MANAGING THE REPUTATION OF THE BANKING INDUSTRY CONSEQUENT TO THE FINANCIAL CRISIS: ANTECEDENTS OF CUSTOMER MEMORY AND RECALL

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Abstract

This paper examines the personal circumstances and characteristics potentially affecting an individual's memory of the banking industry's role in the global financial crisis. The rationale for undertaking the research was that if members of the public had soon forgotten the banks' involvement in the onset of the crisis, then heavy investment in reputation management activities designed to counteract negative images of the banking industry consequent to the crisis might not be worthwhile. A model was constructed to explain both the extent and the accuracy of a person's memory of the banking sector's role in the crisis. Heuristic proneness, current attitudes towards banks, anger, knowledge of the crisis and the impact of the crisis on a person's income, savings and well-being were hypothesised to exert significant direct impacts on a participant's memory of events. An independent variable concerning an individual's 'prior perceptions of banks' was additionally posited to exert an influence. A questionnaire was pre-tested and distributed to individuals living in Britain aged 23 and over (to ensure that all the participants would have recollections of the crisis during their adult years) *via* street interviews, distribution to bank customers and to employees of organisations, and through a number of social networking sites. A test of the model revealed that all the hypothesised explanatory variables exerted significant influences on both the extent and the accuracy of the sample members' memories of the crisis, except for 'prior perceptions' and the degree to which an individual had suffered financially because of the crisis.

Key words. Banking industry, reputation management, attitude formation, financial crisis, heuristics, memory.

Introduction and Objectives

Public attitudes towards the banking industry following the financial crisis that began in 2007/8 may be expected to have changed considering the cataclysmic global recession that the crisis triggered: the worst since the Great Crash of 1929 (Akinbami, 2011). In the UK the crisis resulted in a large rise in unemployment, major contractions in gross domestic product (Gennard 2009), falling house prices, a lower sterling exchange rate, and reductions in the availability of mortgages and personal loans (Elliot *et al*., 2010). Interest rates on savings fell to unprecedently low levels.

Media reports at the time and currently (see for example Wray, 2008; BBC Business, 2009; Crowley 2010) have suggested that the British public's previously favourable attitude towards the banking industry (see Worcester, 1997) has deteriorated sharply, with both the integrity and the competence of the banking industry being called into question. The media placed the blame for the crisis largely on the major US, UK and West European banks, which allegedly had capitalised on loopholes in regulatory systems to engage in excessively risky activities (Taylor, 2009; Verick and Islam, 2010). Among other things, the banking industry was accused of rewarding its senior managers with packages that encouraged short-termism and the assumption of unreasonable amounts of risk (Mattinson, 2009; Cukierman, 2010), the uncontrolled creation and use of basically worthless financial products (Akinbami, 2011), irresponsible financial management, the accumulation of unsustainable levels of 'casino' debt (Jenkins, 2010; Scott, 2009), greed, arrogance and deliberate misrepresentation (Jenkins, 2010). The losses incurred by the major UK and US banks caused liquidity and credit shortages that paralysed the international financial system. In the UK, a government rescue package was implemented in October 2008 that between late 2008 and early 2010 spent over a trillion pounds on protecting the British financial sector. By 2009, government purchases of shares in banks and direct loans to banks amounted to £117 billion, representing a liability of £5,530 for every household in the country (Kirkup and Conway, 2009).

On the face of it, the above suggests that the banking industry now confronts a disastrous situation regarding its image, reputation and public relations. The present research investigated a key aspect of this issue, i.e., the public's depth of recall of the banking industry's role in the crisis. If members of the public quickly forget the details of a business sector's involvement in the creation of an economic crisis there is little point in organisations within the sector investing large sums in activities designed to restore their reputations (Payne, 2006). 'Tough it out' policies might be more appropriate when this is the case (Siomkos and Kurzbard, 1994; Popper, 2010). Expenditures on public relations and crisis management campaigns, apologies by prominent chief executives, restorative community involvement projects, etc., may not be necessary if critical events have been forgotten. Hence, the contents of the memories of members of the public of the banks' role in the financial crisis are a matter of considerable interest to the banking industry. The issue of whether certain factors induce some individuals to remember more about the crisis than others is also important, as knowledge of these factors will help bank marketers to identity the types of people most likely to retain negative interpretations of the banking industry's behaviour. It then becomes possible to target these groups in marketing campaigns designed to restore the industry's reputation. A further important reason for undertaking research into the public's memories of the financial crisis is that memory can affect a person's actual consumer behaviour and behavioural intentions (see Bougie *et al*., 2003). In the present context, behaviour could involve savings levels (Cox, 2007), consumer decisions on purchases of financial services products (Jayawardhena, 2004), the use of non-bank organisations for banking activity (Zeneldin, 2005; Leiser *et al*., 2010), longevity of relationship with financial services organisations, public word of mouth (Czellar, 2003), and shareholders' willingness to purchase equity in the banking sector (Ryan and Buchholtz 2001).

