but one remedial action. This suggested that as the competition between financial institutions was increasing, the latter were putting more effort to revitalise the performance of a financial service, by considering financial and non-financial remedial actions as alternatives to elimination. A plausible explanation of this finding is that in a competitive marketplace, financial institutions must be flexible enough to react by emphasising both financial efficiency and product/market strategies focused on customer care (Lewis 1995).

With regards to the rhythm of technological change, although only one positive significant relationship was found, an observation worth noting was the absence of a negative impact on the relative importance of the remedial actions. The latter would be a more expected relationship, if one considers that in a technologically innovative environment the resources of financial institutions should be allocated to the introduction of new technologically advanced financial services (e.g., Edgett 1994), rather than to endeavours to revitalise existing ones. It is also interesting to mention that Avlonitis (1985b; 1986) found that technological turbulence had a largely negative impact on the importance of the revitalisation alternatives that British engineering companies considered in an attempt to avoid elimination. A plausible explanation for absence of a negative impact that is suggested by the findings of the present study, could be the constantly changing technological environment of the British financial services sector. Instead of continuously investing in new technologically advanced financial services, British financial institutions are likely to try first to revamp their existing technologies. If this alternative works, financial institutions will save a part of

the investment that would be required for the adoption of a completely new technology and will control the confusion of their customers from a perpetual migration to new technologically advanced financial services.

5.3 Evaluation and Decision-Making

During the in-depth interviews 17 out of the 20 studied financial institutions reported that they conducted an evaluation in order to find out what would be the impact of a possible elimination of a financial service upon various aspects of the business as a whole. However, despite the importance of the assessment of the macro impact of an elimination decision, the evaluation process was not always conducted. There were cases where the assessment of the impact was unnecessary, because there was no retention choice (e.g., when a new regulation was necessitating the elimination of a financial service). Moreover, even in cases where there was a retention choice, the evaluation process could sometimes be skipped because, due to the low importance of the financial service under examination (mainly in terms of sales and profits), management knew in advance that the knock-on effect from its elimination would not be serious. In that respect, the present study supported Avlonitis' (1984) finding that when an industrial product was of minor importance to the company the assessment of the impact of its imminent elimination was of secondary importance. In the same line, Vyas (1993) found that the degree of thoroughness of the evaluation process was situation specific.

Contrary to the identification stage of the elimination decision-making process, but in line with the stage of analysis and revitalisation, the activities of the studied financial institutions in the evaluation and decision-making stage were very unstructured. The interview findings suggested that a) there was not even a vague

checklist, outlining the set of evaluation factors that companies used to measure the impact of elimination decisions and b) that the evaluation was the outcome of informal discussions between the functional areas, which were involved in the decision-making process. The informality at this stage was in line with Avlonitis' (1984) findings, but in contrast with a part of the theoretical contributions on product elimination, which assumed that all weak products were subjected to a highly formalised evaluation process, which, through the use of weights and ratings, would objectively suggest elimination or retention (Berenson 1963; Kotler 1965; Clayton 1966; Hutchinson 1971; Worthing 1971).

An interesting finding of the in-depth interviews was that the evaluation and decision-making stage of the elimination process was not conflict free. Since this was the stage before the implementation of a decision to eliminate a financial service, the different interests of different functional areas within financial institutions were the main source of conflict. This was in line with research on managerial decision-making, which found that conflict between groups or individuals can arise due to their conflicting goals and objectives during the decision-making process (Harrison 1975).

Despite the lack of an evaluation blueprint/checklist, during the in-depth interviews respondents identified nine factors that they were using (however informally) in order to assess the impact of an elimination possibility and make an elimination/retention decision. These factors focused on the impact on the corporate image, the profitability and the sales of other financial services, the relationships with the customers, full-line policy, the competition and the human resources.

In line with Avlonitis (1984), the mail survey showed that the single most important evaluation factor that could determine elimination or retention was the impact of elimination decisions upon the relationships with customers. This finding becomes

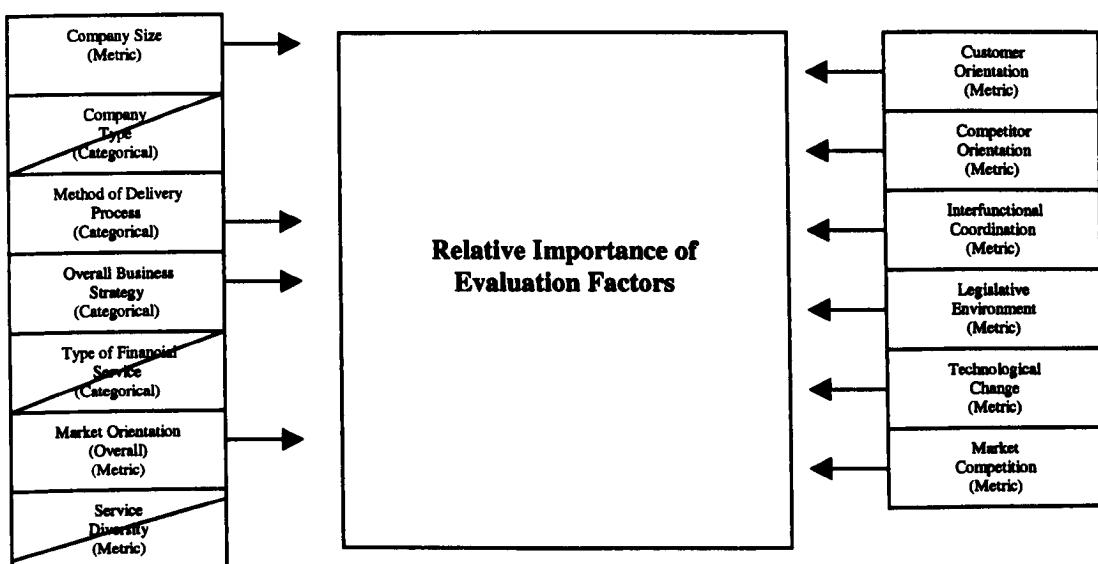
more notable if one considers that customer considerations were even more important than cross-selling and profitability considerations. The latter two evaluation factors were only rated as third and fourth most important, while Avlonitis (1984) found them to be as important as customer relationship considerations. This paramount attention upon the impact on customers at this stage of the elimination decision-making process suggests that the studied British financial institutions recognised the need for customer care, which, among other things, presupposes the satisfaction of the customer base with the product/service range (Lewis 1995). However, it must be noticed that the increased preoccupation with customer satisfaction may be one of the reasons why the studied financial institutions had eliminated very few financial services in the last 5-year period. A focus on the maximisation of customer satisfaction is likely to result in aversion or procrastination from the part of management to make tough decisions (including elimination decisions), which could disturb the relationships between companies and customers (Stevenson 1989b). However, such decisions may be important to the prosperity of financial institutions as well as to the long-term satisfaction of customers.

With regards to the relative importance, another interesting finding of the mail survey was that financial institutions paid relatively little attention to the impact of elimination decisions upon the human resources, in terms of redundancies. This does not indicate necessarily that the studied financial institutions were unconcerned with the potential job losses due to the elimination of a financial service. Despite a) the fact that in today's British financial services sector the cutback in the number of employees is a common phenomenon and b) the findings of this study that staff redundancies were possible when entire service lines were to be eliminated (e.g., an insurance company completely pulling out of the pensions' market), the in-depth interviews suggested that job losses were the exception and not the rule when individual financial services were

examined for elimination. This finding contradicts the research on product elimination, where the evaluation of the impact of a product's elimination involved detailed analyses of the resulting redundancies, the early retirements and the future employment prospects for the affected employees (Avlonitis 1984). An explanation for this discrepancy is that employees in the front line and in the back-office of the financial institutions are responsible for the marketing of a bundle of financial services and not with individual financial services. Another possible explanation is that, due to their intangibility, financial services lack the hard component of production, as this is conceptualised in manufacturing sector. Consequently the cost accountancy terms of overhead allocation and direct-indirect labour cost are of less relevance to the servuction process.

The mail survey indicated that the relative importance of the identified evaluation factors varied in relation to some of the contextual variables of the study. Some interesting relationships are discussed below, but first Figure 7.5 gives a graphical summary of the contextual influence.

Figure 7.5: A Summary of the Contextual Influence on the Relative Importance of the Evaluation Factors



When the method of delivery process of a candidate for elimination was effected through arm's length transaction, the assessment of the impact of its elimination upon the sales of other services was of lower importance than when customers visited the company in order to use the financial service or vice versa. An explanation for this importance gap is that the probability of a financial service to act as a *gateway* to selling other financial services is likely to be higher when customers are directly influenced by the cross-selling skills of front-line staff during a face to face interaction at the branch or elsewhere, than when customers and financial institutions transact at a distance (i.e., when there is no physical contact). The vital role of face-to-face interactions and of the physical environment during service encounters in general and financial service encounters in particular provides support to the above explanation (e.g., Bitner 1992; Lewis 1995).

The organisational variable of overall business strategy accounted for some noteworthy relationships. First, it was shown that the impact on the profitability of other financial services in the range was a less important consideration for slow imitators than for fast imitators and technological innovators. This contradicts the assertion that market followers give priority to profitability (Meidan 1996). Second, slow imitators were less concerned with the impact of an elimination decision on their corporate image, than were cost reducers and fast imitators. A rationale behind this finding is that customers would notice more easily an elimination of a financial service from a company that provides it at the lowest cost and the greatest efficiency (ingredients of a cost leadership strategy (Porter 1980)) or from a company that was among the first to introduce it in the market (fast imitation), than from a company which provided the financial service in a *me-too* way (slow imitation).

The overall market orientation and its components showed a notable positive influence on the relative importance of financial, competitor and customer related evaluation factors. The activity of the variable of market orientation (and of its components) indicates that as financial institutions were becoming more market-oriented, the evaluation of the impact of elimination decisions was becoming more thorough. The greatest thoroughness was found with the component of competitor orientation, which boosted the relative importance of all but one of the nine evaluation factors. Also, the more customer-oriented a financial institution, the higher the importance in the assessment of the impact of elimination decisions upon the full-line policy and the relationships with the customer base. This is in line with the tendency of customer-oriented companies to understand and comply with the requirements of customers (Narver and Slater 1990; Han *et al* 1998). Finally, in line with its synergistic nature (Narver and Slater 1990), interfunctional coordination was enhancing financial, customer and competitor related evaluation factors.

From the environmental variables, market competition had the most notable impact during this stage of the elimination decision-making process, as it was significantly correlated with 7 out of the 9 evaluation factors. In that respect, this finding concurred with Avlonitis (1986a) who found that the intensity of market competition in the British engineering industry intensified the evaluation endeavours of manufacturers prior to reaching an elimination/retention decision. In particular, as competition was intensifying financial institutions tended to engage in a more meticulous examination of the benefits that could accrue for rivals as a result of an elimination decision. Interestingly, the intensity of market competition also enhanced the importance of the extent to which a similar financial service existed in the market in order to satisfy the needs of customers. This relationship is in line with a previous

finding suggesting the paramount importance that the studied companies placed upon the impact of elimination decisions on the relationships with their customers. However, as it could be a gateway for benefits to competitors (e.g., an increase in their sales volume), the latter relationship ran counter to the finding concerning the meticulous examination of the benefits that competitors could develop as a result of a financial institution eliminating a service.

The above contradictory relationships could find an explanation in the finding indicating that the legislative environment was forcing British financial institutions to place more emphasis on the relationships with the customers as well as on the extent to which the latter could find a similar financial service in the market, prior to confirming an elimination decision. This implies that the legislative environment was intervening in order to find equilibrium between the attempt of financial institutions not to favour their competitors on the one hand and the right of customers for continuity in the provision of the financial services on the other. This explanation finds support in the notion of the fiduciary responsibility of financial institutions, whereby the latter have to be reliable in the provision of financial services to their customers (Ennew and Watkins 1995; Cartwright 1999).

Finally, the variable of technological change accounted for some interesting relationships. Its strongest positive correlation was with the evaluation factor namely *impact on the relationship with the customers*. This indicated that in cases where financial institutions had to eliminate technologically obsolete financial services and replace them with more advanced ones, they tended to conduct a careful evaluation of the impact that such a continuous technological migration could have upon the convenience of their customers. This concern about customer convenience during periods of technological turbulence was further supported by the strong positive

correlation of technological change with the extent to which customers could find in the market similar financial services to the one that was examined for elimination.

5.4 Implementation of the Elimination Decision

Once financial institutions have weighed the advantages and disadvantages of the elimination versus the retention alternative and have made a decision to eliminate a financial service, the next step is to orchestrate the activities relating to the implementation of the decision. However, the in-depth interviews of the study showed that 9 out of the 20 companies were neither adopting any specific elimination implementation procedure nor were they assigning to someone in the organisation the task to prepare a written elimination implementation plan. Even the 11 remaining financial institutions that reported the existence of an implementation stage did not describe a comprehensive and formal implementation process. This finding should cause concern if one considers that an effective and well-thought-out implementation of a managerial decision is necessary if the latter is to meet its original objective (Harrison 1975).

With reference to the communication of the news about the elimination decision to the employees within the organisation, the in-depth interviews indicated mixed trends. Half of the interviewed financial institutions were trying to ensure that everyone in the organisation knew about the decision to eliminate a financial service. The means of information diffusion varied from formal periodically published internal bulletins and newsletters (more common in the large interviewed companies) to a simple, but co-ordinated, word-of-mouth communication. The other half of the studied companies reported that due to a need to control the noise that could be generated, they preferred not to diffuse the elimination news widely within the organisation. However,

irrespective of the extent to which the news was communicated internally, the interviewed financial institutions almost unanimously agreed upon the need to inform front-line staff first. This can be explained by the important role of front-line employees at the service encounter (Bitner 1990).

Contrary to the importance of notifying the front-line staff, more than half of the studied financial institutions reported that they were taking no action to notify customers about the elimination decision before starting its implementation. In that respect this finding supported evidence on product elimination suggesting that a high percentage of the studied manufacturing companies did not notify their customers prior to implementing the elimination of a product (Hise and McGinnis 1975; Avlonitis 1983a).

With regards to the strategies available to implement a product elimination decision, the early theoretical approaches were suggesting that manufacturers could follow a 'drop immediately' strategy, a 'phase out slowly' strategy or that they could sell the production licence of the eliminated to-be product to another manufacturer. Which elimination strategy was to be finally chosen, depended on factors such as the amount of stock in the warehouse, the holdover demand and the spare parts policy (Alexander 1964; Kotler 1965; McSurely and Wilemon 1973). Empirical research showed that while manufacturers of consumer products adopted a quick drop implementation strategy (Rothe 1970), manufacturers of industrial products preferred to phase out a product slowly (Avlonitis 1983b). Moreover, the research uncovered the unique strategy in industrial-goods settings, to drop a product from the standard range and reintroduce it as a special (*ibid.*). Central to the above popular elimination strategies is that after the implementation of an elimination decision a product is either no longer available to both existing and new potential customers or it is exceptionally available if

the customers are willing to place a sizeable purchase order and to pay a premium unit price.

Contrary to the above findings, the interviews of the present study clearly indicated that the single most popular elimination implementation strategy among the studied financial institutions was to eliminate a service to new customers but to leave the existing ones unaffected. Such was the predominance of this elimination strategy that all the 14 financial institutions, which reported the use of an elimination strategy, were applying it. The mail survey confirmed the popularity of the above strategy. It was used by 80% of the surveyed financial institutions in order to implement the specific elimination case that they were using as a benchmark and it was by far the most frequently used implementation strategy in general terms. This elimination strategy was popular among all the three types of financial institutions, but it was even more popular among insurance companies. A recent example illustrating the application of this elimination strategy was the withdrawal of the TESSAs (Tax-Exempt Special Savings Accounts). In particular, by April 5 1999 the Government withdrew TESSAs from new savers, while existing TESSAs savers were left unaffected for a period of 5 years (Cambridge Building Society web-page).

The popularity of this implementation strategy provides support to Harness and Mackay (1993; 1997), who referred to the need to protect the existing users of a financial service if financial institutions decided to eliminate it. The authors suggested (1993) and subsequently found through qualitative research (1997) (and the present study concurs) that unlike in manufacturing settings, where the main consideration of management is the complete removal of a product, in financial services settings the main concern during the implementation of an elimination decision is to maintain a relationship with the existing customer base. This is in line with the general observation

that the diligent maintenance of good relationships with the existing customers is of momentous significance to financial institutions (Shultz and Prince 1994). Since the strategy of leaving the existing customers unaffected involved a prolongation of the life of a financial service, it resembles at the first glance the suggestions of PLC and product elimination theorists that the life of a tangible product can be extended as an alternative to elimination (Talley 1964; Michael 1971). However, although the motive behind the latter suggestions for life prolongation was mainly demand-driven, the interviews of the present study indicated that in the studied financial service setting life prolongation was mainly obligation- and legislation-driven.

Harness and MacKay (1993) made reference to another potential difference between products and services during the implementation of an elimination decision. They asserted that, unlike in manufacturing settings, in financial service settings the implementation of an elimination decision should be viewed less like a dichotomy of *service exists-not exists* and more as a continuum of existence. The findings of the present study supported the above authors, in terms that the studied financial institutions used elimination strategies (e.g., service merging or service simplification) whereby a financial service was, to a certain extent, still present in the service range after its elimination had been implemented. Principal components' analysis grouped such elimination strategies under one clearly distinguished factor, which was named *pseudo-elimination strategies*.

