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VALUE PROPOSITION PREFERENCES OF CREDIT UNION MEMBERS AND PATRONAGE ACTIVITY

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Abstract

The purpose of this paper is to examine the technical and relational value proposition preferences of credit union members and to examine the relationship between their preference and patronage activity.

Design/methodology/approach – A total of 800 members of credit unions were surveyed. Exploratory factor analysis was used and four factors were extracted incorporating technical and relational dimensions of the credit union service. Member value proposition preferences are examined and the relationship to patronage activity of the credit union was explored.

Findings – The majority of members express a higher or equal preference for a relational rather than a technical value proposition. Those who express a greater or equal preference for relational value are more likely to have a higher level of patronage activity.

Research limitations/implications – Credit unions are member-owned financial institutions and hence the study is context dependent and relational value may be more significant than in the case of non-member owned entities.

Practical implications – The research highlights the importance of consideration of relational value in financial services entities whose competitive advantage lies in the relational. In terms of the credit union, the impact on the relational value proposition of the credit union must be considered in the design and implementation of industry restructuring.

Originality/value – This paper extends the emotional value and interactive quality construct to incorporate a greater relational focus which the paper suggests is of greater relevance to high-contact financial services. The research in this paper also extends beyond the criticised static focus of consumer perceived scales (consumer perceived value) and the episode focused service quality scales. Hence, it has a more longitudinal and holistic focus. The paper also incorporates a preference between benefits approach rather than an evaluative or trade-off between benefits and costs framework.

5.1 Introduction

As a value proposition is the distinctive offering of a company to its customers (Kaplan and Norton, 2004), it is central to competitive advantage and strategy. Value propositions – both technical and relational – have been at the centre of the recent and on-going debate on the restructuring of credit unions in Ireland. In this paper, we define the technical value proposition as that which puts a primary focus on the physical products and services. A relational value proposition is that which puts a primary focus on the relationship between the member and the credit union and where the physical products and services are secondary.

The predominant restructuring debate suggests that the technical value proposition of credit unions needs to be improved. Proponents of the current restructuring model argue that an improved technical value proposition will be in the members' interests. There are a number of assumptions here, mainly that the member preference is for a technical value proposition and that the relational value proposition will somehow look after itself. This unquestioned assumption that member value is captured by technical dimensions alone seems to be widely held by credit union leaders, regulators, media and so on. Nonetheless, some have argued (Røkholt, 1999; Cutcher, 2008; Hammond-Ketilson and Brown, 2011; Jones and Ellison, 2011; Byrne *et al*., 2012) that the type of restructuring model proposed, which is primarily based on mergers and centralisation, has the potential to weaken the relational value proposition[1]. Byrne *et al.* (2012) assert that credit union members may place a higher value on relational value. They make this assertion on the basis of a survey involving 1,400 credit union members, where they found that 88 per cent of members would opt for a local credit union model with fewer services over a larger centralised credit union with a wide range of services. However, Byrne *et al.* (2012) do not directly measure the relational or technical preferences of members and hence only surmise that this might be the underlying process.

This paper examines if it is indeed the case that members value the relational more than the technical. The inspiration for this paper arose out of frustration with the current praxis in Ireland and disappointment with the credit union restructuring literature which seems to mirror the Irish debate,

[1] The proposed restructuring model, now supported by legislation, is one of centralisation and scale, which will primarily be achieved through mergers. There are almost 500 independent credit unions in Ireland each with its own board and management. The planned restructuring programme has the potential to dramatically reduce the number of independent credit unions. In practice, this will mean that all strategic decisions and many loan decisions will no longer be made at a local level in a large number of credit unions offices. In other words, the distance between the member and credit union decision makers will have increased. This has to have implications for the nature of the relationship between the member and the credit union and for its ability to offer a meaningful relational value proposition.

in that the member is either ignored or is assumed to be interested only in a technical value proposition (Byrne *et al.*, 2012). In the literature where member value is either directly or indirectly examined, it is done so through the lens of efficiency (Fried, Lovell and Yaisawarng, 1999; Desrochers and Fischer, 2003; Dopico and Wilcox, 2010). This understanding of member value would seem to run contrary to current marketing literature (relationship marketing, consumer perceived value, service dominant logic, consumer-dominant logic) and of course the very logic of co-operative organisation itself. However, there is a glimmer of hope for the member in the credit union restructuring literature as a number of authors have considered the relational within this context (e.g. Hammond-Ketilson and Brown, 2011; Jones and Ellison, 2011; Byrne *et al.*, 2012). However, these authors do not directly measure relational value. Our paper makes a contribution in this regard. In addition, there is a large body of literature on consumer value and service quality which offers valuable insights into both relational and technical value. Co-operative organisation researchers have not drawn on this literature to any great extent (Mazzarol*,* Mamouni-Limnios and Simmons, 2012a; Suter and Gmür, 2013). We examine member value in the credit union within the context of this wider literature.