Public perceptions of banks as a collective entity

The study explored the public's memories of the UK banking sector *as a whole* and without distinguishing between various bank categories (retail, investment, on-line, corporate, private, etc.) or organisations that (allegedly) were more responsible for the crisis than others. Owens *et al*. (2010, p.477) explained, on the basis of social identity theory (Tajfel and Taylor, 2003), how a group of organisations can have a *collective identity* 'located in the larger socio-political context'. Situations could elicit certain common public perceptions of a group even when group members had different histories and characteristics. Several considerations are likely to induce the public to regard all banks as belonging to the same category of organisation (see Worcester, 1997). For example, a wide range of institutions now undertake multiple forms of banking, hence blurring distinctions between cash management banking, retail, investment and private banking, etc. The banking industry's extensive use of direct mail and relationship marketing has encouraged people to view all banks as offering the same products and, by implication, to share similar organisational attributes (Mols *et al*., 1997; Sandler, 2002). Research has established that customers conceptualise the same major 'corporate associations' when considering all types of bank (Bravo *et al*., 2009 p.327). These common associations will extend to assumptions of similar behaviour, shared traits and, in the present context, collective culpability. Additionally they will (i) define a boundary around the group (Taylor and Whittier, 1999) and (ii) influence the public's stereotype of the group's members (Owens *et al*., 2010). Adams *et al*. (2010) also observed how the public could hold negative attitudes towards an entire industry sector as if it were a collective. Critically, information about specific category members could influence perceptions of the total category.

Literature review

A review of literature in the crisis management, bank image and reputation and psychological attribution areas identified the following variables as potential determinants of public memories of the banking industry's role in the financial crisis.

Prior perceptions of the banking industry

Before the crisis the UK banking industry had a sound public reputation. Indeed, according to a review of bank image and reputation research literature completed by Worcester (1997), 'the image of banks (in the 1960's and 1970's) was as good as gold, as sound as the dollar or sterling' (p.146). A good reputation endows an entity with a 'stock of perpetual and social assets' (Fombrun and van Riel, 2004 p.32) capable of (i) protecting the entity in part against reputational damage arising from a crisis (Coombs and Holladay, 2006), and (ii) facilitating the repair of damage after a crisis has occurred (Barton, 2001). Research has found that, in general, the prior reputations of organisations impact heavily on public perceptions of corporate responsibility for harmful crises (Grunwald and Hempelmann, 2010). Specifically, attributions of blame tend to be stronger among people with low prior perceptions of an organisation's reputation (Coombs and Holladay, 2006).

If an individual's pre-crisis perception of the reputation of the banking industry was high, the person might selectively filter information about responsibility for the crisis to fit in with prior views (Grunwald and Hempelmann, 2010). Disconfirming evidence might be ignored or inaccurately interpreted (Dawar and Pillutla, 2000). Hence the individual might give the banks 'the benefit of the doubt' and reduce his or her attribution to them of culpability for the crisis. Conversely a person with low initial perceptions of the banking industry's reputation might readily accept negative information as confirmation of his or her prior assessment.

Payne (2006) cited a number of studies which concluded that people remember more about organisations with bad reputations than they remember about organisations with good reputations. This could be due, according to Bodenhausen and Wyer (1997), to (i) individuals paying more attention to negative information that is congruent with their prior expectations, and (ii) this information being processed more extensively and hence being more easily recalled. Accordingly it is hypothesised that:

H1. The less favourable an individual's pre-crisis perceptions of the banking industry's reputation then (a) the more the person will claim to remember about the banking industry's role in the crisis, and (b) the more accurate the person's memory of the details of the crisis.

Personal impact of the crisis

Individuals who experienced a personal loss in consequence of the financial crisis are perhaps more likely to have paid close attention to its details than people who merely observed the crisis unfold but were not personally affected. In the words of Gritten (2011), 'for those who had the rug pulled swiftly from under their feet, it will take the financial services institutions a long time to rebuild meaningful relationships with customers' (p.99). For some, the crisis was the precursor to redundancy, reductions in earnings, loss of interest on savings, inability to raise a mortgage and/or other distressful events. Affected individuals may be anticipated to feel highly involved with the crisis and hence to be deeply interested in information about it. Memories of the banks' role in the crisis may be very strong among this group of people (Einwiller *et al*., 2010). Leiser and Drori (2005) observed how, in general, the 'socio-economic location' of the individual was a 'crucial variable of the analysis of representations of economic events' (p.181). Employees who stood to lose their jobs would pay much closer attention to events than others.

Heavy personal involvement with an issue can motivate extensive recall of its details (see Puccinelli *et al*., 2009). An individual who was detrimentally affected by the crisis may have processed contextual information about it at a deeper level, leading to improved memory. Personal involvement focuses an individual's attention, the level of which will increase in line with the amount of distress caused to the person concerned (Leiser and Drori, 2005). Hence:

H2. An individual who was personally affected by the crisis will claim to remember more about the banking industry's role in the crisis than an individual who was not personally affected.

There are no *a priori* reasons for supposing that a person who was badly affected will have a more or less accurate memory of the details of events than someone who was not affected.