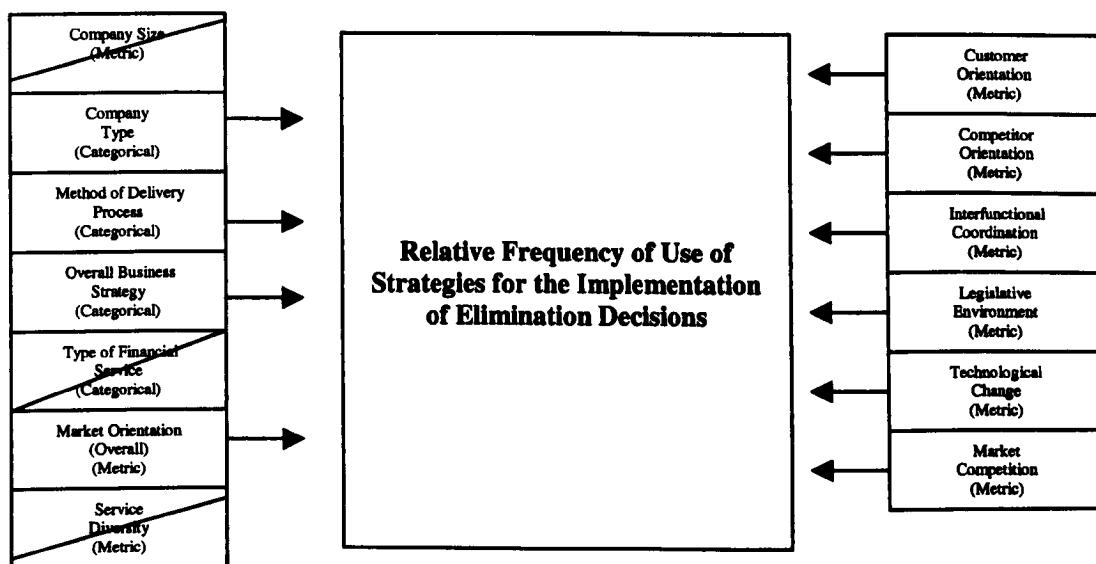
The mail survey findings contradicted once more the research findings on the implementation of a product's elimination (Avlonitis 1983b) in terms that the popular strategies for manufacturers namely 'drop from the standard range and re-introduce it as a special' and 'phase out slowly' were not very popular among the studied financial institutions. The main advantage of the latter implementation strategy is that it offers

time to manufacturers to manage and clear the inventory in the warehouse. Due to the perishability of financial services and the resulting absence of stocks, the non-popularity of this elimination implementation strategy among the studied financial institutions was not surprising.

The perishability of services could also offer a plausible explanation to the relatively high popularity of the 'drop immediately' strategy among the studied financial institutions. This finding runs counter to Avlonitis' (1983) conclusion that to drop a product immediately was not a popular strategy to engineering companies because it failed to assist them in running down their inventory. The relatively high popularity of the 'drop immediately' strategy contradicted also Harness and Mackay's (1997) results, which did not include a drop immediately strategy.

The mail survey indicated that the frequency of use of different elimination implementation strategies was influenced by some of the contextual variables of interest to this study. Figure 7.6 presents a graphical summary of the contextual relationships, the most interesting of which are discussed below.

Figure 7.6: A Summary of the Contextual Influence on the Relative Frequency of Use of the Elimination Implementation Strategies.



With regards to the method of delivery process, the mail survey findings indicated that the use of the strategy to leave the existing users of a financial service unaffected by its elimination was more frequent when the financial institution was visiting the customer, than when there was arm's length transaction. It is easy to observe the rationale behind this finding. Since a delivery method involving staff of a service provider visiting the customer is by definition more expensive than an arm's length transaction (Lovelock 1980; 1983), financial institutions were more likely to use it for few and important customers. Thus, despite the fact that financial institutions were concerned about not disturbing all the existing users of an eliminated to-be financial service, this concern was higher for the most important existing users.

The higher the degree of the overall market orientation of a financial institution the less frequent the use of the 'drop immediately' implementation strategy. To the extent that market orientation leads to higher customer satisfaction (Jaworski and Kohli 1993), the above finding was not surprising since the abrupt elimination of a financial service might cause inconvenience to customers. Market orientation was also enhancing the frequency of use of the 'service merging' elimination implementation strategy. Harness and Mackay (1997) found that financial institutions were likely to use this strategy, because the amalgamated financial service would combine all the attributes of the individual eliminated services that customers valued, thus providing higher customer satisfaction. To the extent that this could happen, the positive relationship between this implementation strategy and market orientation seems logical. However, the latter relationship seems somewhat unexpected, if one considers that amalgamated financial services may be more complex and less easy to understand and use by the customer base (Ennew and Watkins 1995), which is contrary to the philosophy of market-oriented organisations.

With regard to the environmental variables, market competition was enhancing the use of the 'drop immediately' and the 'drop and re-introduce' strategy, while it was reducing the frequency of use of the 'phase out slowly' strategy. These relationships suggest that as the competitive environment was becoming harsher, financial institutions were keener to proceed with a quick implementation strategy rather than to procrastinate the implementation process.

The legislative environment was enhancing the frequency of use of the popular elimination strategy to leave the existing customers of an eliminated financial service unaffected. This indicates the concern of the British legislator for the right of existing customers for continuity in using a financial service that they had chosen.

Technological change was enhancing the use of the strategy namely 'eliminate the service from some customer segments but leave it open to other customer segments'. This relationship indicates (and the in-depth interview findings concurred) that as the rhythm of technological change accelerates the technological obsolescence of some financial services (thus indicating the need to replace them with more technologically advanced ones on a regular basis), financial institutions feel the need to protect some sensitive customer segments from a continuous migration process. Finally, technological change was reducing the frequency of use of the 'eliminate and sell out' strategy. This relationship indicates that in a technologically innovative environment, financial institutions are less willing to buy the licence of technologically obsolete financial services, which were eliminated by their counterparts.

5.5. The Duration of the Service Elimination Decision-Making Process

For the purposes of examining issues relating to the duration of the service elimination decision-making process, the latter was split into two main phases: a) the

decision-reaching process (i.e., identification of elimination candidates, analysis and revitalisation, evaluation and decision-making) and b) the implementation of the elimination decision.

5.5.1 Duration of the Decision-Reaching Process

As far as the decision-reaching process is concerned, the study identified 7 factors that determined its duration, the most important being the reason that triggered the elimination in the first place, followed by the sensitivity of the elimination decision to existing customers. Contrary to Avlonitis (1983-1984), the in-depth interviews of the present study found limited evidence of considerable prolongation of the elimination decision-reaching process due to controversies and conflict between participants. With regard to the calendar duration of the decision-reaching process the present study found that it varied from a minimum 2 weeks to a maximum 3 years, with an average duration of just over 5 months. This indicated that the studied financial institutions needed less time to reach an elimination decision than industrial manufacturers, who needed 1 year on average (Avlonitis 1983-1984). Avlonitis concluded that the decision-reaching process was taking too long and he criticised manufacturing companies for procrastination and managerial ineffectiveness. Despite the fact the studied financial institutions needed considerably less time to reach elimination decisions than manufacturing companies, this cannot be a clear indication of more managerial effectiveness and less procrastination during service elimination decision-making. This is because other pieces of empirical research examining the relationship between the managerial effectiveness of decisions and the duration of the decision-making process produced mixed results. For example, while some studies indicate that more effective managerial decisions take longer (e.g., Wally and Baum 1994), others found an inverse

relationship (e.g., Bourgeois and Eisenhardt 1988) or a situation specific relationship depending on the organisational and top management characteristics (e.g. Judge and Miller 1991; Papadakis 1998).

However, there are some explanations for the less average duration of the elimination decision-reaching process for financial services. First, due to their intangibility, financial services lack the *hard* production characteristics of manufacturing settings, which can cause delays in reaching product elimination decisions. To illustrate, a product's elimination often involves dismantling or scrapping machinery (Vyas 1993). This time consuming and high-cost consequences of product elimination decisions are likely to raise write-off and other related balance sheet considerations and may make manufacturing companies more sceptical and thus procrastinating about reaching elimination decisions. A second explanation of the less average duration of the elimination decision-reaching process among the studied financial institutions relates to the fact that in most of the studied cases the existing users of an eliminated-to-be financial service were not affected by imminent elimination decisions. If one considers that the sensitivity of elimination decisions upon existing customers proved to be the second most important determinant of the duration of the service elimination decision-reaching process, it can be implied that since existing customers are to remain unaffected this causes less headaches to financial institutions, thus enabling them to speed up the elimination decision-reaching process. Finally third, unlike in manufacturing settings, the findings of the study indicated that elimination of financial services was not likely to have serious impact on the employees of financial institutions, thus making redundancies the exception rather than the norm. Consequently, the service elimination decision-reaching process for individual financial services is likely to be uninterrupted by union reactions and strikes. Research in

manufacturing settings showed that such problems were a frequent reason for procrastination and interruption in the elimination decision-reaching process of British industrial manufacturers (Avlonitis 1986a).

5.5.2 Duration of the Implementation Stage

With regards to the duration of the implementation stage, the central finding of the study was that the studied financial institutions adopted different implementation tactics towards new potential customers and existing customers. The mail survey findings indicated that the time elapsing from the confirmation of the elimination decision until the point the involved financial service was no longer available, was significantly longer for its existing users than for new potential customers. To illustrate, the majority of the surveyed companies reported that the benchmark eliminated financial service was no longer available to new customers just one month after the confirmation of the decision to eliminate it, while for existing customers the financial service was still open at the time the mail survey was conducted. But since the mail survey asked respondents to use as a benchmark a financial service that was eliminated in the last 5-year period (in order to minimise memory distortion problems), the above 'still open' interval could not be more than 5 years. However, the in-depth interviews highlighted cases (mainly involving insurance companies) where, due to legal obligations, the existing customers of a financial service at the time of its elimination were still able to use it even 70 years later. This finding has some important implications. First, unlike the empirical research on product elimination (Avlonitis 1986a), the findings of this study pointed at differential elimination implementation behaviour of financial institutions towards existing and new customers. Second, it took longer for the studied financial institutions to implement an elimination decision, than it

took the engineering companies, which were studied by Avlonitis (1986a). Third, the contractual and legal reasons underlying the long-lasting duration of the elimination implementation stage for the existing customers were different from the duration determinants of the elimination implementation stage in manufacturing settings. In the latter settings if the implementation process was lasting longer than usual, it was due to factors other than legal, such as customer opposition, strike by the employees opposing the elimination decision, hold over demand, stock at hand (Avlonitis 1986a) or extent of readiness of the replacement product (Saunders and Jobber 1994). The findings of the present study, thus, corroborated Harness and MacKay (1993) in their statement that, for some financial services, full elimination might be difficult due to existing contractual obligations.

Notwithstanding the differences in the duration of the implementation of elimination decisions between products and financial services, this study found statistically significant differences in the duration of the implementation of an elimination decision to existing customers between different types of financial institutions. In particular, the implementation process lasted significantly longer among the studied insurance companies than among the studied banks and building societies. This is an indication that insurance companies can achieve complete elimination of one of their services within a longer period than banks and building societies. A plausible explanation of this finding could be the special nature of insurance services (complexity, risk, longevity) where the contractual obligations, the need to fulfil a long-term promise and the ethical dimension are important considerations for insurance companies (Diacon and Watkins 1995; Diacon and Ennew 1996). As the in-depth interviews suggested, the full elimination of some insurance products was only possible when the insurer had no further obligation towards the insured individuals or

organisations. Sometimes the period needed to honour such obligations could be several decades.

5.6 Participation in the Service Elimination Decision-Making Process

In order to investigate the issue of participation, the elimination decision-making process was split into three broad phases, namely *initiation*, *collection/analysis of information* and *decision-making* (Avlonitis 1985a). Following the above conceptualisation, an attempt was made to find the organisational participants in each one of the three phases and to measure the strength of their say.

The first finding with regards to participation was that in each one of the three phases of the elimination decision-making process there was more than one functional area involved. This became clear from the in-depth interviews, where many managers mentioned that due to the different nature of the required information in order to reach an elimination/retention decision, there was a need for the co-operation of more than one functional area. The interviewed managers identified a total of 11 participants in the three phases of the process. In the phases of initiation and collection/analysis of information the average number of participants was 4 to 5, while in the phase of decision-making the average number dropped to 2 to 3. The wide participation in a managerial decision-making process has been occasionally criticised in the organisational literature on the basis of the potential for conflict, information leaking and delays in reaching the decision (Wooldridge and Floyd 1990). However, the present finding on the multiple participants in the service elimination decision-making process was in line with the bulk of the organisational literature, which substantiated empirically that the greater the number of organisational participants in a managerial decision-making process the higher the level of consensus on the final decision (e.g.,

Harrison 1975; Burgelman 1983; Schilit 1987; Papadakis 1998). Moreover, the above finding provided support to the early conceptual contributions in the literature on product elimination, suggesting that product elimination decisions are too important to be left to one individual or functional area and that there is a need to make elimination decisions only after having blended the different perspectives of different functional areas within the organisation (Berenson 1963; Kotler 1965; McSurely and Wilemon 1973; Kratchman *et al* 1975).

The second finding with regards to participation was that each one of the three phases of the elimination decision-making process had a different dominant functional area. The mail survey showed that marketing was by far the most influential organisational participant in detecting elimination candidates and in initiating discussions about an engagement into the elimination decision-making process. In the phase of collection and analysis of information, the most dominant participant was finance/actuarial. Since this phase involved the handling of quantitative data, the dominance of finance people was not surprising. Finally, the most influential participant in the phase of decision-making was a management committee, which consisted of higher echelon managers from marketing, finance/actuarial and sales areas, who made elimination/retention decisions on the proposals of the advisory participants. Other influential decision-makers were managing directors, the board of directors, general managers or CEO/Presidents.

The above findings indicated varying levels of agreement with the product elimination literature. With regards to the dominance of marketing in the phase of initiation, the present study supported a part of the elimination literature where there are arguments (e.g., Kotler 1965) and empirical substantiation (Rothe 1970; Avlonitis 1985a; Vyas 1993) of the influential role of marketing. With regards to the dominant

role of finance/ actuarial in the phase of collection/analysis of information, the findings corroborated theoretical contributions stressing the need for close co-operation between finance and marketing during product elimination decision-making (Kotler 1965; Kratchman *et al* 1975). The findings also agreed with Avlonitis (1985a) with regard to the supportive role of finance in the initiation phase but did not support his finding that finance had only a supportive role behind marketing in the phase of collection/analysis of information. In that respect, the findings of the present study also ran counter to Rothe (1970) who found a very low level of participation from the area of finance in consumer-good manufacturers and criticised the studied companies for creating an imbalance in the nature of the information that they collected in order to reach product elimination decisions.

In Avlonitis' research (1985a) many of the studied engineering companies identified the functional areas of engineering and production as regular participants to the phases of initiation and collection/analysis of the information. Since in the service setting of the present study there was not a production process in the way this is conceptualised in manufacturing settings, financial institutions did not make any reference to participants from the production and engineering functional areas. By contrast, they referred to customer-contact personnel, who were more actively involved in the collection/analysis phase of the service elimination decision-making process. At first glance the absence of organisational participants from a production department in the studied financial institutions seems an expected finding, since production methods in service settings (i.e., the *servuction* process) are different from the ones in manufacturing settings (Lovelock 1981). However, if one considers a) the conceptualisations for a production line approach to the delivery of services (e.g., Levitt 1972; 1976) and b) the role that front-line staff play in the servuction process (Eiglier

and Langeard 1977), the above finding could suggest that the ‘servuction’ functional area of the studied financial institutions was an organisational participant (of moderate influence though) in the first two phases of the elimination decision-making process.

Finally, in line with the empirical research on product elimination (Avlonitis 1985a) the findings of the present study suggested that elimination decision-making authority was lying at a higher level in the corporate hierarchy, with a management committee being the predominant decision-maker.

5.7 Formality during Service Elimination Decision-Making

5.7.1 The Degree of Formality during Service Elimination Decision-Making

As mentioned previously formality during service elimination decision-making was conceptualised as the combined degree of systematic behaviour, assignment of responsibilities and documentation (i.e., existence of written policies pertaining to service elimination decision-making) (Pugh *et al* 1968; 1969; Avlonitis and James 1982; Avlonitis 1985c). The in-depth interviews suggested that over half of the studied financial institutions were largely informal during service elimination decision-making, while only a handful of companies followed a formal elimination decision-making process. The mail survey findings largely confirmed the in-depth interviews. Only 2 of the 9 items of the construct of formality exceeded the mid-scale point of 4, which indicated moderate formality. These two items pertained to the component of systematic behaviour and referred a) to conducting a regular review of the service range and b) to the existence of explicit audit criteria for the evaluation of the performance of financial services. This finding corroborated a previous finding of this study, suggesting that in

the large majority of the studied companies there was a regular and systematic service range auditing process.

The above picture persisted after adding up the items to create single dimensions for the overall formality and for each one of its three components. The mean value of the overall formality construct indicated less than moderate formality. In that respect, the findings are in line with the empirical research on product elimination, which found that manufacturing companies were largely informal during product elimination decision-making (Rothe 1970; Banville and Pletcher 1974; Hise and McGinnis 1975; Greenley and Bayus 1994). As far as the components of formality are concerned, systematic behaviour was the only component that exceeded (hardly though) moderate formality. With regard to the notable informality concerning the assignment of responsibilities and the documentation, the findings agreed with Avlonitis and James (1982) and with Avlonitis (1983-1984) but with regard to the component of systematic behaviour, the present findings ran counter to them.

A question that rises at this point is why the studied financial institutions scored higher in the component of systematic behaviour while they relatively overlooked the assignment of specific service elimination responsibilities and largely overlooked the documentation of the service elimination decision-making process. A plausible explanation is that the component of systematic behaviour contained items referring to conducting regular and systematic audit of the service range and to the existence of specific performance criteria. Obviously the latter could not only exist for the detection of elimination candidates, but they could also be used in other marketing and service range management activities, such as NSD, financial service repositioning and new market development (Stevenson 1989a; Strieter *et al* 1999).

To summarise, the findings suggested that the studied financial institutions were relatively informal on an overall basis during service elimination decision-making. From a component angle, they were relatively more formal concerning systematic behaviour, relatively informal in assigning specific service elimination responsibilities and largely informal with regards to the existence of written service elimination procedures.

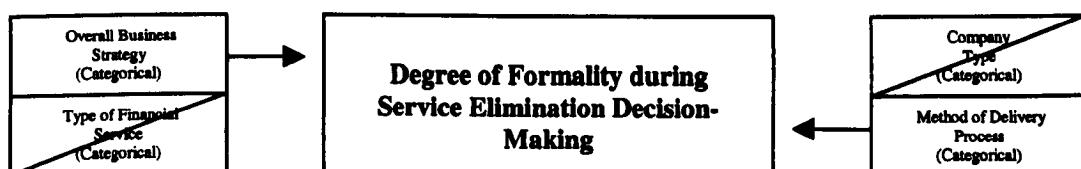
5.7.2 The Contextual Influence on the Degree of Formality (Formality as a Dependent Variable)

The mail survey attempted to investigate the impact of the contextual independent variables on the degree of formality during service elimination decision-making. In this section the discussion about the contextual influence is split in two sub-parts: a) the influence of the categorical contextual variables and b) the influence of the metric contextual variables.