In the use of this wider literature, we were conscious that the unique context of credit unions needs to be considered. The key distinction between credit unions and non-co-operative entities is that the credit union is member-owned. Hence, the member is both a consumer and an owner of the credit union. This creates a very different context within which to study member value[2] for a number of reasons. First, the joint roles of consumer and owner mean that the life-worlds or life-spheres (Grönroos and Voima, 2011, 2013) of the organisation and the member are more integrated than may be the case in a non-co-operative entity; as Fairbairn (2003, p. 9) indicates, the "economy of the member and the economy of the co-op fit together like hand and glove". Within this context, value is created-in-interaction (Wikström, 1996) or co-created jointly (Grönroos and Voima, 2011, 2013). In this vein, Suter and Gmür (2013) indicate that member value cannot just be examined from a member or co-operative perspective alone. This paper integrates these two perspectives by examining various credit union value propositions and the members' preferences for these.

Second, members tend to have a long-term relationship with the credit union and membership tends to incorporate the entire family, different generations and be local (Byrne, 2000; Tuominen, Jussila and Saksa, 2006). Hence, member value judgements tend to incorporate the benefits for the individual, family and the wider community. One indication of this has been that members have maintained their savings in credit unions, even within a context of limited to no savings return over the last number of years, citing their reason as the value of the credit union to themselves and their community.[3] This also highlights the longitudinal and collective nature of member value judgements which incorporate the past, current and future potential experience with the credit union. Hence, our measure of member value preferences must also be longitudinal. In this, our approach differs from much of the consumer perceived value (Sweeney and Soutar, 2001; Wang *et al.*, 2004; Sanchez *et al.*, 2006; Roig *et al.*, 2006, 2013) and service value (Parasuraman, Zeithaml and Berry, 1988; Lehtinen and Lehtinen, 1991; Brady and Cronin, 2001; Heinonen, 2004a, 2009) measurements of consumer value which tend to be episode focused. Boksberger and Melsen (2011, p. 229) indicate that this results in a static and "one point in time" focus.

Likewise, the focus on costs and benefits in the consumer perceived value and service value literature does not fit well with the nature of member relationship in a co-operative context. Heinonen (2009), in her study of consumer value, uses an integrated and relative approach to costs and benefits and Day and Crask (2000) advocate a trade-off between benefits approach. We follow the latter approach and ask the member to select their preferences between essential and less essential dimensions of the service rather than make an evaluative judgement. This preference approach gives the consumer the opportunity to think about the service in a more holistic way.

In addition, our approach to relational value extends beyond the narrower emotional value dimension of consumer perceived value or the member-employee interaction dimension of the service value scales. Emotional value, as generally measured through general affective states such as relaxation, does not sufficiently capture the relational dimensions of trust and solidarity which may be of greater importance in a "high contact" service such as banking (O'Malley, Patterson and Kelly-Holmes, 2008, p. 180) which is now experiencing increasing societal mistrust (Ferguson, Ellen and Piscopo, 2011; Birchall, 2013). The functional/interactive/process dimensions of service quality tend to focus on the interaction between the consumer and the employee in the transaction process and hence are episode centred. In a co-operative context, the relational has to extend beyond friendly employees (Brady and Cronin, 2001) and a pleasant (Lehtinen and Lehtinen, 1991) service interaction: it also involves dimensions such as knowing that the credit union is "on your side", a sense of ownership, trust and so on (Byrne *et al.*, 2012; Jussila, Byrne and Tuominen, 2012).

Finally, we, like Heinonen (2009), draw on the sector specific context in the design of our relational and technical value proposition measures in the credit union. Co-operative researchers (Mazzarol, 2009; Mazzarol, Soutar and Sweeney, 2012b; Suter and Gmür, 2013) have highlighted the importance of co-operative type and context in the study of the member's perception of value, in order to arrive at meaningful results. Within the current context of credit union restructuring, member value propositions are central with the promise of new value propositions (with a greater focus on the physical products and services) and the changing nature of current value propositions (which has a primary focus on the relational and a more limited product range). Hence, the authors made a decision to focus on these two key value propositions (relational and technical) in this study. This is in line with Lindgreen and Wynstra (2005), who propose two areas for value research, namely, value from products and services and value from buyer-seller relationships.