Knowledge of the crisis

Public knowledge of economic events is heavily influenced by public discourse (Leiser and Drori, 2005), which in the present context includes reports in the mass media, conversations with friends or colleagues, 'mere exposure' to headlines, and statements by politicians (cf. Samu and Krishnan, 2010). Media coverage is a major source of knowledge about business crises and an important determinant of public attitudes towards them (Carroll and McCoombs, 2003). Indeed, in the absence of first hand experience, the news media are likely to have been a person's primary source of information about the banking industry's behaviour (cf. Demers *et al*., 1989). 'Media dependency' can arise in this situation (Deephouse, 2000). Media system dependency theory (see Einwiller *et al*., 2010) proposes an integral relationship between the news media and the larger social and economic systems. It predicts that public knowledge of an economic issue depend substantially on (i) the volume of reports the news media devotes to the issue, and (ii) the prominence attached to the characteristics of the organisations involved (Carroll and McCoombs, 2003). Individuals want to know about certain business issues and often desire a direction *vis-à-vis* how they should interpret events. According to Weaver (1980), the degree of a person's desire for direction affects the strength of the media's influence. Desire for direction will be higher the greater a person's interest in the subject and the less clear the situation. Interest in the banking crisis is likely to have been most prominent among people who were personally affected by it. Such individuals will probably have been especially attentive to news reports about the situation's consequences (Helm, 2007).

An individual who is fully familiar with an issue such as the financial crisis (due to reading, viewing television reports and/or engaging in conversations about it) will probably remember the circumstances surrounding the issue (Alba *et al*., 1991). This may be especially true if the matter has personal importance, e.g., if the individual suffered as a result of events. Familiarity with the details of the crisis may also be associated with a more accurate memory of events. Thus:

H3. A person who obtained large amounts of knowledge about the banks' role in the crisis during and since the crisis (a) will claim to remember more about the banking industry's role in the crisis than others, and (b) will have a more accurate memory of events.

H4. The strength of the link between the level of a person's knowledge of the crisis and (a) the extent, and (b) the accuracy of his or her memory of the crisis will be greater among individuals who were personally affected by the crisis.

Anger at the banks' behaviour

Numerous commentators have noted that emotions of anger frequently characterised individuals' perceptions of the banking industry's behaviour before and during the crisis (see for example Brummer, 2009; Cook and Younglai, 2010; Cukierman, 2010; Leiser *et al*., 2010; Scott, 2009). Allegedly, anger impels people both to create negative stereotypes of whoever is causing their anger and to process information through a stereotyped lens (Boderhausen *et al*., 1994). The greater the level of anger the more negative and biased a person's judgement (Bower, 1991).

Through influencing a person's mental processing of information, anger can influence memory of events (Bodenhausen *et al*., 1994). Anger makes memories more vivid (Phelps and Sharot, 2008), albeit focusing mainly on central details (due to a narrowing of the person's attention [Eagly *et al*., 2001]). An individual angered by an event is likely to remember a great deal of information about it, especially things that are congruent with the person's assumptions regarding its cause (Mattila, 1998). Thus:

H5 (a). The more angry an individual feels about the banking industry's role in the financial crisis the more the person will claim to remember about the banking industry's role in the crisis.

However, intense anger might cloud a person's memory of secondary rather than core information (Mattila, 1998; Phelps and Sharot, 2008). The 'intensification of the recollective experience' that anger evokes has the capacity to cause an individual to have false self-confidence in the precision of his or her memory of an anger provoking event (Phelps and Sharot, 2008 p.147). Graphic memories stirred up by anger may be inaccurate because the angry individual is obsessed by the general issue at the expense of detail, much of which might be regarded as irrelevant to the fact that the anger inducing event has occurred (Laney *et al*., 2004). The person's thoughts may concentrate excessively on primary rather than secondary matters.

H5 (b). The more angry an individual feels about the banking industry's role in the financial crisis the less accurate the person's memory of the details of the crisis.

Attitudes

The circumstances relating to the formation of deeply held attitudes have a high probability of being remembered (Puccinelli *et al*., 2009). Negative attitudes resulting from disturbing information will, according to Payne (2006), engender recall of their sources more easily than will positive attitudes emerging from pleasing information. Eagly *et al*. (2001) noted how information that was unwelcome was often processed extremely carefully, and was encoded accurately and remembered well. This suggests that the more negative a person's perceptions of the banking industry consequent to the financial crisis the more extensively and accurately the details of the crisis will be remembered. Negative feelings about the banks will 'prime' memories of episodes associated with the presumed sources of the bad feelings (Bodenhausen *et al*., 1994). Hence:

H6. The more negative a person's post-crisis attitudes towards the banking industry then (a) the more the person will claim to remember about the banking industry's role in the crisis, and (b) the more accurate the person's memory of the crisis.

Tendency to stereotype the banking sector

Stereotypes are judgemental heuristics that individuals use when they lack the ability or inclination to think more extensively (Bodenhausen *et al*., 1994 p.49). They involve intuitive judgements based on inadequate information (Greenwald and Banaji, 1995) and are most likely to be created by people who use their intuition as a heuristic for making judgements (see Pretz and Totz, 2007 for details of studies supporting this proposition). A stereotype is stored in memory as a summary judgement, which then is itself employed as evidence of the assumed characteristics of the stereotyped entity (Mattila, 1998). The process frees the individual from the need to think reflectively about a situation. The theory of selective processing suggests that evidence consistent with a stereotype receives greater attention and is processed more carefully and extensively than is inconsistent information (see Bodenhausen, 1988). This makes it easier for a person to encode and store information in longer term memory (Mattila, 1998). Hence information on stereotypes is likely to be well remembered.