5.7.2.1 Influence of the Categorical Variables

Figure 7.7 depicts the impact of the categorical contextual variables upon the degree of overall formality. The type of company and the type of the eliminated service did not appear to exert significant impact, while the overall business strategy and the method of delivery process did.

Figure 7.7: A Summary of the Influence of the Categorical Contextual Variables on the Degree of Formality during Service Elimination Decision-Making



Regarding overall business strategy, fast imitators scored higher than all their counterparts in the overall formality and in all its three components. However, there were only two significant relationships. First, fast imitators scored significantly higher in the overall formality than slow imitators. Second, fast imitators scored significantly higher in the assignment of responsibilities than did cost reducers, slow imitators and technological innovators. The above findings indicate that greater formality and specific task allocation during service elimination decision-making helped the studied fast imitators to achieve their strategic goals. The strategy of fast imitation requires organisations to closely monitor their competitors and react systematically in a fast way (Walker and Ruekert 1987).

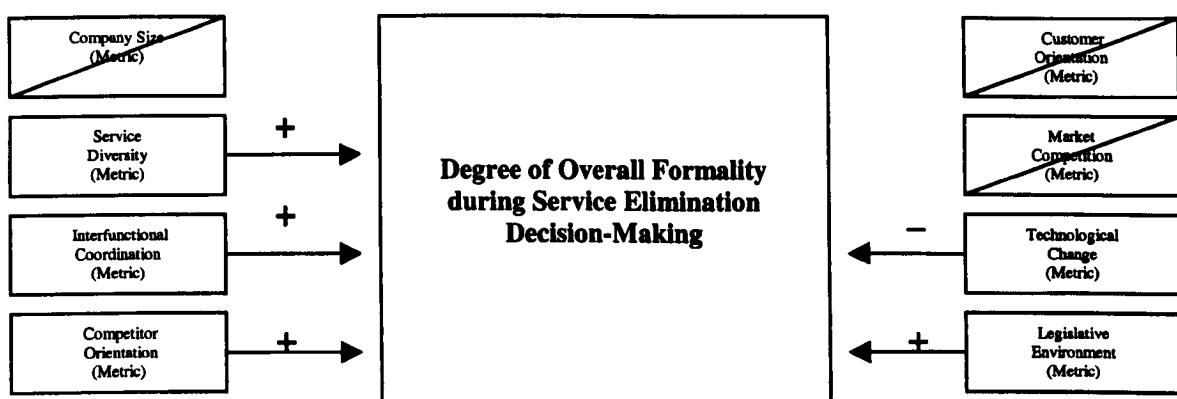
Regarding the method of delivery process, when customers visited financial institutions to use an eliminated-to-be financial service, the assignment of service elimination related responsibilities was significantly more formal than when there was arm's length transaction. The explanation for this finding lies in the inseparability and heterogeneity characteristics of financial services. When customers visit a financial institution in order to use a financial service they will come in face-to-face contact with front-line staff, who become the cornerstone of the delivery process (Ennew and Watkins 1995). If the above financial service becomes an elimination candidate, the management of a financial institution feels the need to make a specific allocation of elimination related responsibilities to the front-line staff. In that way the latter, as active participants in the collection, analysis and interpretation phase of the service elimination decision-making process (as a previous finding indicated), should be in a position to keep a standardised record of customers perceptions, reactions or comments about a possible elimination decision. Moreover, when the elimination decision has been reached, front-line staff should be in a position to communicate its antecedents and

consequences to the existing and new potential customers in a standardised way. The greater degree of formalisation in the assignment of elimination related tasks to the front-line staff, can be interpreted as a remedy for the heterogeneity of financial services.

5.7.2.2 Combined Influence of the Metric Contextual Variables

The regression analysis of the mail survey results indicated a wide influence of the metric contextual variables on the degree of formality during service elimination decision-making. Figure 7.8 summarises the metric contextual influence and some of the interesting relationships are discussed below.

Figure 7.8: A Summary of the Combined Influence of the Metric Contextual Variables on the Degree of Formality during Service Elimination Decision-Making



$$(R=.610, R^2=.373, R^2 \text{ Adjusted} = .343, F=12.48, p<.01)^I$$

Service diversity had a positive impact upon the overall formality and the components of assignment of responsibilities and of documentation. This showed that

^I Figure 7.7 illustrates the predictors of overall formality, according to the results of multiple regression analysis. As discussed in the chapter of the quantitative findings, the variable of overall market orientation was excluded from the regression due to multicollinearity concerns. This is why it is not included in the variables of Figure 7.7. However, at a bi-variate correlation level, overall market orientation had a strong and positive impact on the degree of overall formality during service elimination decision-making.

financial institutions with more proliferated service ranges felt a greater need for a more formal approach towards service elimination decision-making than companies with relatively simple service ranges. Managers during the in-depth interviews made reference to a positive relationship between the complexity of the service range and the degree of formality. In that respect, the finding above provided support to Avlonitis (1985d) who found that product diversity had a strong positive impact on formality during product elimination decision-making.

Competitor orientation and interfunctional coordination (i.e, two of the components of market orientation) had a strong positive impact on formality. This finding indicates that as financial institutions place more emphasis on a systematic identification, analysis and response to competitors' actions and on a co-ordinated integration of the corporate resources to deliver superior customer value (Narver and Slater 1990), they feel it necessary to adopt a more formalised approach towards service elimination decision-making. Due to the absence of any published empirical material on the relationship between formality during product/service elimination and market orientation, there is no direct comparison basis for the above finding. However, at the more general level of decision-making formality versus market orientation, the present study contradicted findings that formality is unrelated to market orientation (Jaworski and Kohli 1993) and findings suggesting a negative relationship between the two variables (Narver and Slater 1991).

The mail survey showed that company size did not have an impact upon the degree of formality during service elimination. As above, due to the non-existence of similar results in service settings, there is not a basis for direct comparison of this finding. However, with regards to manufacturing settings the above finding contradicted Avlonitis (1985c) who found that company size was a relatively strong predictor of

formality during product elimination decision-making. Moreover, the above finding provided both support and contradiction to empirical studies examining the effect of size upon formality during organisational decision-making. On the one hand it supported findings showing no relationship between size and decision-making formalisation (Dean and Sharfman 1993; Papadakis *et al* 1998) but on the other hand it did not support the conventional wisdom that decision-making formalisation increases by size (Mintzberg 1973).

As the legislative environment was putting more pressure on the studied financial institutions, the latter tended to increase the degree of overall formality during service elimination decision-making and in particular of the degree of documentation of the process. To the extent that greater formality can increase the comprehensiveness of an elimination decision to the customer base of financial institutions (mainly through a systematic and documented record of the procedures that are followed in each stage of the elimination decision-making process), the above relationship is an indication that the British legislator is concerned about customers right' to know the rationale behind the decisions that affected them. This explanation fits in the broader spectrum for best advice that financial institutions have to adhere to (Devlin and Wright 1995). The literature on financial services marketing does not provide direct evidence on the relationship between legislation and degree of formality during service elimination. However, the positive relationship that this study detected supports the well-documented contention and empirical finding that the legislative environment exerts a strong influence on many aspects of the marketing strategies of British financial institutions (e.g., Carter *et al* 1989; Shelton 1990; Devlin and Wright 1995; Nellis and Lockhart 1995; Trethowan and Scullion 1997; Llewellyn 1998). In that respect, the present finding contradicted Hise and McGinnis (1975), who found that in

manufacturing settings little legal protection existed for customers who were affected by a product's elimination.

Interestingly technological change exerted a negative impact upon the degree of overall formality and upon the component of assignment of responsibilities. This finding was in line with Avlonitis and James (1982) but in contrast with Rothe (1970) who supported a positive relationship between product elimination formality and technological change. The negative relationship that the present study detected is also in line with organisational theorists who found that formal decision-making was difficult to follow in technologically volatile environments, where a less formalised and more flexible approach to decision-making seems more appropriate (e.g., Cyert and March 1963; Fredrickson and Iaquinto 1989). By contrast, the finding of the present study did not support the line of thought of some product elimination theorists (Browne and Kemp 1976) who suggested that manufacturers operating in technologically fast changing environments should adopt a more formalised product review and elimination process, than companies operating in more stable environments.

Finally, the findings suggested that the intensity of market competition was not a successful predictor of formality. In that respect, they contradicted Rothe (1970) and Avlonitis and James (1982), who suggested and empirically verified respectively that as competitive pressure was increasing in manufacturing settings, companies tended to increase the degree of formality of the product elimination process.

5.7.3 More Formal VS Less Formal Service Elimination Decision-Making Processes: Is there a Difference? (Formality as an Independent Variable)

The statistical procedure that was followed in order to detect significant differences between more formal and less formal service elimination decision-making

processes pointed at two central findings. First, for the elimination decision-reaching process the content of more formal service elimination decisions differed significantly from the content of less formal ones. Second, no significant differences were found between more and less formal elimination decisions in the implementation stage of the service elimination decision-making process.

With regards to the decision-reaching process, it was clear from the findings that more formal financial institutions were putting more effort in reaching elimination decisions than their less formal counterparts. As far as the identification stage is concerned, greater formality led to greater attention to the market share performance of financial services and to their position in the life cycle curve. As regards the analysis and revitalisation stage, greater formality resulted in more attention to almost all of the identified remedial alternatives. Finally, with regards to the evaluation stage, greater formality engendered more attention to both financial and non-financial evaluation factors, such as cross-selling impact, impact on profitability of other services, impact on full-line policies and impact upon the relationships with the customers.

Overall the finding of the present study concerning the impact of the degree of formality on the content of the elimination decision-reaching process, was in line with Avlonitis (1985d). Although the latter author used a different statistical procedure for the measurement of the impact of formality, he found that in manufacturing settings greater formality raised the relative importance of many of the decision variables that were considered in each stage of the product elimination decision-reaching process. However, the findings of the present study revealed some important differences as well. With reference to the revitalisation alternatives the findings of the present study revealed that more formal financial institutions were placing more attention on modifications in the attributes of a financial service, while according to Avlonitis (*ibid.*)

more formal engineering companies did not. This can be explained by the intangibility of financial services. Obviously the time frame within which managers have to reach an elimination/retention decision makes the modification of the attributes of an industrial product a more difficult task to implement than the modification of the soft attributes of an intangible financial service. With reference to the evaluation factors one important difference was that, unlike in the manufacturing setting that Avlonitis (*ibid.*) studied, the more formal financial institutions placed more emphasis on the impact of an elimination decision upon their relationship with customers. A plausible explanation for this difference is the active participation of customers in the service delivery process of many financial services (inseparability) coupled with the fiduciary responsibility of financial institutions towards their customers (McKechnie and Harrison 1995).

With regard to the implementation stage of the elimination decision-making process, the findings did not detect significant differences between the more formal and the less formal financial institutions of the sample. This implies that the degree of formality that financial institutions adopt during service elimination decision-making does not influence the choice of elimination implementation strategies. This finding contradicts Avlonitis (1985d), who concluded that a greater degree of formality boosted a preference of manufacturers for a ‘phase out slowly’ strategy while reduced the use of the ‘selling out strategy’.

6. The Post-Elimination Stage

The post-elimination stage is almost completely neglected by the elimination literature. On the one hand the literature on product elimination almost always presents the decision-making process as ending with the implementation of the elimination decision. As was discussed in Chapter 3, the empirical evidence on the post-elimination

stage is very limited and is based on a construct of low internal consistency (Avlonitis 1987a). On the other hand, the limited literature on service elimination refers to the post-elimination era (Harness and MacKay 1993) in a rather myopic way, as it confuses it with the management of the implementation stage, which as the findings of the present study indicated is often long-lasting.

The present study addressed this gap and shed light on a) the way in which financial institutions evaluated retrospectively the appropriateness of elimination decisions and b) the reasons that could lead to the re-marketing of a previously eliminated financial service.

6.1 The Conduct of Post-Elimination Reviews: A Great Degree of Inertia

Two-thirds of the surveyed financial institutions reported that they terminated the elimination process with the implementation of the elimination decision. The predominant reason for not conducting post-elimination reviews among these companies was that the extent of success of elimination decisions was very obvious beforehand, thus making a followup stage unnecessary. Another frequently stated reason for not conducting post-elimination reviews was that the existing users of a financial service were not affected by a decision to eliminate it. The predominance of this reason was somewhat expected, in light of the preoccupation of many of the studied financial institutions with the maintenance of good relationships with their existing customer base.

The post-elimination inertia of the overwhelming majority of the studied financial institutions suggests an incomplete service elimination process. This becomes easier to embrace if one considers that the review of the outcome of any managerial decision is considered good practice (Gore *et al* 1992). A good example lies in the other

end of the life cycle of a product or a service, where post-launch reviews were found to be a continuous process and a critical success factor for new product/service development decisions (e.g., Crawford 1986; McIver and Naylor 1986; Cooper and de Brentani 1991; Edgett and Jones 1991; Edgett 1994; Edgett and Parkinson 1994). The necessity for a retrospective assessment of decisions to launch new products and services seems obvious because it concerns the future of a new offering. In that respect it could be argued that a post-elimination review is not as necessary because there is no future for the eliminated product or service and as a result there is nothing important to monitor.

However, based on the findings of the present study, it is believed that post-elimination reviews can be useful for financial institutions for the three following reasons. First, they can provide them with a more integrated record keeping about specific elimination decisions, which can be used for future reference. Information concerning the post-elimination stage could complement records taken during the various steps of the service elimination process and could thus help financial institutions understand what they could have done differently. Second, due to their sensitivity, elimination decisions entail the likelihood to disturb customer relationships. Of course the findings indicated that in the majority of the benchmark elimination cases existing customers were left unaffected (conditionally or not) by elimination decisions, thus existing relationships were not disturbed. But new potential customers were not receiving such a favourable post-elimination treatment and in some cases (e.g., when financial services had to be dropped immediately) even existing customers were affected. Post-elimination reviews could be a window for financial institutions in their attempts to understand what was the actual effect of elimination decisions on the relationships with the new and with the existing customers. Third, as the findings of the

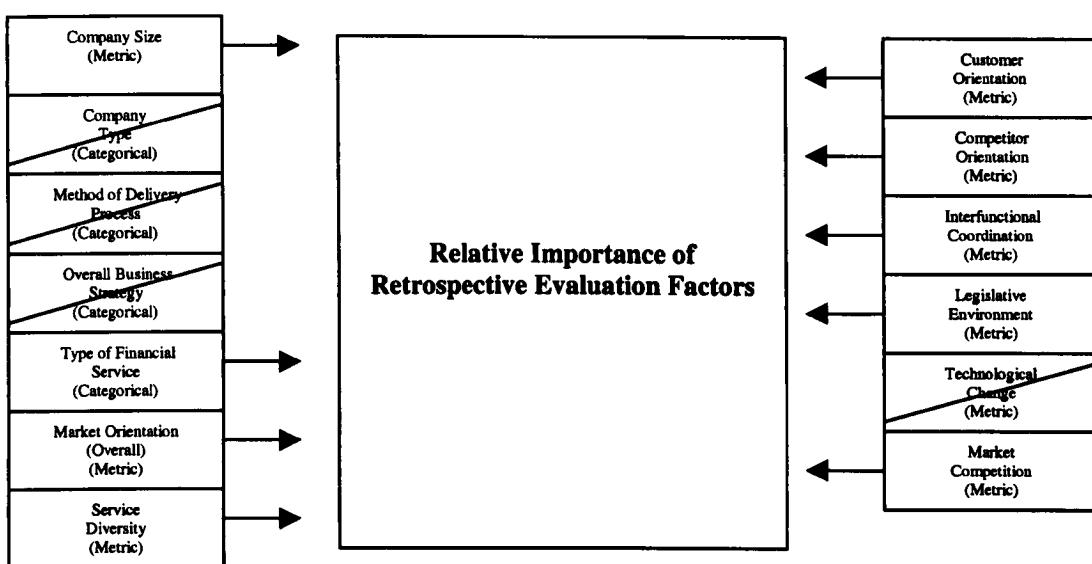
present study indicated, there are cases where there is a future for a financial service even after its elimination (e.g., pseudo-elimination implementation strategies) and thus it is important for financial institutions to track the aftermath of elimination decisions. For example, some partial elimination implementation strategies, which either simplify or merge existing financial services, are likely to have an effect on customer's ability to understand the simplified or the amalgamated financial service (Ennew and Watkins 1995). Such an effect can only be accurately measured in the post-elimination stage.

6.1.1 Relative Importance of the Retrospective Evaluation Factors and the Contextual Influence

The findings of the present study showed that the few financial institutions that conducted post-elimination reviews followed a thorough enough process. This was indicated by the fact that all the nine retrospective evaluation factors that were identified during the in-depth interviews were rated well above the point of moderate importance in the mail survey questionnaire. Most of the attention during the retrospective evaluation of elimination decisions was devoted to monitoring the profitability of the financial service that replaced the eliminated one. Interestingly, most of the remaining higher importance factors focused on the impact of elimination decisions on the customer base (i.e., customer retention rates, customers' view of the company and actual level of customer complaints).

The mail survey indicated that the relative importance of the retrospective evaluation factors was influenced by some the contextual variables of interest to this study. Figure 7.9 presents a graphical illustration of the contextual influence, while some interesting relationships are discussed below.

Figure 7.9: A Summary of the Contextual Influence on the Relative Importance of the Retrospective Evaluation Factors.



From the categorical independent variables the only one with a significant impact upon the relative importance of the retrospective evaluation factors was the type of eliminated financial service. Specifically sales-related retrospective evaluation factors (i.e., 'actual cross selling impact' and 'sales of the service that replaced the eliminated one') were significantly more important for retail than for corporate financial services. This was in line with a previous finding of the study indicating that sales volume as an audit criterion for the identification of elimination candidates was a significantly more important consideration for retail rather than for corporate financial services.