As well as examing member preferences for relational and technical value, we also explore the relationship between value preferences and patronage activity. One of the few researchers to examine value in relation to activity are Heinonen (2009) and Heinonen and Strandvik (2009) who found (in an e-service context) that higher levels of process value, such as ease of use/spatial/temporal dimensions, tend to relate to higher levels of activity, whereas technical value perceptions did not appear to have a relationship with activity. Heinonen (2009) calls for greater quantitative testing of the relationship between service value and activity and within different contexts. In this paper, we quantitatively examine the relationship between value proposition preferences and patronage activity within a credit union context.

This paper contributes to the wider literature on consumer perceived value and service quality in a member-owned financial services context in a number of ways: first, in terms of using a trade-off between benefits rather than the traditional cost/benefits approach, second, a preference and

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[2] In this paper, we use the term member rather than consumer value.

[3] Conversations with members arising out of open survey questions during the research field work for Byrne *et al.* (2012).

longitudinal rather than an evaluative and episode approach, and third, offering a deeper relational value measure. We are also building on the work of Heinonen (2009) by examining the relationship between value preference and activity in a different context. Our paper also, we believe, highlights the relevancy of examining the consumer-owned co-operative sector as a way of advancing the value co-creation literature. In terms of the credit union sector, our focus on both relational and technical value attempts to somewhat re-balance the credit union restructuring literature and add a relational dimension to the restructuring debate in Ireland. The paper will first discuss the literature on value, including definitions and measurements and will then discuss the study context and findings.

5.2 What is the Meaning of Member Value?

In our discussion of member value, we ask a number of questions: How is value defined? How is value created? How is value measured?

5.2.1 How is Value Defined?

Value is related to a preferential judgement of a product or service (Sanchez-Fernandez and Iniesta-Bonillo, 2007). In the development of this value judgement, it is generally taken that consumers make a trade-off between benefits and costs, captured by Zeithaml's (1988, p. 14) well-used definition of value which indicates that value is "perceptions of what is received and what is given". Many other authors (Monroe, 1990; Liljander and Strandvik, 1995; Woodruff and Gardial, 1996; Sweeney and Soutar, 2001) have highlighted this trade-off between costs and benefits in value judgements. However, it has been noted that this trade-off between costs and benefits excludes the sources of value such as quality (Heinonen, 2004a, 2004b). In her study of value, Heinonen (2004a) integrates costs and benefits into her value dimensions rather than treating them separately. She also highlights the relativity of costs and benefits: for example, in one situation, a benefit may be a cost and in another it may not. Others, such as Day and Crask (2000, p. 54), suggest an alternative approach which focuses on a trade-off between benefits where they state that a "consumer can be faced with a situation where one or more benefits must be reduced or even sacrificed completely in return for larger amounts of other benefits". Our paper examines if that trade-off exists between relational and technical benefits of the credit union service.

The literature has also highlighted the perceptual nature of value judgements (Day and Crask, 2000; Sweeney and Soutar, 2001) and that these perceptions are multi-dimensional (Sanchez-Fernandez and Iniesta-Bonillo, 2007). Hence, value judgements have been very much understood from a cognitive perspective. Heinonen (2009) has shifted this understanding of value by understanding it within an experiential and behavioural frame, where value emerges from experience. This further highlights the dynamic, context-dependent (Sanchez-Fernandez and Iniesta-Bonillo, 2007; Heinonen, 2009; Suter and Gmür, 2013) and longitudinal nature of value (Grönroos and Voima, 2011, 2013). The context in this paper is a member-owned credit union. Members are both consumers and owners. The primary value is within the consumer role, but this value is offered within the context of consumer-ownership. This provides a sense of security to the consumer/member that the service is provided on the basis of need rather than profit (Tuominen, Jussila and Kojonen, 2009) and is designed and operates in the members' interest (Briscoe and Ward, 2000; Fairbairn, 2003). However, the focus of our paper is to examine the value to the member as a consumer. We consider the ownership role of the member as influencing our approach, in terms of considering a trade-off between benefits (what should my organisation be offering, it cannot offer everything, so what is important to me), a longitudinal approach and a deepening of the relational value measure.