People differ in respect of their tendency to stereotype entities (see Martin *et al*., 1990; Mattila, 1998). The 'heuristic prone' (see Chaiken *et al*., 1989) have been found to 'rely on stereotypes to a far greater extent in determining the validity of allegations of guilt' (Bodenhausen *et al*., 1994 p.47). Information relating to stereotypes is allegedly better remembered, and the heuristic prone (who use their intuition to form judgements rather than reflecting on concrete facts [Pretz and Totz, 2007]) are more likely than others to create stereotypes. Thus it is proposed that:

H7 (a). Heuristic prone individuals will claim to remember more about the banking industry's role in the crisis than people who are not heuristic prone.

However, because the heuristic prone base their decisions on snap judgements rather than evaluation and extensive consideration of hard facts, it is suggested that:

H7 (b). Memories of the details of the financial crisis will be less accurate among heuristic prone individuals than among people who are not heuristic prone.

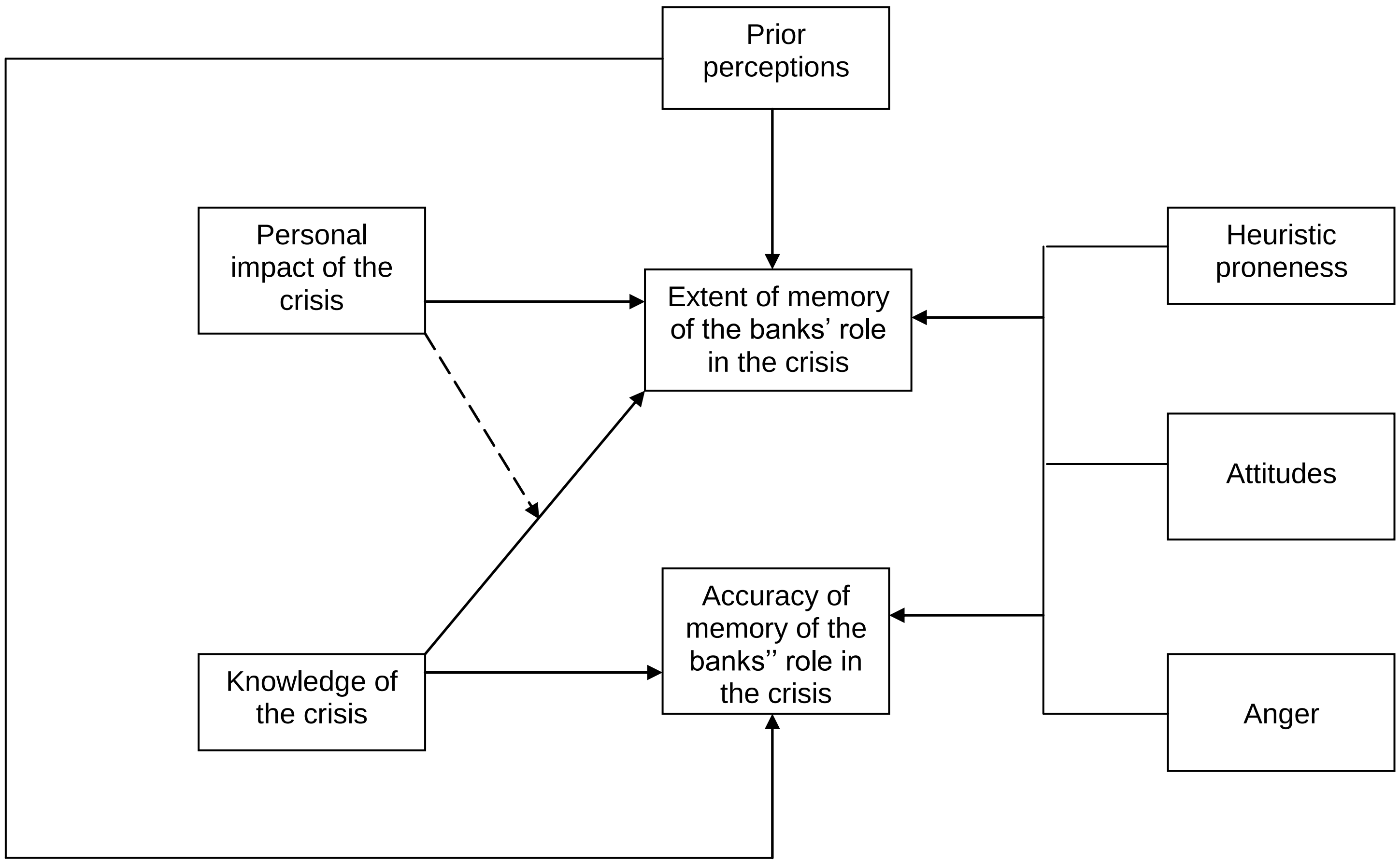
Research Model and Method

Figure 1 presents a diagrammatic representation of the above hypotheses. Two dependent variables appear in the model. As emotionally arousing events are known to be remembered more extensively and more vividly than ordinary events (Van Giezen *et al*., 2005), the study included a measure of the extent of a person's memory of the cause of the crisis. However, research has produced contradictory evidence regarding the consistency and reliability of memories of distressing situations (Evans *et al*., 1983; Leiser and Drori, 2005). Also and as noted above; anger, attitudes and heuristic proneness may exert direct influences on the overall accuracy of a person's recall of events. Therefore the model includes a measure of accuracy of recollection.