Service diversity had a notable negative impact upon the content of the post-elimination reviews. In particular, the greater the diversity of a financial service range, the lower the importance of customer-related retrospective evaluation factors namely 'actual level of customer complaints', 'customer's view of the company' and 'propensity of existing customers to do incremental business with the company'. Three plausible explanations can be put forward. First, to the extent that the growing number

of financial services in the range increases the latter's complexity, the retrospective assessment of the consequences of an elimination decision upon the customer base becomes difficult to measure accurately and therefore it is considered to be of limited use. Second, when financial institutions have spread their risk in many financial services, they are not keen to devote more corporate resources on a retrospective assessment of customer's views about the elimination of *one of the many* financial services in the range. Third, a proliferated financial service range is likely to contain similar and even duplicate financial services (Ennew 1995b). In that respect the elimination of one of them is less likely to be noticed by the customers (than it would be if financial institutions have in their range few clearly differentiated financial services) because the continuity that they require is secured by one of the similar financial services in the range.

Finally, greater market orientation was engendering more attention to a retrospective evaluation of how elimination decisions affected a) the views of customers about the financial institution, b) their loyalty and c) their future disposition to do incremental business. Market-oriented organisations have a continuous focus on sensing the market and responding to the needs of customers. The latter's needs change over time and it would be unwise for market-oriented companies not to track customers' reactions after making decisions, which may affect them (Jaworski and Kohli 1993).

6.2 Re-Marketing of Eliminated Financial Services

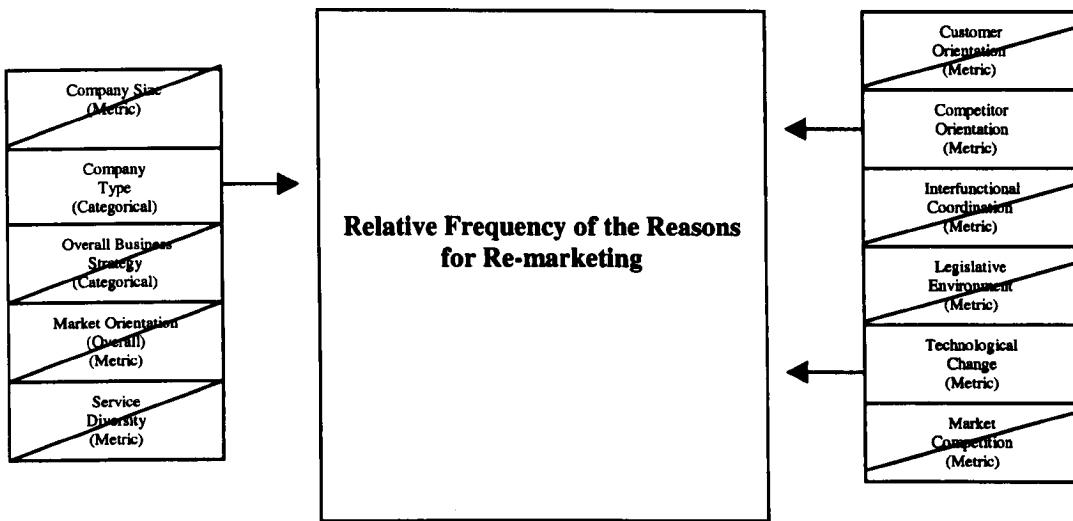
Another aspect of the post-elimination stage that the present study attempted to address was the re-marketing of financial services which had been previously eliminated. During the in-depth interviews one fifth of the interviewed managers reported a re-marketing of an initially eliminated service on grounds of a change in the

internal and the external environment of financial institutions. In the same line the mail survey showed that almost one-third of the studied companies had at least once re-marketed a previously eliminated financial service. The most active re-marketers were the fast imitators, which were followed by the technological innovators.

A change in the market circumstances was found to be the most frequent reason resulting in re-marketing previously eliminated financial services, followed by a change in the strategy pervading the management of the service range. Relatively frequently financial institutions re-marketed financial services, which had been eliminated due to their high degree of innovativeness when they were firstly introduced. However, only occasionally could a high level of customer complaints result in a re-marketing decision.

The contextual variables of interest to this study exhibited only minor impact upon the relative frequency in which the aforementioned changes in the internal and external environment of financial institutions could result in a re-marketing decision for an eliminated financial service. As Figure 7.10 illustrates, notable exceptions were the variables of company type, competitor orientation and technological change.

Figure 7.10: A Summary of the Contextual Influence on the Relative Frequency of the Reasons for Re-marketing².



With regard to company type, banks were less likely than building societies and insurance companies to re-market a previously eliminated financial service due to a change in the market circumstances. Moreover insurance companies were more likely than building societies to re-market financial services which were eliminated because they were ahead of their era when they were firstly launched in the market. The latter finding implies that among the studied companies, insurers had the most innovative ideas for new financial services and the highest disposition to risk in their endeavours to develop new financial services. In that respect this finding contradicted findings suggesting that British insurance companies adopt a low risk “me-too” strategy during the development of new financial services (Johne 1993).

Competitor orientation was negatively correlated with the frequency of re-marketing initially eliminated financial services because they were very innovative when they were firstly introduced. This suggests that as financial institutions are

²The section of the mail questionnaire that tackled the issue of re-marketing was general and did not refer to the benchmark service elimination cases that respondents were using as a benchmark to answer the questionnaire. For this reason the service-specific variables namely method of delivery process and type

increasingly preoccupied with a monitoring of their competitors' activities, they are more likely to spend their resources in copying them, thus missing opportunities to re-think and re-engineer their innovative ideas for new financial services. This explanation finds support in findings suggesting that as companies become more competitor-oriented they tend to adopt their competitors' ideas instead of following their own way towards innovation (Lucas and Ferrell 2000).

Finally the rhythm of technological change was boosting the re-marketing of previously eliminated financial services due to their excessive degree of innovativeness. This showed that in an attempt to develop and sustain a long-term competitive edge over their competitors, financial institutions launched financial services, which were so much exceeding the technological standards of their era that they had to be eliminated. The strategy of using highly innovative technologies during financial service development as a remedy to the intangibility and the resulting non-patentability of financial services is well documented in the literature (e.g., Easingwood 1990; Easingwood and Storey 1991; Cooper and de Brentani 1991). However, without underrating the need for technological innovativeness, the present finding points to the need for an assessment of the level of technological innovativeness that the market can sustain and digest.

7. Summary

The aim of this chapter was to discuss and explain the findings of the present study and to compare them with the literature of interest to the present study. The discussion in the five main parts of this chapter pointed at three broad observations.

of the eliminated financial service were not included in the statistical procedures, which examined the contextual influence on the content of the re-marketing construct.

First, the elimination decision-making process for financial services has certain fundamental similarities to the elimination process for products. Second, the special nature of financial services and the external environment of financial institutions call for attention to decision variables and elimination implementation strategies, which differ markedly from the ones that manufacturing companies consider in order to manage the elimination of products. Third, differences in the appropriate approach to the elimination of financial services exist within the studied financial services sector too, depending on the type of financial institution, the overall business strategy that financial institutions adopt, the type of candidates for elimination (i.e., retail or corporate financial services) and the method in which they are delivered.

The following last chapter discusses the theoretical and managerial implications of the findings of this study, identifies the limitations of the findings and puts forward future research directions that could advance further the empirically based knowledge on the important, but neglected, area of service elimination decision-making.

Chapter 8

Conclusions

1. Introduction

This last chapter will attempt six tasks. First it will present an overview of the structure of the study by summarising the main points of the previous chapters. Second, it will present the theoretical implications of the key findings and third it will spell out their managerial implications. Fourth, it will summarise the limitations of the study and fifth, it will point at future research directions in the area service elimination decision-making. Finally the chapter will attempt a summary of the contribution to knowledge that the present study made.

2. A Summary of the Structure of the Study

The discussion up to this point has been organised under seven chapters.

The aim of the introductory Chapter 1 was to set the scenes of the study. First it notified the audience about the extensive lacuna of knowledge on service elimination and then it specified the reasons why the study focused on the British financial services sector. Third, it presented the aim of the study and the research objectives and concluded by giving a brief overview of the chapters to follow.

Chapter 2 aimed at discussing issues relating to the marketing of services in general and of financial services in particular. This was deemed necessary in order to inform the audience about the special marketing management approach that services require. In particular the chapter made a brief historical overview of the development of the sub-discipline of services marketing and then it critically discussed the characteristics that frame the special nature of services and financial services (i.e., intangibility, inseparability, heterogeneity, perishability, fiduciary responsibility and two-way information flows). The chapter concluded by discussing issues relating to the

activities of financial service range management, of which service elimination is (or should ideally be) an integral part. Based on the literature on financial services, the main activities of financial service range management were identified as the development of new financial services, the modification/improvement of existing ones as well as the elimination of existing ones. The discussion also highlighted that financial service range management does not take place in a vacuum but that it is a dynamic process. As such, decisions to develop new financial services, to modify and eliminate existing ones are likely to be influenced by a) the characteristics, the objectives and resources of financial institutions, b) the customers of financial institutions, c) the competitors and d) other factors of the PEST environment.

Chapter 3 aimed at a) reviewing and critically evaluating the literature on product elimination and the very small literature on financial service elimination and b) presenting the conceptual framework of the study. The foundation for the review of the existing product elimination material was the four-step product elimination decision-making process, i.e., identification of elimination candidates, analysis/revitalisation, evaluation/decision-making and implementation of the elimination decision. The published material in each step was classified under three stages namely the *first theoretical contributions* (1952-1978), the *early empirical research* (1970-1979) and the *more in-depth empirical research* (1980-2000) in order to review the literature from a historical perspective. The objective of the above classification was to facilitate the audience's understanding of the evolution of the literature on product elimination and of the big difference between how product elimination was described by the early theoretical commentators and how it was actually practised by manufacturing companies. The first theoretical contributions assumed that candidates for elimination were only products with declining sales and profitability performance and described

product elimination decision-making in an ideal way. Manufacturing companies were viewed as making elimination decisions only after a comprehensive decision-making process. As such, the notions of sophistication, quantification, computerisation, formality and structure were assumed central to product elimination decision-making. Moreover, the theoretical literature attempted to describe product elimination in a *golden rule* way that would fit all products, companies and environmental characteristics. The first empirical attempts started to reveal that the practice of product elimination was not as ideal as it was assumed. Despite the fact that manufacturing companies followed a multi-step product elimination decision-making process, the latter was very informal and unstructured. However, the first empirical evidence largely continued to conceptualise candidates for elimination as products with poor sales and profit performance. Moreover, by focusing only on the identification of the decision-variables of each step of the product elimination decision-making process, the early empirical attempts failed to investigate the latter's dynamism. The literature on product elimination grew substantially with the more in-depth empirical research. Corroborating the theoretical and the early empirical literature, the more in-depth empirical research concluded that companies followed a multi-step elimination decision-making process. Also, in line with the early empirical research but contrary to the theoretical assumptions, it was found that the decision-making process was very unstructured, unsophisticated and informal. However, the major contribution of the more in-depth research was that the product elimination decision-making process was dynamic. Its content was largely influenced by factors of the internal and external environment of manufacturing companies. This breakthrough contradicted the assumptions for the existence of golden rules in product elimination decision-making. The discussion next shifted to the review of the very limited literature on service elimination. The extremely

small volume of published material did not allow for a chronological illustration of the evolution of this literature area. The overwhelming majority of the reviewed textbooks on services marketing make no reference to service elimination and the handful of textbooks that do, adopt the myopic and over-simplistic approach that elimination is a choice only for services with poor sales and profitability. What is more serious about the approach of the above few textbooks, is that it is based on an arbitrary adaptation of theoretical assumptions from the literature on product elimination into service settings, without prior empirical validation. The very limited empirical research on service elimination focused entirely on the British financial services sector. As was discussed, it produced findings suggesting that an arbitrary application of the product elimination rules into service settings may be unwarranted. However, the limited empirical research on service elimination is characterised by three problems. First, it focuses only on the identification of problem situations (that make financial services candidates for elimination) and on the implementation stage, thus failing to investigate the service elimination decision-making process as a whole. Second, even this limited information lacks metric qualities that could indicate the relative importance of the decision variables involved. Third and most important, the limited empirical attempts seem to be as myopic as the early theoretical and empirical contributions on product elimination, as they examine service elimination as a static process, thus failing to investigate the possible contextual impact on it. Based on a) the above obvious inadequacy of the limited empirical research on service elimination, b) on the obsolescence of the literature on product elimination and c) on the special nature of services and financial services, the Chapter 3 concluded by outlining the conceptual framework of the present study.

Chapter 4 dealt with issues of the research methodology. First, the discussion focused on the philosophical and theoretical foundations of research methods. The review of the relevant literature identified two different schools of thought; the positivistic and the humanistic. The positivistic school holds that the neutral (and uncontaminated by the researchers' judgement) methodologies of the natural sciences can also be applied in social research. In that way, the positivistic thought supports the use of deductive research, which can be operationalised with quantitative research methods. The humanistic school of thought supports a different way of approaching research settings. Rather than emphasising neutrality, it supports researchers active involvement in the studied phenomenon because its understanding can be enhanced by their personal experiences, sensitivities and insightfullness. In that way the humanistic school of thought promotes an inductive research approach, which can be operationalised through qualitative research methods. Neither school of thought is the right or wrong way to approach the studied phenomena. Despite the fact that the two schools of thought can be viewed as the opposites on a continuum, the literature suggested that depending on the objectives of individual pieces of research, researchers can slide along the continuum and adopt mixed or pluralistic research methodologies. Since the two schools of thought (and their associated research methods) have their pros and cons, a mixed research method could result in a more robust investigation of the studied phenomenon. It was explained that after having considered the objectives of the present study, it was felt necessary to adopt a pluralistic research method and approach the investigation of the service elimination process in the British financial services sector first qualitatively and then quantitatively. Second, the chapter discussed the technicalities of the design of the adopted pluralistic approach. The data collection process started with qualitative research. Twenty British financial institutions of various

types and sizes were selected from a total population of 667 UK-incorporated banks, insurance companies and building societies and were studied through in-depth interviews, which lasted between 1½ to 2 hours each. The interviews were made with middle and senior managers and were based on a semi-structured discussion guide, which controlled for information overload on the one hand but on the other hand gave interviewees the flexibility to raise additional important issues, if they wanted. The qualitative research was necessary for the first objective of the study, i.e., to identify the content of the service elimination process. After the analysis of the qualitative data set, the identified information was quantified and incorporated into an 11-page fully structured mail questionnaire, which was the second phase of the data collection process. After extensive pre-testing, the questionnaire was posted to a stratified random sample of 500 British financial institutions. After two mailing waves, 112 usable responses were secured, which was a response rate of 22.4%. The quantitative phase of the data collection was necessary in order to address the second and the third objectives of the study, i.e., to measure the relative importance/frequency of the content of the service elimination process and to measure the contextual influence on the above relative importance/frequency. The chapter of methodology concluded by outlining the limitations of the adopted research approach.

Chapter 5 focused on the presentation of the qualitative findings concerning the content of the service elimination process. The 20 in-depth interviews identified a set of decision variables, which were considered by the studied financial institutions during the pre-elimination stage, the actual elimination decision-making process and the post-elimination stage. As well as identifying the content of the service elimination process, the in-depth interviews revealed some additional interesting issues. First, the studied financial institutions were overly oriented towards the development of new financial

services. Despite the fact that the majority of companies had a structured NSD blueprint in place, they did not follow a structured process when there was a need to eliminate financial services. Second, due to the fiduciary responsibility of financial institutions towards customers, the elimination of some financial services had strong social implications. On the one hand this obliged financial institutions to keep in their range financial services, which otherwise they would have eliminated due to poor sales and profitability. On the other hand, even when it was possible to eliminate a financial service for new customers, financial institutions had to keep it open (conditionally or unconditionally) for its existing users. This was a main reason why the notion of partial elimination proved to be so popular in the studied setting. Third, unlike in manufacturing settings, for some eliminated-to-be financial services (e.g., current accounts, savings accounts) it was possible to migrate existing customers to another new or existing similar financial service. Financial institutions reported that this migration was mainly voluntary, since in many cases existing customers were left unaffected, at least for a considerable period of time after elimination. Fourth, due to contractual/legal obligations, the above migration was not possible for some financial services, such as fixed-rate mortgages and life insurance. Fifth, unlike manufacturing settings again, customer-contact personnel and sometimes even the customers themselves had a relatively active advisory role in the elimination decision-reaching process. Sixth, in many cases making an elimination decision was not synonymous with financial institutions instantly getting rid of the involved financial service. It was reported that sometimes the implementation stage could last as much as 70 years. Finally, in the studied setting there was a notable post-elimination inertia, in terms that very few financial institutions devoted attention on tracking the aftermath of elimination decisions by conducting post elimination reviews. For a variety of reasons, most of the

studied financial institutions considered the elimination case closed after they had put forward a specific implementation strategy.

Chapter 6 aimed at presenting the findings of the mail survey. The data set from the 112 financial service elimination cases was subjected to uni-, bi- and multi-variate parametric and non-parametric statistical analysis in order to measure the relative importance (or relative frequency of use) of the content of the service elimination process and in order to assess the contextual influence on the above relative importance/frequency. With regards to the relative importance/frequency, the statistical analysis provided both support and contradiction to the literature on product elimination. For example, some decision variables in the various stages of the elimination process were found to be as important as in manufacturing settings (e.g., profitability and sales considerations as audit criteria). However, due to the special nature of financial services, other decision variables were found to be more important for financial institutions than for manufacturing companies (e.g., advisory role of front-line staff, relationship elimination implementation strategies), while others were significantly less important in the studied setting than in manufacturing settings (e.g., redundancy impact of elimination decisions). With regards to the contextual influence, the quantitative findings indicated that differences in the elimination practices could not only exist between manufacturing and financial service settings, but are also present within the studied financial services sector. The relative importance/frequency of most decision variables was significantly influenced by the type of financial institutions, their size, the diversity of their service range, the extent to which they were market-oriented, the adopted degree of formality during the decision-making process, the pursued overall business strategy, the type of the elimination candidate, its method of delivery process,

the market competition, the legislative environment and the rhythm of technological change.

Chapter 7 aimed to bring together the qualitative and quantitative findings and to discuss the most notable ones by comparing and contrasting them with the literature of interest to the present study. The discussion of the in-depth interviews and of the mail survey findings made clear that any endeavours to approach financial service elimination in a universal and descriptive-only way (as the very limited literature on service and financial service elimination does) would be rather over-simplistic, if not misleading.

The present and final chapter will focus on the theoretical and managerial implications of the study's main findings. The focus then will shift to the limitations of the findings and the chapter will conclude by proposing future research directions and by summarising the study's contribution to knowledge.