5.2.2 How is Value Created?

The approach often taken in the literature is to ask who is creating the value? Is it the firm, the consumer, or a joint effort between the two? In the traditional marketing literature, the focus was very much on the firm as the one which created and delivered the value to the consumer. Vargo and Lusch (2004, 2008) refer to it as a goods-dominant logic which is oriented within a provider-sphere (Grönroos and Voima, 2011, 2013), and results in a value-in-exchange (Grönroos and Voima, 2011, 2013). More recent literature, in particular the service-dominant-logic (Vargo and Lusch, 2004, 2008) now recognises that the consumer plays the primary role in the creation of their own value and the role of the firm is confined to the provision of a value proposition, where the value is created in use rather than in exchange. While this literature has a greater focus on the consumer, it has been criticised for its firm-centric orientation (Heinonen, Strandvik and Voima, 2013; Heinonen *et al.*, 2010). This has led to the development of a new line of thinking in the marketing literature called a consumer-dominant logic (Voima, Heinonen and Strandvik, 2010; Heinonen, Strandvik and Voima, 2013; Heinonen *et al.*, 2010; Edvardsson, Tronvoll and Gruber, 2011; Grönroos and Voima, 2011, 2013) where the consumer creates their own value independently of the firm and in their own life-sphere (Grönroos and Voima, 2011, 2013). The consumer centric orientation of this literature fits well with the nature of consumer-owned co-operatives. However, due to the integration between the consumer and the co-operative, the two independent life-spheres are more problematic. Hence, Grönroos and Voima's (2011, 2013) discussion of a joint-sphere based on a dialogical interaction (Ballantyne and Varey, 2006; Grönroos and Voima, 2011, 2013) and Gummesson's (2002, 2008) idea of a balanced centricity between the firm and the consumer are a better fit with the co-operative business model. However, as consumer-owned entities, this interaction must be within a consumer-oriented frame, where the value proposition originates and is designed out of the life-sphere of the member, referred to in the co-operative literature as design-for-use (Briscoe *et al.*, 1982; Briscoe and Ward, 2000). Perhaps, this joint-sphere could also be referred to as a co-operative-dominant logic. This discussion is not developed any further here and is for a future paper. In addition, we do not purport here to examine the dialogical interaction between the member and the co-operative, but instead to examine the more limited interaction between the value proposition and the member preferences for these. However, as Suter and Gmür (2013) indicate, it is the interaction between the value proposition (created out of the life-sphere of the member) and the members' preferences for it which primarily creates member value in a co-operative. The greater the overlap between the value proposition and the members' preference, the greater the member value (Suter and Gmür, 2013).

5.2.3 How is Value Measured?

In this paper we are interested in examining how members value relational and technical dimensions of the credit union service. How are these dimensions measured in the literature? Many of the perceived value scales are the "subject of profound criticism" (Boksberger and Melsen, 2011, p.

229). The issue of definitions and consistency across the scales has been highlighted. Two other issues which have been highlighted are that many of the scales tend to measure perceived value as a static "one point in time" and are generally post-purchase, whereas it has been argued that value should be approached from a more holistic (Boksberger and Melsen, 2011; Grönroos and Voima, 2011) and longitudinal (Grönroos and Voima, 2011, 2013; Voima, Heinonen and Strandvik, 2010) frame. Heinonen (2004b) advocates incorporating quality and value literature for a fuller understanding of consumer perceived value. In this paper, we draw on both consumer perceived value and service quality literature for a greater understanding of technical and relational value.