A questionnaire was developed and pre-tested *via* a distribution to 50 people drawn from the sampling frame used for the main investigation. A summary of the questionnaire is presented in the Appendix to the paper, which also shows the literature sources used to derive the items in various sections. The sample comprised several elements, though only people over the age of 23 years were questioned to ensure that all the participants would have recollections of the crisis during their adult years.

Two hundred and sixty-seven completed questionnaires were obtained through street interviews conducted around Metro stations in various districts (some prosperous, some socially deprived) in Greater London. Two hundred and thirteen responses were gathered from customers at two branches of a leading UK commercial bank that was participating in the research (which embraced a number of issues additional to those covered in the present paper). Students at the authors' home university were requested to give copies of the questionnaire to their parents for completion, and to ask their parents to 'snowball' further copies of the document to acquaintances and relatives. This resulted in a further 255 returns. (The university in question is a 'mass market' institution taking students from a wide range of social classes.) A further 121 responses came from a distribution of the questionnaire to administrative employees (at all levels of seniority) at the authors' university. Finally the questionnaire was distributed *via* the *Facebook* pages of seven people connected with the research, using an electronic version of the questionnaire constructed through *Survey Monkey*. Recipients were requested to pass on the questionnaire to their own *Facebook* contacts.

FIGURE 1. EXTENT AND ACCURACY OF MEMORY



Questionnaire distribution *via* online social networking sites is fast and inexpensive (Bhutta, 2009), avoids interviewer effects, and is capable of reaching a constantly widening range of socio-demographic categories. However, social networking users still tend to be younger and better educated than the population as a whole, will possess computing equipment, and will interact predominantly with people who share their own characteristics and interests (Vasalou *et al*., 2010). Nevertheless, correlations between key socio-economic variables among social network users have been found to match those represented by standard population surveys (e.g., Gallup), and there are no a *priori* reasons why attitudes towards banks and the financial crisis should vary with respect to internet use. In the present study the *Facebook* based survey generated 210 responses.

As the overall 1066-close strong sample was assembled from an assortment of sources and groups containing various socio-economic categories there are no reasons to suppose that it was not broadly representative of the more general adult population. The street and bank premises interviews were undertaken by the authors, two research assistants, a bank employee, and postgraduate market research students who were paid national rates for time spent on the project. Standard statistical tests for differences in response patterns between the various groups of participants did not reveal any significant disparities. Data was collected in 2010 and early 2011.

Formation of variables

The final questionnaire began with items of a general nature concerning the respondent's age, gender and income (which was used as a proxy for socio-economic status), and an item (Appendix 1[b]) querying the extent to which a person had been detrimentally affected by the crisis. Section 2 examined an individual's knowledge of the crisis. As the four items used to measure this construct (section 2 [a] to [d]) were of a factual aggregative nature they were averaged to form a single variable. (Unless otherwise stated all constructs were measured using five point agree/disagree scales.) A factor analysis of the six 'prior perceptions of the banking industry' items of section 3 gave a unidimensional solution (lambda = 4.1, alpha = .86); as did a factor analysis of section 4 items (a) to (d) concerning feelings of anger at the banks' behaviour (lambda = 3.1, alpha = .90).

Section 5 of the questionnaire assessed a person's current attitude towards the banking industry relative to attitudes before the occurrence of the crisis. Attitudes concerning banks are conventionally defined in terms of trust (Cox, 2007; Leiser *et al*., 2010); notably trust in *competence* and trust in integrity (Stamp, 2008; Sung and Kim, 2010). Competence concerns the banking sector's skill and abilities; integrity involves the industry's character, fairness and credibility (see Belanger *et al*., 2002). Appendix items 5.1 (a) to (e) measure trust/distrust in the banking industry's competence; items 5.1 (f) to (k) involve trust in integrity; and items 5.2 (a) to (d) concern general affect. (The document issued to participants jumbled these items and reversed the direction of several of them so as not to influence the responses.) Standard measures of general affect were also included in section 5 to evaluate a person's overall feelings about the banking industry consequent to the crisis (5.2 [a] to [d]). The 15 section 5 'Attitudes towards the banks' items were factor analysed and subjected to orthogonal and oblique rotations. A two factor solution emerged with the second factor containing just a single significant item (h>.85 in both rotations), i.e., item 5.1 (j) 'is driven by greed'. The Cronbach's alpha value increased from .82 to .87 when item 5.1 (j) was removed. This suggests that 'greed' was interpreted as a different construct to that pertaining to the remaining items, and also that the respondents did not themselves differentiate between trust in banks' integrity, trust in banks' competence, and general liking (or dislike) of banks. Therefore the 14 section 5 items excluding greed were averaged to form an overall measure of the favourability of a respondents' attitude towards the banks. A unidimensional solution also emerged for the eight 'propensity to use heuristics' items of section 6 (lambda = 6.3, alpha = .88). The four section 7(A) 'depth of memory' items were factual and aggregative and hence were averaged into a single variable. Section 7(B) contained five items intended to check the accuracy of a person's memory of events. The sum total of the number of 'correct' answers was used as a measure of the accuracy of a participant's recall. For item 7B(b), a response other than 'a year ago' or 'about 10 years ago' or longer was classified as 'correct'. A response to item 7B(a) that included at least one bank or individual actually involved in the crisis was accepted as a correct answer.