3. The Theoretical Implications

The new source of empirical evidence from the in-depth investigation of the service elimination process in the British financial services sector points at some important theoretical implications, which are discussed below.

3.1 Need for a Contingency Research Approach to Service Elimination

The identification of the content of the entire service elimination process and the measurement of its relative importance were without doubt important contributions of the present study. However, the quintessence of the findings is that financial service elimination is a very complex and dynamic process, which cannot be described by a

golden rule way that fits all companies, all financial services and all the external environmental circumstances. This became evident by the fact that the pre-, concurrent and post-elimination decision-making behaviour of the studied financial institutions was influenced by all the fourteen contextual independent variables of interest to the present study (of course some contextual variables were more active than others and also the exerted influence on the content varied in both strength and direction). Since the present study is the very first systematic empirical attempt to investigate service elimination, the studied contextual variables can by no means be considered to be the only ones that can influence the content of the service elimination process. However, they provide a clear indication that a contingency research approach to this unexplored field of services marketing knowledge is better than the descriptive-only way that the inadequate service elimination literature adopts. On the one hand the need for a contingency research approach challenges the myopic theoretical textbook approach, which describes service elimination by generalising the theoretical rules of product elimination in service settings without any prior empirical validation (e.g., Marsh 1988; Meidan 1996; Kurtz and Clow 1998; Palmer 1998). On the other hand, the need for a contingency research approach challenges the very limited empirical evidence on service elimination. The latter adopts a persistently descriptive-only, largely repetitive and static research approach, which examines only the content of two isolated steps of the service elimination process (i.e., problem situations and implementation of elimination decisions), thus failing to measure the impact of organisational and environmental factors on the above content (Harness and Mackay 1997; Harness *et al* 1998; Harness *et al* 1999; Harness and Marr 2000). The dynamism of the content of the service elimination process that the present study conceptualised and detected has two important implications for the theory. First, the static research approaches based on

methodologies that cannot capture the above dynamism are rather narrow and of limited explanatory power. Second and more important, the detected dynamism of the service elimination process as it is reported here, can only be considered as a first step towards the development of the literature on service elimination. The latter could only be achieved by a continuous stream of empirical investigation based on the future research directions that will be discussed later in this chapter as well as on new ideas on further refinement by other researchers.

3.2 Need to Delineate between Service Elimination Objectives and Problem Situations

As mentioned in previous chapters, the existing body of literature on product and service elimination does not make any clear distinction between objectives and problem situations. Both terms are being used interchangeably. However the findings of this study suggested that there is a meaningful distinction between an objective that financial institutions wanted to achieve through service elimination and a problem situation that made them consider a financial service to be a candidate for elimination. An objective lies at a more strategic (higher) level than a problem situation. In other words, the findings suggested that service elimination objectives were a target, while problem situations were a step towards the achievement of that target. The literature on managerial decision-making provides support to this distinction. In particular it is stressed that every decision-making process in managerial settings should have clearly defined objectives that will guide the decision-makers in the following steps of the process (Harrison 1975; Gore *et al* 1992). The evidence from this study also suggests that more than one problem situation can have the same objective as antecedent and that the appropriate action towards the achievement of an objective depends on the

developments of the internal and external environment of financial institutions. Thus, the problem situations, namely *legislative changes* and *service obsolescence*, can be triggers to the achievement of the objective to keep the service range up-to-date, while the problem situations, namely *declining profitability* and *declining customer demand*, can be triggers to the objective to improve indicators of a financial nature. If for example new legislation is introduced, then in order to keep the service range up-to-date a financial institution would need to examine the future of the non-complying financial services. Similarly, if technological developments occur, to keep the service range up-to-date would require a financial institution to examine all technologically obsolete financial services. Knowledge of the reasons why the sector adopts any elimination strategy and of the antecedents or conditions which bring about such a strategy is added to by understanding the tactical and strategic responses companies frequently adopt. Such distinction will then enhance our empirical knowledge of why financial institutions identify possible targets for service elimination, or ratify decisions already made about the elimination of a financial service.

3.3 A Systematic and highly Computerised Auditing Process for the Identification of Candidates for Elimination

Within the largely informal and unstructured service elimination decision-making process, a notable finding was that most of the studied financial institutions followed a highly systematic and structured audit of the service range for the identification of candidates for elimination. As was discussed in previous chapters, the audit criteria that were used by financial institutions to screen the performance of financial services were in a written form, which varied from simple checklists to sophisticated performance indices. What was even more notable was the

computerisation of the auditing procedures. Financial institutions reported that the latter gave them the opportunity to be in direct contact with the market and to screen the performance of many financial services on a real time basis.

On the one hand, the notably computerised service range auditing process that this study identified provides support to some early product elimination theorists who suggested computerisation during product range auditing (Hamelman and Mazze 1972). On the other hand the above highly systematic and computerised auditing process contradicted the empirical research on product elimination, which concluded that the system by which deviant products were detected and brought to the attention of management was vaguely defined, while there was no evidence of computerised auditing mechanisms (Hise *et al* 1984; Avlonitis 1986b). Unfortunately though the obsolescence of the product elimination literature does not provide a solid comparison basis for the above finding. If the empirical evidence from manufacturing settings was more contemporary, the finding of the present study would be a less tentative conclusion that financial institutions make a tremendously wider use of computerised auditing procedures than their manufacturing counterparts in the first step of the elimination decision-making process. However, one should take into account that in the 1970's and 1980's the computerisation of companies operations was not as widespread as it is in the IT era of today. Therefore fresh empirical evidence on the auditing mechanisms of manufacturing companies would provide a safer basis for comparison.

3.4 Analysis/Revitalisation and Evaluation/Decision-Making: Lack of Structure and Sophistication

Unlike the systematic and computerised stage concerning the identification of candidates for elimination, the rest of the elimination decision-reaching process was very unstructured and unsophisticated.

With regards to the stage of analysis/revitalisation it was notable to find that after a thoughtful identification of candidates for elimination most of the studied financial institutions had neither a structured diagnostic procedure in order to establish the causes behind a deviant performance nor a list outlining the possible remedial actions that could restore deviant performances. This haphazard behaviour of most of the studied financial institutions was attributed to that the meaningfulness of analysis/revitalisation attempts was situation specific. There were cases where the cause of a financial service's deviant performance was too obvious, thus making any diagnostic procedures unnecessary. Equally, sometimes the problem with a financial service was too serious and thus remedial action could not correct anything. However, the situation remained as unstructured even when there was a need for a thoughtful analysis/revitalisation. The above picture contradicted the early theoretical contributions on product elimination, which described a very detailed diagnostic procedure that would lead management to choose from a formal list one or more revitalisation actions (Alexander 1964; Weller 1969; McSurely and Wilemon 1973; Browne and Kemp 1976; Evans 1977). However, the above picture largely confirmed the empirical research on product elimination, which although it provided some evidence of a three-step diagnostic procedure, stressed the lack of structure and system during the analysis/revitalisation attempts of manufacturing companies (Avlonitis 1985b; 1986a). Despite the fact that it would be interesting and useful to see whether other studies on

the same or on other service sectors had discovered such a notable lack of systematic analysis/revitalisation behaviour, this is not possible. The limited empirical research on service elimination has not yet examined at all the stage of analysis and revitalisation.

With regards to the evaluation stage, despite the fact that most of the studied financial institutions reported that they evaluated the macro impact of possible elimination decisions, the endeavours lacked the system and structure of the identification stage. As with the analysis and revitalisation stage, the usefulness of the evaluation stage was situation specific. As such, it was reported that there were cases where the evaluation was a waste of time because a) by this stage management knew what would be the actual impact, b) even if it did not have that knowledge it knew that the impact would be minimal because the involved financial service was unimportant (in terms of sales and profits) and c) some financial service ranges had a silo structure and thus minimised knock on effects from the elimination of individual financial services. However, the lack of structure and system continued to be present in elimination cases requiring a meticulous evaluation process. The findings suggested that even in such cases there were no checklists with the areas of the business that may be affected by an elimination decision and that the assessment of the impact was confined to informal discussions between the participating functional areas. As far as the lack of system and structure is concerned, the present study supported the empirical research in manufacturing settings (Avlonitis 1984) but contradicted theoretical commentators who viewed all elimination candidates as entering a weighed quantitative evaluation assessment process that would ultimately suggest evaluation or retention (Berenson 1963; Kotler 1965; Clayton 1966; Worthing 1971). As for the previous two stages of the service elimination decision-making process, for the evaluation stage too it would be interesting to see the theoretical implications of the notable informality that the study

suggested by making comparisons with the findings of other studies from the same and from other service sectors. However, since the existing empirical research on service elimination has not yet investigated the evaluation stage, such comparisons cannot be made at the present time.

3.5 Elimination Implementation Strategies: Some Important Implications

At the implementation stage of the service elimination decision-making process the main task of companies is to choose an elimination strategy that will actually implement the withdrawal of a service from the range. This study investigated the applicability of a wide array of elimination implementation strategies, which differ fundamentally according to whether they bring full or partial elimination. This investigation pointed at four broad theoretical implications. First, there was a predominance of partial elimination strategies. Second, the use of a partial elimination strategy might be triggered by different reasons. Third, the implementation stage of the decision-making process was a tool to honour the existing users of eliminated financial services. Fourth, full elimination implementation strategies can also be used in financial service settings. Each one of the four implications is discussed separately in the subsections that follow.

3.5.1 Predominance of Partial Elimination Strategies

The two most widely used elimination implementation strategies by the studied financial institutions involved the elimination of financial services from new potential customers, while the existing users were left unaffected by the elimination decision, a) either conditionally or b) unconditionally. The factor analytic solution classified these

two strategies under one factor, which was called *relationship elimination*. Due to the fact that in such cases a financial service continued to have an entity in the range after the implementation strategy was put forward, its elimination was partial and not full. This finding highlights different elimination implementation behaviour between the studied financial service setting and manufacturing settings. Therefore it contradicts the theoretical contributions, the early and the more-in-depth empirical research on product elimination, which specified that the intention of manufacturers at the implementation stage was to fully eliminate products and to erase them from the range catalogue (Alexander 1964; Kotler 1965; Rothe 1970; McSurely and Wilemon 1973; Avlonitis 1983b). Of course this could happen abruptly (i.e., with a quick drop strategy) or more gradually (i.e., with the phase out slowly strategy) but first and foremost the target was full elimination. The different elimination implementation target that this study identified largely confirms the work of Harness and Mackay (1997). The authors found that by leaving the existing customers unaffected, the target of British financial institutions during implementation was partial elimination. Finally, it is important to mention that the occasional non-empirical textbook references to the implementation of service elimination decisions (e.g., Palmer 1998) make no reference to the notion of partial elimination. This casts serious doubts on the usefulness of knowledge transfer from manufacturing to service settings, without prior empirical validation.

3.5.2 The Triggers of Partial Elimination: Obligation versus Choice

The factor analytic solution for the implementation strategies grouped the strategies that brought partial elimination under two factors namely *pseudo-elimination* and *relationship elimination*. As was explained in the previous sub-section, the latter factor comprised the two strategies that left existing users of a financial service

unaffected (conditionally or not) by its elimination. The in-depth interviews suggested that the application of these partial elimination implementation strategies was mainly driven by the fact that full elimination was not possible due to contractual/legal commitments of financial institutions. Thus, the reason behind such partial elimination is *obligation*. However, the pseudo-elimination factor comprised strategies such as service merging and service simplification. The in-depth interviews suggested that such partial elimination strategies were applied more due to a *choice* than due to contractual or other legal obligation of financial institutions. The existing empirical research on service elimination (Harness and Mackay 1997) explains partial elimination only by the legal/contractual barriers that hinder full elimination. Although the present study confirmed that explanation, it also identified a choice reasoning behind the use of partial elimination implementation strategies. It is believed that although the notion of partial elimination is an important theoretical implication for its own sake, it is equally useful to take account of the different motives behind partial elimination.

3.5.3 A Long-lasting Implementation Stage: The Need to Honour Existing Customers

The popularity of the implementation strategy that left the existing users of a financial service unconditionally unaffected by its elimination was the reason why financial institutions had to engage in a long-lasting implementation stage. During the in-depth interviews many financial institutions reported cases where they found themselves hooked by the contractual obligations to their customers, which they had to honour for up to 20, 30 and even 70 years after confirming the elimination decision and implementing it for new potential customers.

This finding has two important theoretical implications. First it shows that financial institutions have to adopt more favourable implementation behaviour for

existing than for new potential customers, which is mainly dictated by contractual obligations. This can be explained by the notion of ethics and fiduciary responsibility. At the end of the day the only guarantee in the hands of a customer who buys a long-tail financial service today is the promise from the financial institution to fully honour the resulting obligations in the future (Cartwright 1999). The above finding contradicts the research on product elimination, which provided no evidence of a different elimination implementation behaviour of manufacturing companies for the existing and the new potential customers of eliminated products. The second implication of this finding is that in an attempt to show ethical behaviour to existing customers, financial institutions were willing to keep the systems support for an eliminated financial service until the time when there was no more claim or obligation; a process that often could last too long. As far as the ethical aspect is concerned, while the present study supported Avlonitis (1983a) it largely contradicted Hise and McGinnis (1975) who found unethical implementation behaviour in the consumer-good companies of their sample, in terms that there was not even a spare parts policy to accommodate existing users of eliminated products. As far as the long lasting duration of the implementation stage is concerned, the present study contradicted the evidence from manufacturing settings, where the implementation of 80% of elimination decisions lasted less than one year (Avlonitis 1986a).

3.5.4 Full Elimination is Possible

Despite the fact that partial elimination was the main intention of the studied financial institutions in the implementation stage of the service elimination decision-making process, the present study indicated that full elimination was possible too. In particular the ‘drop immediately’ strategy was among the three most important

strategies both in the 112 benchmark elimination cases and in the general frequency of use. The in-depth interviews revealed that this full and abrupt elimination strategy was followed when a change in the legislative environment necessitated complete withdrawal of the entity of a financial service. In such cases the existing users were obligatorily migrated to similar financial services or they could go to other financial institutions. Although they did not use the same term, Harness and Mackay (1997) concluded that 'core product' elimination was one of the least popular implementation strategies because legal reasons hindered full and immediate elimination. In that respect the present study contradicted Harness and Mackay and indicated that the legal reasons that did not allow full elimination were also the ones that could sometimes dictate it.

3.6 Formality during Service Elimination Decision-Making

3.6.1 A Notably Informal Decision-Making Process

In this study overall formality during service elimination decision-making was conceptualised in a multi-dimensional way, consisting of the components of systematic behaviour, assignment of responsibilities and documentation. The findings showed that the studied British financial institutions were largely informal during the elimination decision-making process. This informality was mainly caused by a notable lack of clearly assigned service elimination responsibilities to individuals or functional areas and by an even more notable absence of written procedures pertaining to service elimination. In that respect the present study corroborated findings showing that manufacturers followed a largely informal product elimination decision-making process

(Rothe 1970; Banville and Pletcher 1974; Hise and McGinnis 1975; Greenley and Bayus 1994).

3.6.2 Formality as a Dynamic Dimension

Despite the notable informality at a descriptive level, at a contextual level the present study showed that service elimination formality is a very dynamic dimension. Instead of being inert to all contextual circumstances, the degree of overall formality varied in relation to contextual factors including the overall business strategy that financial institutions pursued, service diversity, method of delivery process of eliminated-to-be financial services, the adopted degree of market orientation, the requirements of the legislative environment and the rhythm of technological change. Moreover, it was shown that one contextual factor could have an influence of different strength (but of the same direction) on each one of the three components of overall formality, which is an indication of the latter's multi-dimensionality. In that respect the present study provided support to findings suggesting the dynamism of elimination formality in manufacturing settings (Avlonitis 1985d).

3.6.3 The Content of the Decision-Reaching Process is influenced by the Adopted Degree of Formality

The study showed that the financial institutions that adopted a greater degree of formality during the elimination decision-reaching process were actually putting more effort into reaching the elimination decision than did their less formal counterparts. Despite the fact that mere greater attention and effort may not necessarily result in better elimination decisions, it is certainly an indication of a more serious decision-

reaching approach. At a decision variable level, there were some discrepancies in the decision-reaching variables that differentiated the more from the less formal companies in the present setting and in manufacturing settings. In the previous chapter it was discussed that some of those differences are attributed to the special characteristics of services. However at a general level, by finding that greater formality boosted the decision-reaching effort of financial institutions, the present study provided support to Avlonitis (1985d) who detected a similar relationship and contradiction to Rothe (1970) who concluded that the content of the product elimination decision-reaching process was not influenced by the degree of formality that manufacturers adopted.

However, contrary to Avlonitis (1985d) the present study did not detect significant differences between the more and the less formal service elimination decision-making processes in the implementation stage of the elimination decision-making process. This could be interpreted as an additional indication that the elimination implementation behaviour of financial institutions has little in common with the implementation behaviour of manufacturing companies.

3.7 There can be a Future for initially Eliminated Financial Services

The product elimination literature (both conceptual and empirical) ceases discussion about elimination decisions immediately after the implementation stage and the burial of the eliminated products (e.g., Kotler 1965; Rothe 1970; Avlonitis 1983b). Although the limited empirical research on financial service elimination highlighted the extended duration of the implementation stage (and this study concurred), it ceased at that stage any further investigation about what happens next. In other words the present literature on product and service elimination considers eliminated products and services to be out of the range once and for all after their burial.

The evidence from the present study challenged the above approach, by finding that the implementation stage is not necessarily the *swan-song* for all eliminated financial services. For a variety of reasons including changes in the market circumstances and corporate objectives, a high level of customer complaints or progress in the degree of innovativeness that the market could accept, initially eliminated financial services can be re-marketed on a full scale. Despite the fact that re-marketing of initially eliminated financial services was only reported by the minority of the studied financial institutions, it is still an indication that research approaches that cease discussion at the implementation stage of the service elimination decision-making process may be myopic. Of course due to the fact that the elimination of financial services does not involve some 'hard' components of product elimination decisions (such as dismantling heavy and high-cost machinery equipment), the re-marketing of eliminated products may be more difficult. However, this is an issue worth investigating by future research on product elimination in manufacturing settings.

4. The Managerial Implications

Some of the theoretical implications that were discussed above may be interesting from a managerial angle too. However, this study has some particular implications for business practitioners in financial institutions.

4.1 Need to change Myopic Negative Attitudes towards Eliminating Financial Services

The studied financial institutions viewed service elimination as the least important activity of service range management and thus allocated to it the least amount

of corporate resources. There were three observed reasons that explained the above situation and that necessitate an attitudinal change. First, service elimination was viewed as a barrier to the future prosperity of the business. Second, service elimination did not receive the necessary support from top management. Third, service elimination conveyed the message of poor or ineffective management of the involved financial services.

4.1.1 Service Elimination is not a Barrier to Business Prosperity

There is a need to change the widespread belief (which was stated explicitly or implicitly by many interviewed managers during the in-depth interviews) that eliminating financial services is a process ultimately leading to the shrinkage and stagnation of the business, while developing new financial services is a process that enables its prosperity and growth. It was mentioned several times up to this point that it is not the thesis of the present study that service elimination should always have the highest position in the agenda of financial service range management. What the study argues is that the expansion and prosperity of financial institutions are subject to a combined and effective implementation of both NSD and service elimination. Under different organisational and environmental circumstances, service range expansion or rationalisation may be needed. The above negative myopic belief could have had a rationale in the 1970's, when British financial institutions had narrower service ranges and when the environment at that time supported their proliferation (Gatzoflias 1999). But if one considers that the trends in today's British financial services sector are consolidation, rationalisation and centralisation, little growth and prosperity potential can be offered by a further expansion of the already proliferated financial service ranges. It seems that today the usefulness of the process of service elimination is at its

highest and managers should acknowledge that eliminating financial services is not necessarily synonymous to shrinking the business. Practitioners and academics (Stevenson 1989b; Ennew 1995b) have long stressed the dangers of excessive financial service proliferation and the usefulness of a pruning mechanism. Pruning a garden does not mean shrinking it. Instead it may be a more effective way to expand it than the process of adding new plants.

4.1.2 Top Management should Welcome and Acclaim Service Elimination Proposals

Despite the calls of practitioners from the British financial services sector for top-management support for service elimination (Stevenson 1989a), the evidence of the present study indicated that this was not the case. Top management was often remote from the day-to-day problems of running the service range and was mostly concerned with how the latter could be expanded thus encouraging and rewarding proposals for NSD. Moreover top management's attention in service elimination was only secured at the decision-making stage, while no time was devoted to an understanding of the technicalities of the decision-reaching process. This neglect calls for a change in the attitudes of top management towards service elimination. In terms of service range health, financial institutions have a lot to gain if top management starts to firmly support proposals for service elimination and if it participates more actively in the elimination decision-reaching process. The latter improvements could motivate senior managers, junior managers and front-line employees to freely express their views about possible elimination of financial services.

4.1.3 Eliminated Financial Services are not necessarily Badly Managed

An observed tendency was that the individuals who were involved in the launch and the day-to-day management of financial services were negative towards their elimination because they believed that this would convey messages of ineffective management. This belief suggests an urgent attitude change. Although elimination decisions due to ineffective launch and management cannot be excluded, this is not the case necessarily. In today's turbulent British financial services sector product and marketing managers must understand that even the most carefully and successfully developed, launched and managed financial service can easily become a candidate for elimination due to competitive pressure, legislative changes, technological changes or a combination of the above forces.

4.2 Need for a more well-thought out Diagnostic Procedure during Analysis/Revitalisation

The findings indicated that the studied financial institutions followed a well-thought out and routinely conducted audit of their service range in order to identify candidates for elimination. However, once this task was accomplished the rest of the elimination decision-reaching process was the opposite in terms of routine conduction and structure and was often totally skipped. In particular, with regards to the analysis/revitalisation stage, financial institutions often ignored the diagnostic procedure, which enables the distinction between the symptom and the problem behind a financial service's deviant performance. Unfortunately this was not the case only when the problem was too obvious beforehand or too serious to rectify. It was also happening when the identification of the true reasons behind a deviant performance necessitated further investigation. In the latter cases however a more thoughtful

diagnostic procedure is necessary. Apart from distinguishing the symptom from the problem, the above process can help financial institutions in additional respects. First, it can reveal that elimination is not what is needed. Second it can help financial institutions to choose the right course of action to restore the deviant performance, thus not wasting resources in blindly and intuitively trying different remedial actions. Third, if one considers the interconnectedness of the steps of the elimination decision-making process, a well thought-out diagnostic procedure can indicate to financial institutions a) where they should focus attention when trying to evaluate the macro impact of possible elimination decisions and b) which is the most opportune elimination implementation strategy.

4.3 Need to Increase the Degree of Formality during Service Elimination Decision-Making

The present study conceptualised overall formality as a multi-dimensional concept, defined by the sub-dimensions of systematic behaviour, assignment of responsibilities and existence of written policies (documentation). The findings indicated that the degree of overall formality during service elimination decision-making was influenced by organisational and external environmental variables. It was also shown that the impact of the above predictor variables on the three components was of different strength than on the overall formality. This dynamism clearly indicates that it is not possible to suggest an optimum degree of formality during service elimination decision-making. Moreover, the observed tendency during the interviews was that financial institutions considered it an advantage to be able to adapt their degree of service elimination formality depending on the requirements of the individual elimination case.

The above notwithstanding, the findings also indicated that the studied financial institutions had been largely informal in the benchmark service elimination cases. It is believed that if financial institutions want to be able to cope with the dynamism of formality by sliding along its continuum, they must first have the formality infrastructure. Considering the fact that the notable service elimination informality that this study detected was primarily caused by lack of specifically assigned responsibilities and of written policies, it is suggested that financial institutions should pay more attention to these dimensions in order to establish an infrastructure for overall service elimination formality. The existence of such an infrastructure could benefit financial institutions in two ways. First, it will give them the ability to cope effectively with the different formality requirements of different elimination decisions. To illustrate if the organisational and environmental circumstances necessitate an extensively documented service elimination decision-making process, the financial institutions that already have an infrastructure for documentation can cope with the situation more effectively than the ones that will seek a documentation solution on a crisis basis. Second, but equally as important, an infrastructure for formality can provide financial institutions with a direction for future courses of elimination related action and with standardised record keeping about past elimination cases.

4.4 Greater Attention to the Post-Elimination Reviews

The findings indicated that the overwhelming majority of the studied financial institutions (two thirds of both the interviewed and surveyed companies) did not engage in a retrospective assessment of the appropriateness of elimination decisions. No matter how useful they perceive at first glance the conduction of post-elimination reviews, it is believed that it is to the advantage of financial institutions to conduct them on a regular

basis for two main reasons. The first reason is the unique characteristics of the implementation stage of the service elimination decision-making process. If manufacturing companies are able to close elimination cases after the implementation stage, financial institutions are not. Many elimination implementation strategies (including the most frequently used ones) bring only partial elimination and thus the involved financial services continue to have a presence after the implementation stage. Therefore, a retrospective monitoring of partial elimination decisions in financial service settings seems very relevant. The second reason is the possibility of re-marketing initially eliminated financial services. Financial institutions that conduct post elimination reviews are more likely to know the aftermath of elimination decisions and thus are more likely to implement a more efficient re-marketing, if and when the time comes. Moreover, by regularly conducting post-elimination reviews, financial institutions can proactively spot re-marketing opportunities.

5. The Limitations of the Findings

The new stream of empirical evidence that the present study generated must be viewed in the light of a set of limitations. Some of them have been already discussed in Chapter 4, which dealt with the research methodology. That discussion was mainly focused on the technical limitations of the research design. The discussion here focuses on the limitations of the findings and in particular on their generalisability in a) the British financial services sector, b) financial services sectors of other countries and continents and c) other services sectors in general.

- Many of the findings of the present study were compared and contrasted with the conceptual and empirical literature on product elimination, highlighting thus similarities and differences between elimination practice in manufacturing settings

and in the studied financial services setting. However, due to the very limited literature on financial service elimination, the bulk of the findings reported here were without a direct comparison basis. Therefore, with only few exceptions (e.g., problem situations and implementation strategies) it was not possible to say that the findings either contradict or support previous financial service-elimination related studies and conceptual propositions. This is considered to be an impediment to reaching a conclusion on the extent to which the elimination practice that this study revealed is different or similar to empirical studies based on other samples from the British financial services sector.

- The British financial services sector (with the City of London being its flagship) is undoubtedly one of the most advanced, dominant and influential financial services sectors worldwide. Moreover, the globalisation of the financial services industry, which is tremendously enabled by the Internet, results in financial institutions of different financially developed countries around the world having more similarities than differences. The above are two reasons to believe that the findings of the present study can have a certain degree of applicability in financial services sectors around the world, which are in a similar development stage as the British financial services sector. On the other hand the dynamism of the service elimination process and in particular the influence of the external environment suggest that generalisation of the present findings to other financial services sectors worldwide should be made with a certain degree of caution and certainly after having studied their history. To illustrate, a different competitive, legislative and technological environment is likely to result in different considerations during the service elimination process.

- Differences do not only exist between product and service sectors but also between different service sectors as well (Lovelock 1983). Thus the generalisation of the present findings in other British and overseas service sectors should be made with caution. It is unwarranted to assume that the content of the service elimination process in financial service sectors is going to be the same in the hotel or in the airline industry, to name just two service sectors. Moreover, it would be unsafe to assume without prior empirical investigation that the contextual impact on the content of the financial service elimination process is the same as in other service sectors.

6. Directions for Future Research

The discussion above aimed to inform the audience about the limitations concerning the internal and external generalisability of the findings of this study. One of the main causes of these limitations is that while there is a lot to research, service elimination is a very under-researched topic area. The directions for future research that this section discusses can be viewed under three headings: a) future research in the British and other overseas financial service sectors b) future research in other service sectors and c) future research on product elimination.

6.1 Future Research in Financial Services Sectors

The findings of the present study make the financial services sector the first service sector for which there is a systematic empirically based knowledge on the service elimination process. However, the latter's dynamism indicates that more

research in financial service settings is a necessary step towards concise theory development on service elimination.

6.1.1 Replication of the Present Study

Future research efforts could focus on a replication of this study in the British financial services sector and in financial services sectors of other countries and continents. If one considers that most of the aspects of the service elimination process were examined for the first time in this study, it becomes evident that the latter has 'prominent replication attributes' (Easley *et al* 2000, p. 91). The suggestion for replication does not imply that future research will not make a contribution. By contrast its contribution will be important because it can provide a) a further comparison basis for the similarities and differences between financial service elimination and elimination in manufacturing settings and b) an initial comparison basis for the financial service elimination process that this study described.

6.1.2 Expansion of the Content of the Financial Service Elimination Process

Future research efforts could focus on the expansion of the content of the service elimination process. The in-depth interviews of this study aimed to identify the content of the pre-elimination stage, of the service elimination decision-making process and of the post-elimination stage. Despite the attention that was placed in this task, the identified decision-variables may have been influenced by the interests and the knowledge limitations of the interviewed managers and thus cannot be considered to be exhaustive at this early stage of attempts to develop the empirically based knowledge on service elimination. The explanatory properties of the factor analytic procedure for each

step of the service elimination process (as they were illustrated in Chapter 6) indicated that there is room for additional decision-variables, which the present study did not account for. Therefore by using the content identified here as a benchmark, future research efforts can identify additional decision variables pertaining to the content of the service elimination process in financial services settings. Obviously the most appropriate research method for such a task are in-depth interviews.

6.1.3 Addition of more Contextual Variables in Future Conceptual Frameworks

While the examination of room for content expansion is an important future research direction, researchers should not become pre-occupied with that task because it tends to view service elimination as a static process. Instead they should continue to view and research service elimination as a largely dynamic process. Thus another future research direction concerns the enhancement of conceptual frameworks with additional organisational, service-specific and environmental contextual variables. As regards the organisational context, future research could operationalise variables that have an impact on managerial decision-making in general. Such variables could include employee commitment (e.g., Mowday and Steers 1979; Blau *et al* 1993), conflict (e.g., Kalleberg *et al* 1996), type of ownership and control (Pugh *et al* 1969) and past experience with service elimination, to name just a few. As regards the service-specific context, future research could operationalise constructs measuring the importance of elimination candidates to financial institutions and the social implications of the elimination of financial services. Different levels of importance of individual financial services and different degrees of severity in terms of social implications, may reveal different influences on important aspects of the service elimination decision-making process, such as the intensity of revitalisation attempts and of the evaluation of the

macro impact, the used elimination implementation strategies, the duration and the degree of formality of the decision-making process. Finally, as regards the context of the external environment, the variables of competition, legislation and technological change that were used in this study seem to be the most central forces of the political, economic and technological environment of financial institutions. Therefore it might be difficult for future researchers to identify and operationalise new environmental variables. However, if one considers that the competitive, legislative and technological environment evolve over time, it is still interesting to see what is the impact of the same three environmental variables on the elimination activities of British financial institutions over time. Moreover if future research takes place in other countries and continents, the operationalisation of the above three environmental variables will provide a comparison basis for the similarities and differences of the influence of the competitive, legislative and technological environment on the content of the service elimination process in the British and other overseas financial services sectors.

From the above discussion it is obvious that the enhancement of the empirically based knowledge on the contextual impact of the content of the service elimination process will be more meaningful if future research employs quantitative research methods. However, in terms of theory development it would be better if future quantitative approaches adopted an exploratory angle and focused on the investigation of the directionality, strength and significance of the contextual influence, rather than on hypothesis formulation and testing. The latter can be made more safely once the empirically based knowledge on the contextual impact on the content of the financial service elimination process becomes more substantial.

6.1.4 Customers as the Subjects of Future Research

The present study indicated that a very information-rich way to study service elimination in the financial services sector is by focusing on managers with past experience in service elimination decisions and with knowledge about their interdependency with other activities of financial service range management. Such experienced and knowledgeable information sources are the marketing managers or the marketing directors. However the findings also indicated that during the whole service elimination process financial institutions consider issues that have to do with the customer base. Not only that, in particular aspects of the process (i.e., problem situations, evaluation stage, implementation stage, duration determinants and post-elimination reviews) customer-related considerations are among the most important decision variables. This centrality of customer-related considerations is an indication that customers as research subjects can generate more new empirical evidence about service elimination in the financial services sector. Especially it would be interesting to make comparison of views, such as existing vs. new potential customers and corporate vs. retail customers. Apart from examining another angle of service elimination decisions, such empirical evidence can provide financial institutions with suggestions for improvement.

However, studying the customers of financial institutions is a research approach that involves two difficulties. First, there is a need to deviate from the basic product/service elimination decision-making process model and use conceptual frameworks that fit the viewpoint and the knowledge of customers, which essentially are going to be different from the viewpoint and knowledge of managers of financial institutions. Due to the fact that the empirical elimination literature (including the present study) studied the perspective of companies, the development of conceptual

frameworks fitting customer settings is a task involving intensive qualitative investigation. Second, there may be an access problem. Due to the fact that a meaningful investigation of the point of view of customers can be achieved by studying information-rich customers (i.e, ones who have experienced an elimination of financial services that they used) it involves financial institutions identifying such customers and granting access to them. If one considers the confidentiality issues, the latter may not be easily granted. However, the above potential problems should not discourage future research attempts.

6.2 Future Research in Other Service Sectors

In parallel with attempts to expand the empirically based service elimination knowledge in financial service sectors, future research should start shedding light on the elimination process in other sectors of the service industry in general. Despite the fact that the specific sectors to study will depend largely on the research interests of individual researchers, more information-rich empirical evidence could emanate from sectors that experienced service range proliferation and thus felt the need to engage in a rationalisation process. Such sectors include the civil aviation industry, which has made a spectacular shift from high-cost in flight service to less- and even no-frills flights. This sector is also highly legislated and fiercely competitive. In the early stages of empirical research in other service sectors, it would be better if researchers focused on one service sector at a time. This is essential for a step-by-step development of a literature on service elimination and is also the foundation for later comparative studies.

6.3 Future Research on Product Elimination

Although not vast, the literature on product elimination is of a substantial size and covers a diversity of aspects, which provided a comparison basis for many of the findings of the present study. The work of Avlonitis has been the most contribution towards shaping the literature on product elimination. Avlonitis showed a constant and not an occasional interest in product elimination decision-making and his work fed the literature with fresh empirical evidence for the era of the 1980's. However, as was mentioned in Chapter 3, one of the drawbacks of the product elimination literature (including Avlonitis' work) is that it is obsolete. From the 1980's until today many things have changed. While changes may concern the content of the product elimination decision-making process as well, they are more likely to concern the contextual impact on it, especially as the competitive and the technological aspects are concerned. This became obvious in some occasions during the present study, where it was not possible to conclude whether differences in the elimination practice between the studied setting and manufacturing settings were due to the special nature of financial services or due to the obsolescence of the product elimination literature. Therefore it is believed that there is a need to devote more research attention to refreshing the empirical evidence in manufacturing settings. This research attention should not be occasional but continuous and of course should research product elimination from a dynamic point of view, avoiding thus the going-back to the static conceptualisations of occasional research attempts that followed Avlonitis's work (i.e., Vyas 1993; Greenley and Bayus 1994). A steady stream of new empirical evidence from manufacturing settings, coupled with a systematic endeavour to develop a literature on service elimination will contribute significantly to the development of a concise elimination theory. This will provide the

premise to reach less tentative conclusions on a) the elimination practice in manufacturing and service settings and b) the cross-sector similarities and differences.

7. A Summary of the Study's Contribution to Knowledge

Before this study the only empirical evidence on service elimination concerned a) the triggers that can make financial services candidates for elimination (Harness *et al* 1998; Harness and Marr 2000) and b) the strategies to implement elimination decisions (Harness and Mackay 1997; Harness *et al* 1999). Even this limited empirical evidence had four important shortcomings. First, it was based on a very small sample of 23 British financial institutions. Second, the applied sampling method ignored characteristics of the totality of the population of British financial institutions. Third, it approached the process of service elimination in a spasmodic way, by focusing only on two isolated steps. Fourth, it approached service elimination in a static way, thus ignoring the contextual forces that could influence it.

Despite the methodological limitations, the limitations in the generalisability of the findings and the diversity of future research directions still open, the present study has made a clear and significant contribution to the infant literature on service elimination.

First, the process of service elimination was conceptualised and studied as a whole. This provides the first holistic stream of empirical evidence on the pre-elimination stage, the service elimination-decision making process and the largely neglected post-elimination stage in the British financial services sector.