Findings

Descriptive results

Table 1 profiles the members of the five categories of the overall sample. It can be seen that there were no notable disparities in the average responses of the various groups. The figures cited in Table 1 for the income levels and demographics of the sample members broadly match those for Greater London as a whole (see UK National Statistics, 2010). Although the mean income figures clustered around the London mean average, the range of income was broad, with an approximately even split of incomes across the four quartiles of the distribution. Twenty per cent of the respondents reported having been badly affected by the crisis (scoring between seven and ten on the relevant scale); 30% of the replies relating to this matter fell in the bottom three divisions. Lower income people tended to indicate that they had been more severely affected by the crisis than did better off people (R = - .27, p<.01). Section 5 of the questionnaire compared respondents' attitudes towards the banking industry before the crisis and at the present time. The major changes reported concerned reductions in perceptions of the banking industry's reliability (item 5[c], M = 2.14), competence (M = 2.24), being 'respectful of laws' (M = 2.26), and 'accepting accountability' (item [g], M = 2.26).

Seventy per cent of the responses fell in the agree/strongly agree categories of the composite formed to measure depth of memory (Appendix 7A). Accuracy of recall was relatively high, with 69% of the sample correctly answering at least three of the five items listed in section 7B (b) to (c)[iv]. An interesting finding, however, was that 50% of all respondents believed that 'a lot of people lost all their savings because of the crisis' (item 7B(c)[ii]). In reality, no UK resident lost any of his or her savings directly in consequence of the crisis. A possible explanation for this particular result could be the fact the media drew numerous comparisons between the recent crisis and the Great Crash of 1929 when it was indeed the case that bank failures throughout the world led to large numbers of people losing most, if not all, of their savings. Seventy per cent of the responses fell in the agree/strongly agree categories of the composite formed to measure depth of memory (Appendix 7A). Accuracy of recall was relatively high, with 69% of the sample correctly answering at least three of the five items listed in section 7B (b) to (c)[iv]. An interesting finding, however, was that 50% of all respondents believed that 'a lot of people lost all their savings because of the crisis' (item 7B(c)[ii]). In reality, no UK resident lost any of his or her savings directly in consequence of the crisis. A possible explanation for this particular result could be the fact the media drew numerous comparisons between the recent crisis and the Great Crash of 1929 when it was indeed the case that bank failures throughout the world led to large numbers of people losing most, if not all, of their savings.

Test of the hypotheses

Table 2 gives the results for the estimation of Figure 2. (As no mediating variables were involved the parameters were computed using ordinary least squares, which requires no assumptions regarding the normality of variables.) It emerged that H5(a), H3(a) and (b), H4(a) and (b), H6(a) and (b) and H7(a) were confirmed; H1(a) and (b) and H2 were rejected due to statistical insignificance; whilst H5(b) and H7(b) had significant coefficients but in directions different to

TABLE 1. THE PARTICIPANTS

	Total sample (N = 1066)	Street interviews (N = 267)	Bank customers (N = 213)	Parents and their acquaintances (N = 255)	Employees (N = 121)	Facebook respondents (N = 210)
Average age	39	37	39	48	39	30
% Male	48%	51%	48%	54%	44%	43%
Mean income from full-time employment	£39,990	£35,010	£36,560	£42,840	£38,920	£40,800
Mean scores for:						
• prior perception of the banking industry	3.27	3.29	3.25	3.27	3.28	3.26
• knowledge of the crisis	3.78	3.70	3.71	3.88	3.83	3.75
• personal impact of the crisis (eleven point scale)	4.25	4.22	4.27	4.31	4.00	4.24
• anger at the banks' behaviour	3.67	3.75	3.70	3.75	3.59	3.54
• extent of memory	3.62	3.55	3.55	3.68	3.62	3.69
• accuracy of memory (six point scale)	3.16	3.00	3.09	3.29	3.23	3.19
• trust in banks' competence	2.61	2.54	2.55	2.65	2.66	2.62
• trust in banks' integrity	2.44	2.40	2.47	2.42	2.49	2.41
• general affect	2.47	2.48	2.48	2.44	2.49	2.50
• heuristic proneness	3.41	3.35	3.38	3.45	3.41	3.44

TABLE 2. TEST OF HYPOTHESES

T-values in parentheses

	Extent of memory	Accuracy of memory
Prior perceptions	N/S	N/S
Personal impact of the crisis	N/S	
Knowledge of the crisis	.63 (6.79)	.60 (6.55)
Heuristic proneness	.20 (1.99)	.21 (2.1)
Favourability of attitudes	- .47 (5.08)	- .36 (4.45)
Anger	.33 (4.44)	.25 (4.04)
Moderator: Knowledge of the crisis times personal impact of the crisis	.04 (6.02)	.03 (5.58)
Regression R-square	.53	.56

those posited. The more angry a person’s feelings about the banking industry’s role in the crisis (H5[a]) the more the individual claimed to remember about the banks’ behaviour. However, the angrier the respondent the *greater* was the accuracy of the person’s recall of events. It seems therefore that anger did *not* cloud individual’s memory (cf. Phelps and Sharot, 2008) or create false self-confidence in the precision of recall (cf. Phelps and Sharot, 2008).

People who personally had been badly affected by the crisis were no more likely to remember the details of the crisis more extensively than others. Nevertheless, personal impact significantly moderated the influence of a person’s knowledge of the crisis on both extent of memory and accuracy of recall. Although the literature in the field has not proposed any *a priori* arguments suggesting that ‘personal impact’ should influence accuracy of recall, the personal impact variable was entered experimentally in the regression with recall accuracy as the dependent variable. The resulting coefficient was insignificant at the 0.3 level.