Second, the sampling strategies for both the qualitative and quantitative phase of the data collection were chosen with the intention to make the research subjects as representative as possible of the population of British financial institutions, as this was

conceptualised here. This attempt should of course be viewed in the light of the non-probability limitation of purposive samples, the limitations of stratified random samples (e.g., random error) and the limitations of self-administered questionnaires (non-sampling errors, such as response, non-response errors).

Third, the pluralistic research approach enabled not only the identification of the content of the service elimination process, but also the measurement of the relative importance/frequency of its decision-variables.

Fourth, the research approach was based on the premise that, as with most managerial decisions, service elimination decisions are not made in a vacuum, and thus are not static. The conceptual framework operationalised a set of organisational, service-specific and external environmental variables, which proved to have a notable influence on the content of all the stages of the service elimination process.

In conclusion it is reiterated that this study, however significant, should only be viewed as the first step towards the development of a concise empirically based knowledge on service elimination. The amount of additional work that needs to be done can be materialised only if service elimination does not remain in the fringe of topic areas to-be-researched. It is strongly hoped that the findings, implications, concerns, limitations and future research directions that were reported in this study will provide the impetus for more empirical research into the important, but largely neglected, area of service elimination.

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Appendix 1

Discussion Guide

**University of Stirling
Faculty of Management
Department of Marketing**



Research Title: An Empirical Investigation into the Service Elimination Process in the British Financial Services Sector

Researcher: Paraskevas C. Argouslidis

Research Supervisor: Dr. Fiona McLean

**Interview Number:
Date:**

PART 1: Demographic Information

1. Company type:.....
2. Company name:.....
3. Number of branches/outlets in the UK:.....
4. Total Assets:.....
5. When was the company established?
6. What is the type of ownership of the company?
7. Is the company an independent firm or a subsidiary to a mother company?
8. Could you please tell me how many individual financial services (approximately) does your company market? (**Give definition of individual financial services**)

PART 2: Questions on Company's Service Range Management

(Read to interviewees) It has been suggested in the literature that service range management is a strategic function of service firms' management and comprises all the activities that have to do with the planning, the development, the delivery and the continuous evaluation of the services that service firms offer to the market. A carefully planned and implemented service range management is considered essential to service firms, as it helps them to keep their service ranges to the most up-to-date condition, considering the developments, changes and evolution of the circumstances of their internal and external operating environment. A well-balanced service range helps service firms to follow the developments in their industry and to meet the needs of their customers in a better way.

9. Could you please discuss the overall way in which you approach the management of your service range? For example, do you have a structured process that you follow in order to plan, extend, modify and screen your service range?
10. If no, how do you approach service range management in your company?
11. If so, are the activities of your service range management guided by formal procedures, for example written policies, assignment of responsibilities to specific functional areas/individuals, and written policies (documentation)?
12. What is the rate in which new financial services are introduced in your industry? (**Show Scale 1**)

Slow	2	3	Moderate	4	5	Rapid	7
1							

13. As far as the NSD function of the company is concerned, what is the rate in which you develop and launch new financial services in the market? (Show Scale 1)



14. On average how long does it take you to develop a new service?

15. During the last five-year period how many new services (approximately) did your company introduce to the market?

16. When did you last introduce a new service in the market?

17. Except for NSD, could you please name the other activities of your service range management function?

PART 3: Questions on the Service Elimination Process

3.1 General questions

Service elimination decision-making involves making a decision on whether or not it is in the best interests of a company to discontinue the marketing of existing services (**specify that reference is made to the elimination of core services and not to the elimination of supplementary services which surround a core service offering**).

18. Approximately how many financial services did you eliminate in your company in the last five-year period?

19. What is the condition of the service range of your company? (Is it proliferated, does it need any pruning or is it in a good condition?)

20. Are there any services in your service range that should have been already eliminated but which are still there (If yes why?)

21. Could you please give me a description of the company's service elimination activities? (Are they conducted haphazardly only when a problem with one or more services arises? Or would you characterise them systematically and periodically conducted activities?)

22. Could you discuss the process that you follow in order to make service elimination decisions? Is it a single, or a multi-step process?

23. What is the degree of formality that you would assign to the service elimination activities of your company? (Read definition of formality and show Scale 2)



- 24.** How would you see the relationship between the degree of formality and the quality of the reached elimination decisions?
- 25.** At which hierarchical level are service elimination decision made in your company?
- 26.** Could you please discuss how does the senior management of the company view service elimination?
- 27.** In your company do you allocate adequate resources (human, monetary and temporal) to service elimination?
- 28.** In your company do you see service elimination as an integral part of service range management activities?
- 29.** In your company compared to NSD, how would you characterise service elimination in terms of importance?

3.2. Questions on the Content of the Service Elimination Process

3.2.1 The Pre-Elimination Stage

3.2.1.1 Service Elimination Objectives

- 30.** What are the objectives that your pursues in your company by the service elimination?

3.2.1.2 Problem Situations Making Financial Services Candidates for Elimination

- 31.** What are the problem situations that could make you think that a financial service should be considered to be a candidate for elimination?

3.2.2 The Service Elimination Decision-Making Process

3.2.2.1 Service range auditing for Identification of Candidates for Elimination

32. Do you have any auditing mechanism with which you screen and evaluate the performance of all the financial services of your company's range on a regular basis in order to identify candidates for elimination?

33. If no, how do you evaluate the performance of your financial services?

34. If yes, how frequently do you audit your service range?

35. Are there any individuals or functional areas of the company with responsibility for service range auditing?

36. If yes, which are these functional areas/individuals?

37. Do you have any kind of audit criteria that you use in order to evaluate the performance of individual financial services?

38. If no, what are you using as benchmark to evaluate the performance of financial services?

39. If yes, what are these audit criteria?

(For every audit criterion that is identified, discuss

- a) how often it is used
- b) whether it is interpreted as just a warning signal or as a red-flag
- c) its importance in making financial services candidates for elimination

40. Are there any problems that surround the service range auditing process in your company or any further comments you wish to make at this point?

3.2.2.2 Analysis of Candidates of Elimination and Remedial Actions

41. If during the service auditing process you find that the performance of one or more financial service deviates from your objectives or minimum performance standards, do you conduct any analysis in order to find out which are the causes behind the deviant performance?

42. If no, why? (Go to Question 44)

43. If yes,

- a) is the analysis guided by written procedures?
- b) which functional areas are involved in the analysis process?
- c) what are the areas of the firm in which you conduct investigation in order to find out what are the reasons behind a financial service's deviant performance?

44. Do you try to implement any remedial actions in order to restore a service's poor performance or you continue your elimination decision-making process without considering any remedial action?

45. If no, why don't you consider any remedial actions? (**Go to Question 49**)

46. If yes, could you please identify the remedial actions that you are using?

47. (Applicable only when an analysis takes place)

During the stage does any kind of conflict arise between organisational participants?

48. If yes,

- a) what are the main reasons for conflict?
- b) between which organisational participants does conflict most often arise?
- c) is the conflict positive (i.e. constructive) or negative (i.e. conflict for conflict)?

49. Are there any problems surrounding the analysis and revitalisation stage of the service elimination decision-making process in your company or any further comments you wish to make at this point?

3.2.2.3 Evaluation and Decision-Making

50. After having identified the cause behind a financial services deviant performance and/or having concluded that no corrective action is feasible or possible to restore that deviant performance, do you conduct an evaluation in order to find out what will be the impact of a possible elimination decision on the business as a whole?

51. If no, why? (**Go to Question 57**)

52. If yes, is the evaluation process guided by written procedures?

53. Which functional areas/individuals of your company are involved in the evaluation process?

54. Which are the evaluation factors/criteria that you consider in your company in order to assess the more global/macro impact of the possible elimination of individual financial services? (for each evaluation factor/criterion that is identified, discuss

- a) what is its weight/importance in making an elimination/retention decision
- b) whether it has ever forced the company to retain a financial service instead of eliminating it.

55. Does any conflict arise between the different participants at this stage of the elimination decision-making process? (**If no Go to Question 61**)

56. If yes,

- a) what are the usual reasons for conflict?
- b) between which organisational participants does conflict most often arise?

c) is the conflict positive (i.e. constructive) or negative (i.e. conflict for conflict)?

57. In your company does any individual or functional area hold formal authority to make elimination/retention decisions?

58. If no, who makes those decisions? (**Go to Question 61**)

59. If yes, who has formal elimination/retention decision-making authority?

60. Could you please give an indication of the duration of the elimination decision-reaching process? What are the factors that determine that duration?

61. Are there any problems surrounding the evaluation and decision-making stage or any further comments you wish to make at this point?

3.2.2.4 Implementation of the Elimination Decisions

62. In your company do you assign to any functional area or individual the task to deal with the technicalities implementation of the implementation of elimination decisions?

63. If no, how do you go about implementing elimination decisions?

64. If yes, who is assigned with that task?

65. Do you try to ensure that everyone in the company knows about elimination decisions?

66. If no, why? (**Go to Question 68**)

67. If yes,

- a) are there any particular functional areas which are informed first?
- b) What are the means of information diffusion?

68. How frequently do you use each of the following suggested elimination implementation strategies and how well does each of the following strategies apply to the elimination practices in your company?

- Drop immediately (i.e., the service is completely eliminated and has no further form of existence or entity in the firm)
- Eliminate the service from new customers, but leave the existing customers unaffected
- Eliminate the service from

- new customers, but existing customers cannot purchase additional units
- Eliminate the service from some customer segments, but keep it open for other customer segments
- Eliminate, not the core service, but some service features (service simplification)
- Eliminate a service, but keep its name and introduce a new service with the same name but of different nature and function to the eliminated one
- Eliminate a few services as individual offerings and create a new amalgamated service (service merging)
- Phase-out a service slowly, in order to capitalize upon some additional sales from loyal customers
- Eliminate a service and sell it out to another firm
- Drop a service from the standard range and re-introduce it as a special, charging a premium price

69. Are there any additional elimination strategies which you use in your company and which were not discussed above?

70. Before implementing the elimination decision do you keep your customers informed?

71. If no, why? (Go to Question 73)

72. If yes,

- how do you keep them informed?
- do you usually experience any complaints?

If yes,

- what was the nature of those complaints?
- how do you deal with these complaints?

73. Could you please discuss the importance that you place on the way in which your customers will be affected by a decision of your company to eliminate a financial service?

74. Do you try to find out which are those customer segments that will be mostly affected by a decision of your firm to eliminate a financial service?

75. If yes, do you take any measures to compensate them for any possible inconvenience caused? Can you specify some measures?

76. Are there any problems surrounding the implementation of elimination decisions or any further comment you wish to make at this stage?

3.2.3 The Post-Elimination Stage

3.2.3.1 Post-Elimination Reviews

77. When you have concluded the implementation of the elimination of a financial service do you have any mechanism to evaluate/assess the success/appropriateness of elimination decisions from a retrospective angle?

78. If no, please specify the reasons.

79. If yes, what are the dimensions used for the retrospective assessment of elimination decisions?

3.2.3.2 Re-marketing of Previously Eliminated Financial Services

80. Have you ever faced the need to resume marketing initially eliminated financial services? (If no go to Question 82)

81. If yes, for what reasons/circumstances did you make a re-marketing decision?

3.3 Conclusion

82. In the future how do you see service elimination in your firm? (any foreseeable developments or changes).

83. Have you got any concluding comments?

Appendix 2

**The Cover Letter and Answer Slip to Approach Financial Institutions
during the In-depth Interview Phase**

XXX Plc
Address Details
For the attention of Mr. Peter Smith

December 3, 1999

Dear Mr. Smith,

Ref.: Academic Research on Service Elimination Decision-Making in the British Financial Services Sector.

My name is Paris C. Argouslidis and I am a Ph.D. student in the department of marketing of Stirling University. Following our recent telephone discussion I am sending you this letter, as agreed, in order to let you know about the academic research that I am conducting and in order to kindly invite you to participate. Please give a few minutes of your time to read this letter.

The research that I am conducting is on the procedures and activities that the British financial institutions follow when they want to discontinue the production and marketing of one or more of the financial services that they have in their range. This is what is called the Service Elimination Process.

Over the last decades extensive academic research has been conducted on how service firms develop and market new services. However, it has become evident to many service firms that an unquestionable engagement in New Service Development could result in a rapid proliferation of their service ranges, with all the negative consequences that such policy entails (e.g., high cost, loss of the individual character of some services and service cannibalisation).

One way in which service firms can rationalise their service ranges and keep them to the most up-to-date condition, is by systematically screening and, when necessary, pruning them.

With my research I intend to study the service elimination process in the British financial services sector. I am currently planning the initial phase of my data collection process and it would be of great help to me if I had your company in my sample.

For the purposes of the initial phase of the data collection for the study, it was felt most appropriate to conduct in-depth interviews with managers. Therefore, I kindly wanted to invite you to participate in my research. In such case I could visit your offices and have a discussion with you, which will not take more than 1½ hours.

I wanted to assure you that this research is not funded by any private or public market research organisation and that full anonymity and confidentiality of the information that your company will provide is granted.

I would, thus, ask you to complete and return the attached slip (using the stamped envelope that I have enclosed) indicating your willingness, or otherwise, to participate in this research. If your answer is favourable, I will then contact you to confirm the date and the time that you will suggest for an interview.

I wanted to let you know that your participation in my research is vital for the successful completion of my Ph.D. thesis.

Thanking you in advance for your attention, I am looking forward to your response and cooperation.

Yours faithfully

Paris C. Argouslidis
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University of Stirling FK9 4LA
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e-mail: paris.argouslidis@stir.ac.uk

Answer Slip

Please tick as appropriate

I do wish to participate in the research •

I do not wish to participate in the research •

Name of the company.....

Person to contact.....

Telephone Number:

Suggested date for interview:.....Time:.....

Thank you.

Appendix 3

The Survey Questionnaire



Survey on Service Elimination Decision-Making in the British Financial Services Sector

General Instructions

1. The aim of this academic survey is to understand the service elimination process in the British financial services sector.
2. Questions are grouped into three parts.
 - a) The first part includes three demographic questions.
 - b) The second part includes questions about your company's service elimination policies and practices.
 - c) Finally, the third part includes questions on variables of your company's internal and external environment (e.g. market orientation, technological change, competition). It has been hypothesised that such environmental factors influence a company's service elimination decision-making process.
3. The questionnaire is very easy to fill. If you have concerns about the "right" answer to a question, please just answer as best as you can.
4. All information that your company will provide will remain fully anonymous and strictly confidential. If you would be interested in receiving a report with the main conclusions and recommendations of this survey, please provide your details below or enclose your business card in the return envelope.

Company Name: _____

For the attention of: _____

Address: _____

Part I: Demographics

Q1. By ticking the appropriate box, please indicate the type of your company.

- Bank
 Building Society
 Insurance Company

Q2. What are the total assets of your company in the latest balance sheet? Please specify below in £ million.

Q3. What is the approximate number of financial services that your company has in its service range? Please specify below.

(A financial service is defined as an offering with individual stance within the service range. For example, if a company offers 5 different current accounts, 10 different pension products and 5 different mortgage products, the total number of financial services in the range is 20.)

Q4. How many financial services (approximately) have you eliminated from your service range in the last 5-year period? Please specify a number below.

Part II: Questions Relating to the Service Elimination Decision-Making Process

NB: In this study Service Elimination is defined as the withdrawal from your company's service range of individual financial services, such as elimination of a current account, of a pension product or of a mortgage product (these names are just examples).

Please try to recall a recent service elimination decision that was made in your company and answer the rest of the questions in this part with regards to this specific elimination case.

Q5. Please consider the following objectives that companies may want to achieve by eliminating a financial service. By circling the appropriate number on the scale below, please indicate the extent to which each of the listed objectives guided the specific service elimination case that you have chosen to discuss.

	Not at all	Moderately					To a great extent
		1	2	3	4	5	
a. Improvement of financially-related indicators (e.g profitability, ROI, cost of running the service range)	1	2	3	4	5	6	7
b. Rationalisation of the service range to control cannibalisation	1	2	3	4	5	6	7
c. Rationalisation of the service range to minimise customer confusion	1	2	3	4	5	6	7
d. Concentration of the corporate resources on what can be done best (variety reduction)	1	2	3	4	5	6	7
e. Keep the service range to the most up-to date condition	1	2	3	4	5	6	7
f. Other (please specify) _____	1	2	3	4	5	6	7

Q6. Listed below is a set of **problem situations** that can trigger a company to examine a financial service for possible elimination. By circling the appropriate number on the scale below, please indicate **how important** was each of the problem situations in stimulating your company to initiate the elimination process in the specific service elimination case that you have chosen to discuss.

	Of no importance	Of moderate importance	Of extreme importance				
a. Declining profitability	1	2	3	4	5	6	7
b. Declining customer demand and customer rejection	1	2	3	4	5	6	7
c. Service obsolescence	1	2	3	4	5	6	7
d. Legislative changes and new regulations	1	2	3	4	5	6	7
e. Incompatibility with current corporate focus	1	2	3	4	5	6	7
f. Changed business positioning	1	2	3	4	5	6	7
g. Technical problems with the delivery process	1	2	3	4	5	6	7
h. A person with a vital role in the delivery process left the company	1	2	3	4	5	6	7
i. Other (please specify) _____	1	2	3	4	5	6	7

Q7. Listed below is a set of **audit criteria** that can be used to identify financial services as elimination candidates. On the scale below, please indicate **how important** was each one of the listed criteria for the identification as an elimination candidate of the specific eliminated service that you have chosen to discuss.

	Of no importance	Of moderate importance	Of extreme importance
a. Sales volume	1	2	3
b. Market share	1	2	3
c. Profitability	1	2	3
d. Market growth potential	1	2	3
e. Service position on the life cycle curve	1	2	3
f. Activities of competitors	1	2	3
g. Operational problems (e.g., problems with the design, the blueprinting, the delivery process of a service)	1	2	3
h. Customers' perceptions	1	2	3
i. Other (please specify) _____	1	2	3

Q8. Once a financial service has been identified as an elimination candidate, there are **actions** that can be undertaken in order to **revitalise** the service. On the scale below, please indicate **how important** was each of the listed remedial actions in revitalising the specific eliminated service that you have chosen to discuss.