It was not the case that less favourable pre-crisis perceptions of the banking industry’s reputation caused individuals to claim to remember more about the banking industry’s role in the crisis or to remember events more accurately. This contradicts the findings of past investigations which concluded that more is remembered about organisations with bad reputations (see Payne, 2006). People with favourable prior perceptions of the banking industry were just as likely to remember the details of the banks’ role in the crisis as individuals whose prior perceptions were poor. There are no obvious explanations of the disparity between the outcomes to previous studies and those of the present investigation in this connection. Further research is needed into the matter. Hypothesis 7(b) proposed that heuristic prone individuals had less accurate memories of the crisis than others. Within the present sample the reverse was true: the heuristic prone exhibited more accurate memories of the crisis. Presumably the greater attention devoted to information on stereotypes by heuristic prone people resulted in more accurate recall of events.

Conclusion

As predicted by media dependency theory (Einwiller *et al*., 2010) individuals who had obtained large amounts of knowledge about the crisis claimed to remember more about it, and these memories were significantly more likely to be accurate. The strength of the link between the level of a person's knowledge of the crisis and the extent and accuracy of his or her memory was greater among individuals who had been personally affected by the crisis. Familiarity with the details of the crisis gained from reading, watching television reports, etc., resulted in more extensive and accurate memory of events (cf. Alba *et al*., 1991). This was particularly true among people who had been detrimentally affected by the crisis. However it was not the case that participants who had been adversely affected by the crisis remembered more about it or recalled its details more accurately. This finding does not correspond with the conclusion of Puccinelli *et al*. (2009). Examination of the data relating to 'personal impact of the crisis' revealed a relatively even distribution of responses across the eleven categories. Hence it was *not* the case that there was insufficient variation in the data on the variable to be able to connect it with others. Yet the variable failed to correlate significantly with either of the dependent variables. Unfortunately the present study did not generate information capable of determining the reason(s) for the insignificance of 'personal impact of the crisis' *vis-à-vis* memory. A speculative explanation might be that individuals who were not badly affected by the crisis empathised and sympathised heavily with people who had been badly affected, and thus exhibited the same depth and accuracy of memory concerning the banking industry.

Outcomes to the present study substantiate the importance of stereotyping as an influence on memory. Heuristic prone individuals who tended to create stereotypes remembered more about the crisis and exhibited more accurate recall. Hypothesis 7 (b) asserted that the use of intuitive judgements would cause a person to remember the details of the crisis less accurately.

In fact the reverse was true, with heuristic prone respondents displaying significantly more accurate memories of the situation than others.

Anger influenced the sample members' memories of events (cf. Bodenhausen *et al*., 1994; Eagly *et al*., 2001; Phelps and Sharot, 2008). Memories were more extensive and accurate the angrier a person felt *vis-à-vis* the banking industry's behaviour. The former result corresponds to the findings of Phelps and Sharot (2008); the latter outcome rejects the propositions of Mattila (1998) and Eagly *et al*., (2001). Anger at the banks' behaviour did not appear to have narrowed the respondents' attention to the point where they ignored the details of events.

Less favourable attitudes towards the banks were associated with greater extent of memory of events and with more accurate recollections. This implies the need for proactive measures designed to improve current public attitudes. However, prior perceptions of reputation did not of themselves affect memory; contradicting the arguments of Bodenhausen and Wyer (1997). Sixty-nine per cent of the sample remembered the details of the crisis with some degree of accuracy. It was *not* the case that the members of the sample had soon forgotten about these events. This reinforces the need for the sector to invest in substantial amounts of public relations and reputation improvement activities (cf. Payne, 2006). Taken in the round the results suggest that 'tough it out' policies *vis-à-vis* the banking industry's public image will not succeed. Many of the respondents felt angry about the banks' behaviour and held very negative attitudes towards the banks. Memories of the crisis were both extensive and accurate among such people.

Managerial implications

Given that knowledge of the crisis emanated mainly from media reports, and because it is likely to be some time before direct messages from the banking industry will be trusted, it seems appropriate for the banks to seek to influence the media's interpretations of the sector's current activities. This will have to be done by the sector as a collective entity; there were no indications from the present study to suggest that respondents in any way distinguished between institutions. Initiated in February 2011, 'Project Merlin' is perhaps the first sign of an integrated response to image-related issues on the part of the UK banks. Under Project Merlin, four of the nation's largest banks (plus the Spanish based Santander bank, which has extensive operations in Britain) have committed themselves to providing 'greater transparency', more help for small businesses, more lending in general and greater contributions to regional economies and community projects. A primary aim of this (government backed) project is to help restore public confidence in the banking sector. Additionally the banks, collectively, need to advertise the fact that failures on the part of government regulators in Britain and abroad played a crucial role in the crisis.

Anger contributed significantly to memories of the banking industry's role in the crisis. It follows that the sector needs to find out the *exact* reasons for public anger at the banks' behaviour and then initiate public relations activities designed to mitigate the public's angry feelings. Anger is a multifaceted construct and it is not immediately apparent which aspects of the crisis made people the most annoyed. Certain high-profile individual bankers (notably Sir Fred Goodwin) received large amounts of hostile press coverage, as did the practice of banks that allegedly were most responsible for the crisis paying their senior managers multi-million pound bonuses. Possibly, opprobrium attaching to certain named bankers transferred itself to the organisations that employed them.

Limitations and areas for future research

The study examined public memories of the banking industry's role in the crisis in just a single country. It would be useful to replicate the study in other nations and continents. Styles of media reporting and the influence of the media on public perceptions of economic issues varies among countries, so it would be especially worthwhile investigating relevant matters in countries with disparate media landscapes. Another limitation of the research is that it required participants to comment only on their memories of relevant events. It was not possible within the confines of an already crowded questionnaire to explore the effects of memories on the respondents' banking *behaviour*. Although there exist implied relationships between memories and the public's banking behaviour, it would be worthwhile exploring how the crisis has influenced these links. Behavioural change could involve the extent of bank usage, purchase of financial products, switching between institutions and customer word-of-mouth, etc.

As anger represented a powerful determinant of memories concerning the banks it would be valuable to examine in greater depth how various dimensions of anger with the banks translate into specific memories. Then it might be possible to establish how particular aspects of public anger can be mitigated. Other topics worthy of future research include detailed examinations of the roles of the mass media in forming public memories concerning the banking industry, and the consequences of possible spillovers from memories of the banking sector's collective behaviour to memories of the behaviours of individual institutions.

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Appendix. The Questionnaire

1. The respondent

a) Age and income category. Gender.

b) The respondent was presented with the following statement and question:

'Some people have been affected more personally and severely by the financial crisis than others, e.g., by losing their jobs, facing wage cuts, losing large amounts of interest on savings, facing a higher chance of being made redundant, or not being able to get a loan or house mortgage.'

On a scale of 1 to 10 (10 = very badly affected; 1 = hardly affected at all), how badly have you personally been affected by the crisis?

2. Knowledge of the crisis

Sources; Strutton and Lumpkin (1992); Einwiller *et al*. (2010).

I obtained a large amount of knowledge about the financial crisis from:

a) reports on TV, articles in the daily press or articles in magazines;
b) conversations with other people;
c) on-line sources;
d) other sources.

3. Prior perceptions of the banking industry's reputation

Sources: Bravo *et al*. (2009); Sung and Kim (2010).

Before the financial crisis occurred I used to believe that the banking industry was:

a) highly reputable;
b) competent;
c) managed by people of integrity;
d) socially responsible;
e) trustworthy;
f) managed by people who were honest and reliable.

4. Feelings of anger at the banks' behaviour

Source: Adapted from Izard (1997).

a) The behaviour of the banks during the financial crisis did not make me feel angry (reverse scored) [RS]).
b) I was not at all irritated or annoyed by the way the banks behaved during the crisis (RS).
c) When I think about the way the banks behaved during the crisis I feel like screaming at someone or banging on an object.
d) The banks' behaviour during the crisis makes me so mad that I feel I am about to blow up.

5. Attitudes towards the banks

1. *Trust/distrust in the sector.*

Sources: Adapted from Adams *et al*. (2010); Sung and Kim (2010).

Compared to what I used to believe about the banking industry before the financial crisis took place, I am now more inclined to believe the banking industry:

a) is managed professionally;
b) has strong leadership.
c) is reliable;
d) has good management systems;
e) is competent;
f) is happy to deceive the public;
g) does not accept accountability for its actions;
h) is respectful of laws;
i) cares about acting ethically;
j) is driven by greed;
k) will always put its own interests above those of its customers.

2. *General affect*

Source: Homer (1995).

Compared to how I used to feel about the banking industry before the financial crisis I now feel:

a) more positive about the banking industry than before;
b) that I like the banking industry;
c) that the banking industry is bad;
d) less favourably disposed towards the banking industry than before.

6. Propensity to use heuristics

Source: Adapted from Pacini and Epstein (1999).

a) When it comes to trusting people, I can usually rely on my gut feelings.
b) I trust my initial feelings about things.
c) I like to rely on my intuitive impressions.
d) I hardly ever go wrong when I listen to my deepest gut feelings to find an answer.
e) My snap judgements are usually sound.
f) Using my gut feelings usually works well for me when figuring things out.
g) I tend to use my first impressions as a guide for my actions.
h) I usually go with my instincts when deciding what to do.

7. Memory of the crisis

Source: Items specially created for the study.

A. *Depth of memory*

a) I have a vivid memory of the role of the banking industry in the financial crisis.
b) I remember in detail the banking industry's role in the financial crisis.
c) I can remember a great deal about the banking industry's role in the financial crisis.
d) I can easily recall a large amount of information about the banking industry's role in the crisis.

B. *Accuracy of recall*

a) Can you name any of the specific banks that received state assistance as a result of the crisis or any people involved in the financial crisis? Please name as many as you can.
b) Can you remember when the financial crisis started? Was it a year ago; 2 or 3 years ago; 4 or 5 years ago; 6 to 8 years ago; about 10 years ago; more than 10 years ago?

c) Please indicate whether you think each of the following is true or false:
   i. All UK banks were bailed out by the government.
   ii. A lot of people lost all their savings because of the crisis.
   iii. The financial crisis was triggered by the UK government intervening in the house mortgage market.
   iv. No financial institution based in the United States collapsed as a result of the crisis.