	Of no importance 1	2	3	Of moderate importance 4 5		Of extreme importance 6 7	
				4	5	6	7
a. Modifications/improvements in some of the service's attributes/characteristics							
b. Modifications in the service's cost structure	1	2	3	4	5	6	7
c. Modifications in the price of the service	1	2	3	4	5	6	7
d. Increase the effort of the sales force and customer-contact personnel	1	2	3	4	5	6	7
e. Train in a better way the sales force and customer-contact personnel	1	2	3	4	5	6	7
f. Modifications in the promotion/communications strategy	1	2	3	4	5	6	7
g. Modifications in the service delivery process	1	2	3	4	5	6	7
h. Other (please specify) _____	1	2	3	4	5	6	7

Q9. Before making an elimination decision, companies can **evaluate the impact** that such a decision could have upon various areas of the business. On the scale below, please indicate **how important** was each of the listed evaluation factors, in terms of **their impact upon your final decision** in the specific elimination case that you have chosen to discuss.

	Of no importance 1	2	3	Of moderate importance 4 5		Of extreme importance 6 7	
				4	5	6	7
a. Impact on the sales of other services (cross-selling)							
b. Impact on the profitability of other services	1	2	3	4	5	6	7
c. Impact on the relationship with customers	1	2	3	4	5	6	7
d. Impact on the corporate image	1	2	3	4	5	6	7
e. Impact upon full-line policy (i.e. policy to offer a full range of services)	1	2	3	4	5	6	7
f. Impact on human resources and employee relationships	1	2	3	4	5	6	7
g. Benefits that competitors can develop as a result of the elimination of the service	1	2	3	4	5	6	7
h. Extent to which a similar service exists in the market to satisfy the needs of customers	1	2	3	4	5	6	7
i. Likelihood of an organised intervention (e.g. negative press releases, adverse government reaction etc.)	1	2	3	4	5	6	7
j. Other (please specify) _____	1	2	3	4	5	6	7

Q.10 Once a company has made the elimination decision, there are strategies that can be used to implement it.

- By ticking the appropriate box(es), please indicate which strategy (or which strategies) you used in your company to **implement the specific elimination decision** that you have chosen to discuss.
- On the 7-point scale, please indicate **how frequently** do you use each one of the listed strategies in order to implement elimination decisions in general.

Implementation Strategies	(a) Please tick only the one(s) that you used in the chosen case	(b) General Frequency Scale						
		Very rarely	Average			Very frequently		
a. Drop immediately (i.e., the service is completely eliminated and has no further existence or entity in the company)		1	2	3	4	5	6	7
b. Eliminate the service from new customers, but leave the existing customers unaffected		1	2	3	4	5	6	7
c. Eliminate the service from new customers, but existing customers cannot purchase additional units		1	2	3	4	5	6	7
d. Eliminate the service from some customer segments, but keep it open for other customer segments		1	2	3	4	5	6	7
e. Eliminate not the core service, but some service features (service simplification)		1	2	3	4	5	6	7
f. Eliminate a service, but keep its name and introduce a new service with the same name but of different nature and function to the eliminated one		1	2	3	4	5	6	7
g. Eliminate a few services as individual offerings and create a new amalgamated service (service merging)		1	2	3	4	5	6	7
h. Phase-out a service slowly, in order to capitalise upon some additional sales from loyal customers		1	2	3	4	5	6	7
i. Eliminate a service and sell it to another company		1	2	3	4	5	6	7
j. Drop a service from the standard range and re-introduce it as a special.		1	2	3	4	5	6	7

Q11. Once you implemented the elimination of the specific financial service that you have chosen to discuss, did you conduct a **post-elimination review** in order to assess **retrospectively** the success/appropriateness of this specific elimination decision?

- Yes, we conducted a post-elimination review (If yes, please go to Q12 and then Q14)
 No, we did not conduct a post-elimination review (If no, please go to Q13 and then Q14)

Q12. On the scale below, please indicate **how important** was each one of the following factors in your company's **retrospective assessment** of the success/appropriateness of the specific service elimination case that you have chosen to discuss.

	Of no importance 1	2	3	Of moderate importance 4		5	6	Of extreme importance 7
				4	5			
a. Extent to which operational problems were solved								
b. Actual cross-selling impact	1	2	3	4	5	6	7	
c. Actual level of customer complaints	1	2	3	4	5	6	7	
d. Sales of the service that replaced the eliminated one	1	2	3	4	5	6	7	
e. Profitability of the service that replaced the eliminated one	1	2	3	4	5	6	7	
f. Customer retention rates	1	2	3	4	5	6	7	
g. New customer acquisition rates	1	2	3	4	5	6	7	
h. Customers' view of the company	1	2	3	4	5	6	7	
i. Propensity of existing customers to do incremental business with the company	1	2	3	4	5	6	7	
j. Other (please specify) _____	1	2	3	4	5	6	7	

(Please go to **Q14.**)

Q13. What were the reason(s) for you **not conducting** a post-elimination review? Please tick as many alternatives as appropriate to your elimination case.

- Because the success/appropriateness of the elimination decision was very obvious
- Because the elimination decision was irrevocable
- Because the existing customers were not affected by the elimination of the service
- Because there was an aversion to deal with this elimination case any further
- Other (please specify) _____

(Please continue with **Q14.**)

Q14. With regard to the specific service elimination case, please specify the **duration** of the following activities:

a. The time that elapsed from the moment you initially identified the financial service as an elimination candidate, until the moment you finally confirmed your decision to eliminate it from your service range

_____ months

b. Once you confirmed your decision to eliminate the financial service, the time that elapsed until you 'closed' this financial service to new potential customers

_____ months (cont...)

c. Once you confirmed your decision to eliminate the financial service, **the time that elapsed until you 'closed' the service to its existing customers/users**

_____ months

Q15. On the scale below, please indicate **how important** was each of the following factors in determining the duration of the elimination process (**from identification to decision-making**) for the specific service that you have chosen to discuss.

	Of no importance	2	3	4	5	6	7	Of extreme importance
a. Reason that triggered the elimination in the first place	1	2	3	4	5	6	7	
b. Seriousness of the problem with the service	1	2	3	4	5	6	7	
c. Sensitivity and impact upon existing customers	1	2	3	4	5	6	7	
d. Sensitivity and impact upon new customers	1	2	3	4	5	6	7	
e. Importance of the service to the company	1	2	3	4	5	6	7	
f. Behaviour of competitors	1	2	3	4	5	6	7	
g. Availability of a replacement product	1	2	3	4	5	6	7	
h. Other (please specify) _____	1	2	3	4	5	6	7	

Q16. By ticking the appropriate box, please indicate the **method of the delivery process** of the specific financial service that you eliminated. Please tick **only one alternative**.

a. Customers visited our company to use the financial service	<input type="checkbox"/>
b. Our company visited the customers	<input type="checkbox"/>
c. Our company and customers were transacting at arm's length (telephone, mail, e-mail, internet)	<input type="checkbox"/>

Q17. What was the **type** of the eliminated service? Please tick as appropriate.

a. Retail financial service (i.e., sold to the mass market)	<input type="checkbox"/>
b. Corporate financial service (i.e., sold to corporate customers, such as business organisations)	<input type="checkbox"/>

Q18. Which of the following functional areas a) **initiated the elimination decision**, b) **collected and analysed elimination related information** and c) **made the decision** in the specific elimination case that you have chosen to discuss? Please rank the involved areas (1st, 2nd, 3rd....) in terms of the importance of their say in each one of the three phases of the service elimination decision-making process.

Functional Areas	Initiation	Collection and Analysis of Information	Decision-Making
a. The manager of the eliminated service			
b. Finance-Actuarial			
c. Sales area			
d. Marketing			
e. Customer-contact personnel			
f. Administrative staff (cont..)			

Functional Areas	Initiation	Collection and Analysis of Information	Decision-Making
g. Management committee			
h. General manager			
i. Managing director			
j. CEO-President			
k. Board of Directors			
l. Other (please specify) _____			

Q19. This question refers to the **formality** of your service elimination decisions **in general**. On the scale below, please indicate the extent to which each of the following activities is indicative of what is happening in your company during the service elimination decision-making process.

	Absolutely False 1	2	3	Neutral 4	5	6	Absolutely True 7
a. The performance of all our services is reviewed regularly and systematically, in order to identify possible problems							
b. We have explicitly defined audit criteria against which we evaluate the performance of our services							
c. For each audit criterion we have explicit minimum performance standards. Services not meeting them become elimination candidates							
d. We initiate elimination activities only when problems develop with particular services							
e. Responsibility for service elimination has been clearly assigned in our company							
f. Service elimination decisions are guided by a written procedure							
g. No specific elimination responsibilities have been assigned. Elimination decisions are made through informal conversations and activities							
h. A standard form (document) is used to reach elimination decisions							
i. A standard form (document) is used to implement elimination decisions							

Q20. Have you ever faced the need to **re-market** a financial service that you had eliminated initially in your company?

- Yes (Please go to Q21 and then Q22)
 No (Please go to Q22)

Q21. Listed below are some reasons why a company may decide to **re-market an initially eliminated financial service**. On the scale below, please indicate **how frequently** each reason has triggered your company to re-market a financial service that you had initially eliminated.

		Average						
	Very rarely	1	2	3	4	5	6	Very frequently
a. A change in the market circumstances								
b. A very high level of customer complaints		1	2	3	4	5	6	7
c. The service was very innovative when it was first introduced		1	2	3	4	5	6	7
d. A change in the corporate objectives		1	2	3	4	5	6	7
e. Other (please specify) _____		1	2	3	4	5	6	7

(Please continue with **Q22.**)

Part III: Questions Relating to the Internal and External Environment of your Company

Q22. With regards to the **overall business strategy**, which of the following alternatives best characterises your company? Please tick **only one** alternative.

- Cost reducer** (where the primary focus is on how the costs of producing and delivering financial services can be reduced)
- Fast imitator** (where the company waits for competitors' actions and reacts systematically in a fast way)
- Slow imitator** (where the company waits for competitors' actions and reacts in a cautious manner)
- Technological innovator** (where the company is systematically first in the market and first in the application of new technology)

Q23. This question refers to your company's **market orientation**. On the scale below, please indicate the extent to which each of the 13 activities happens in your company.

	Not at all 1	2	3	To a moderate extent 4		5	6	To an extreme extent 7
				4	5			
a. Our sales people regularly share information within our company concerning competitors' strategies								
b. Our business objectives are driven primarily by customer satisfaction	1	2	3	4	5	6	7	
c. We rapidly respond to competitive actions that threaten us	1	2	3	4	5	6	7	
d. We constantly monitor our level of commitment and orientation to serving customers' needs	1	2	3	4	5	6	7	
e. Our top managers from every function regularly visit our current and prospective customers	1	2	3	4	5	6	7	
f. We freely communicate information about our successful and unsuccessful customer experiences across all business functions	1	2	3	4	5	6	7	
g. Our strategy for competitive advantage is based on our understanding of customers' needs	1	2	3	4	5	6	7	
h. All of our business functions are integrated in serving the needs of our target markets	1	2	3	4	5	6	7	
i. Our business strategies are driven by our beliefs about how we can create value to customers (cont...)	1	2	3	4	5	6	7	

(Market orientation cont...)

	Not at all		To a moderate extent			To an extreme extent	
	1	2	3	4	5	6	7
j. We measure customer satisfaction systematically and frequently							
k. Top management regularly discusses competitors' strengths and weaknesses	1	2	3	4	5	6	7
l. All of our managers understand how everyone in the business can contribute to creating customer value	1	2	3	4	5	6	7
m. We target customers where we have an opportunity for competitive advantage	1	2	3	4	5	6	7

Q24. Listed below are different **types of competition**. On the scale below, please indicate **how intense** is each type of competition **for your company**.

	Not intense at all		Moderately intense			Extremely intense	
	1	2	3	4	5	6	7
a. Price competition							
b. Service attributes competition (i.e., adding supplementary attributes to a core service)	1	2	3	4	5	6	7
c. Promotional/Advertising competition	1	2	3	4	5	6	7
d. Delivery process competition	1	2	3	4	5	6	7
e. Technology competition	1	2	3	4	5	6	7
f. Other (please specify)_____	1	2	3	4	5	6	7

Q25. This question is about the **legislative environment** in the British financial services sector. On the scale below, please indicate the **intensity** of each of the listed areas of legislation.

	Not intense at all		Moderately intense			Extremely intense	
	1	2	3	4	5	6	7
a. Price legislation (e.g., concerning mandatory price levels etc.)							
b. Service design legislation (e.g., concerning the attributes of a service etc.)	1	2	3	4	5	6	7
c. Distribution channel legislation (e.g., concerning the appropriate channels for distributing a service etc.)	1	2	3	4	5	6	7
d. Delivery process legislation (e.g., concerning the appropriate method for delivering a service)	1	2	3	4	5	6	7
e. Expansion legislation (e.g., concerning the plans of a company to expand to new domestic or international markets etc.)	1	2	3	4	5	6	7
f. Promotional/Advertising legislation (e.g., concerning the content of communications strategy etc.)	1	2	3	4	5	6	7
g. Other (please specify)_____	1	2	3	4	5	6	7

Q26. This question refers to the **rhythm of technological change** in the British financial services sector. By circling the appropriate number on the 7-point scale, please indicate your **agreement or disagreement** with the following statements.

	Strongly disagree	Neutral					Strongly agree
		1	2	3	4	5	
a. The advent of new technologies in our industry is increasing							
b. Technological advancements are a driving force in our industry	1	2	3	4	5	6	7
c. A lot of the industry's new financial services owe their existence to technological developments	1	2	3	4	5	6	7
d. In our industry technological advancements can make existing financial services obsolete very quickly	1	2	3	4	5	6	7
e. In our industry there is no need to develop new financial services in order to replace technologically obsolete ones	1	2	3	4	5	6	7
f. The distribution channels in our industry are changing as a result of technological developments	1	2	3	4	5	6	7
g. In our industry there is no need to engage in R&D in order to keep up with technological advancements	1	2	3	4	5	6	7
h. The productivity in our industry is increasing as a result of technological change	1	2	3	4	5	6	7
i. In our industry the service delivery processes for many financial services are increasingly becoming more capital intensive	1	2	3	4	5	6	7
j. In our industry back-office and front-office operations are becoming increasingly automated	1	2	3	4	5	6	7

Q27. Listed below are four activities of service range management. Please rank them (i.e., 1st, 2nd, 3rd, 4th), a) in terms of each activity's **relative importance** to your company's service range management and b) in terms of the overall corporate resources (temporal, monetary and human) **allocated** to each activity.

	Ranking for relative importance	Ranking for resource allocation
Planning and developing new services	_____	_____
Improving/upgrading/modifying existing services	_____	_____
Developing new markets for existing services	_____	_____
Eliminating existing services	_____	_____

Thank you very much indeed for your time and your kind participation to this Ph.D. research.

Appendix 4

The Cover Letter to Approach Financial Institutions in the Survey Phase

For the attention of the Marketing Manager
XXX Ltd
Address details

Stirling June 10, 2000

Dear Sir/Madam,

Ref.: Academic Research on Financial Service Elimination Decision-Making

In the last decade British financial institutions have been operating in a dynamic environment, characterised by unprecedented scale of deregulation, accelerating technological change, intensifying competition and a need to reduce the costs of running financial services ranges.

Financial service elimination could well be an important aspect of the right response to such environmental conditions, as it can 'clean' the service range from technologically obsolete, high-cost, cannibalising and other types of problematic financial services.

However, little is known about the way in which British financial institutions approach service elimination decision-making.

In order to gain an in-depth understanding of this type of managerial decision, I am undertaking this survey for my Ph.D. degree in Marketing in the University of Stirling. I would appreciate if you could share your knowledge with me. Enclosed you can find my research questionnaire, which I would kindly like to ask you to complete and return back to me. Please make use of the **response envelope** that I have enclosed for your convenience.

The completion process will take you between 30 to 45 minutes approximately. I strongly believe that you will find the questionnaire **interesting** and **stimulating**, as it is the outcome of in-depth interviews with middle and senior managers of financial institutions from the British financial services sector. I wanted to assure you that all responses will be treated **strictly anonymously and confidentially**.

Your response is **vital** for the analysis stage of this survey and for the completion of my Ph.D. The least I can do to thank you for your help is to send you a summary of the conclusions and managerial implications of the research.

Thanking your in advance for your time and attention, I really look forward to obtaining your response at your earliest convenience.

Yours sincerely

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Appendix 5

Intercorrelations between Overall Market Orientation and Components (Pearson Correlation Coefficients)

	Overall Market Orientation	Customer Orientation	Competitor Orientation	Interfunctional Coordination
Overall Market Orientation	1.0			
Customer Orientation	.892**	1.0		
Competitor Orientation	.825**	.580**	1.0	
Interfunctional Coordination	.876**	.682**	.604**	1.0

* p< .10
 ** p< .05
 *** p<.01

NB.: It can be seen in the correlation matrix above that the variable of Overall Market Orientation was highly correlated with its three components namely Customer Orientation, Competitor Orientation and Interfunctional Coordination ($r=.892$; $.825$; $.876$ respectively). For that reason it was felt appropriate to exclude Overall Market Orientation from the regression procedure. This decision was made because the strength of the correlation coefficients of Overall Market Orientation with its three components was at the Level III in Mason and Perreault's (1991) collinearity matrix (p. 272) and was high enough to cause Type II errors (i.e, failure to detect some significant predictor variables), which in turn could raise multicollinearity problems in the regression models. On the same rationale, however, it was decided to include in the regression models the three components of Overall Market Orientation. The strength of the correlation coefficients between the three components was at the lower Level II in Mason and Perreault (1991) collinearity matrix and (given that the sample size was greater than 100) it was less likely to raise multicollinearity problems.

Appendix 6

Intercorrelations between the Eight Metric Contextual Independent Variables that were included in the Regression Models

	Size	Service Diversity	Market Competition	Legislation	Technological Change	Customer Orientation	Competitor Orientation	Interfunctional Coordination
Size	1.0							
Service Diversity	.248**	1.0						
Market Competition	.124	.134	1.0					
Legislation	.083	.029	.279**	1.0				
Technological Change	.239*	.098	.443**	.296**	1.0			
Customer Orientation	.261**	.052	.014	.169	.201*	1.0		
Competitor Orientation	.249**	.068	.178	-.041	.269**	.580**	1.0	
Interfunctional Coordination	.174	-.054	-.082	-.067	.250**	.682**	.604**	1.0

* p< .10
** p< .05
*** p< .01