In the consumer perceived scales, the closest measurement of relational value would appear to be the emotional value indicator originally developed by Sweeney and Soutar (2001). Many of the studies (Wang *et al.*, 2004; Sanchez *et al.*, 2006; Roig *et al.*, 2006, 2013; Mazzarol, Mamouni-Limnios and Simmons, 2014; Mazzarol, Soutar and Sweeney, 2012) have used or adapted Sweeney and Soutar's (2001) emotional value measure which includes items which cover affective states such as relaxation, feeling at ease, positive feeling from the service and contact personnel. Other authors (Lapierre, 2000; LeBlanc and Nguyen, 2001; Khan, Kadir and Wahab, 2010; Goldman, 2011) expand the emotional value to include relational value dimensions such as trust (Lapierre, 2000; Heinonen, 2009); solidarity (Lapierre, 2000); relational confidence (Khan, Kadir and Wahab, 2010); relational communication (LeBlanc and Nguyen, 2001; Khan, Kadir and Wahab, 2010); and connectedness (Randall, Gravier and Prybutok, 2011). From the authors' experiences as credit union members, practitioners and researchers, these dimensions would appear to better reflect the relationship between the member and the credit union. Byrne *et al.* (2012) also identified a number of these dimensions in their research. Some of the authors mentioned above use the term relational rather than emotional value (Lapierre, 2000; Khan, Kadir and Wahab, 2010). We also use the term relational value in this paper, as we feel that it better expresses value in a credit union context. In her re-conceptualisation of consumer perceived value, Heinonen (2004b) advocates that quality dimensions can be used to form a deeper understanding of consumer perceived value. While Sanchez-Fernandez and Iniesta-Bonillo (2007) point out that quality and the value concept are distinct, they indicate that they contain characteristics which are conceptually the same. Hence, we, like Heinonen (2004b), believe it is important to incorporate the service quality literature. There are two primary approaches to the measure of service quality (Brady and Cronin, 2001): the Nordic two-dimensional approach of Grönroos (1984); which focuses on benefits, and the American approach of Parasuraman, Zeithaml and Berry (1988) which incorporates a trade-off between sacrifices and benefits and incorporates five dimensions of reliability, responsiveness, assurances, empathy and tangibility. Goldman's (2011) application of the ServQual framework (Parasuraman, Zeithaml and Berry, 1988) in a credit union context found that it did not fit well within this setting. He particularly highlights the lack of a longitudinal relational dimension. Others (Carman, 1990; McDougall and Levesque, 1995; Dabholkar, Shepherd and Thorpe, 2000) have also criticised this model for its lack of consistency across different contexts. For these reasons, researchers such as Brady and Cronin (2001) and Heinonen (2004b) have advocated the value of Grönroos' (1984) two-dimensional model of technical and functional quality, where the technical focus on the physical product and the functional refers to the how or the interaction process of delivering the physical product. This functional dimension has also been labelled as process (Rust and Oliver, 1994) or interaction quality (Lehtinen and Lehtinen, 1991). This dimension may be closer to our relational value concept than the emotional value indicator discussed above, as it explicitly focuses on interaction. However, the primary focus of the indicators used to measure this interaction quality appear to be confined to the interaction between the service employee and the consumer within the service episode. While this forms part of our relational value indicator, it does not capture the longitudinal nature of relational value. For this reason, Liljander and Strandvik (1995) make a distinction between the relationships within particular episodes to relational value derived across many episodes and the relationship with the organisation itself. Based on Håkansson and Snehota's (1993) typology, they describe three types of relationships – valued, indifferent and forced. Valued would appear to be the most appropriate to the credit union context. Drawing on Håkansson and Snehota (1993), Liljander and Strandvik (1995, p. 20) define valued relationships as "mutually orientated interaction over time between two parties, involving commitment and interdependence". Relationship in a credit union context involves this mutual interdependence.

In terms of technical value, there appears to be no clear agreement across the consumer perceived scales. While most scales include either monetary cost or return, there is less consistency in terms of the inclusion of other dimensions. In terms of quality, authors such as Ostrom and Iacobucci (1995), Sinha and DeSarbo (1998), Lapierre (2000), Sweeney and Soutar (2001), Petrick (2002) and Sanchez-Fernandez and Iniesta-Bonillo (2007) include it and others such as Sheth, Newman and Gross (1991), Wang *et al.*, (2004), Sanchez *et al.* (2006) and Roig *et al.* (2006) do not. Other sub-dimensions which are included by some authors but excluded by others are contact personnel (LeBlanc and Nguyen, 2001; Sanchez *et al.*, 2006; Roig *et al.*, 2006); installations (Roig *et al.*, 2006, 2013; Nguyen, 2006; Sanchez *et al.*, 2006); and responsiveness (Lapierre, 2000; LeBlanc and Nguyen 2001; Goldman, 2011). Hence, there is no clear agreement across the scales in terms of the key sub-dimensions of technical value. Some of these indicators of technical value seemed to have cross-over with the functional/interactive/process dimension of quality. Hence, Grönroos' (1984) definition of technical quality, with its focus on the physical product and service, would seem to be a better fit with our approach in this study.

In addition, various authors have highlighted that consumer perceived value is situational and context-dependent (Day and Crask, 2000; Sanchez-Fernandez and Iniesta-Bonillo, 2007; Heinonen, 2009; Heinonen and Strandvik, 2009; Voima, Heinonen and Strandvik, 2010; Grönroos and Voima, 2011). The importance of context has also been highlighted in the study of member value in co-operatives (Suter and Gmür, 2013). We propose that the context of change which is proposed for credit unions over the coming years will profoundly impact on the nature of the value propositions offered and, in turn, on the members' experience of value.

This will guide our development of indicators. In our research, we present two value propositions based on this context. Our technical value proposition consists of those factors which have been put forward as the member value arising out of restructuring. The relational value proposition attempts to capture the current relational value proposition of the credit union. Byrne *et al.* (2012) are of the view that this relational value proposition will weaken under the current proposed model of restructuring. Hence, the current proposed model of restructuring would appear to force the member to make a trade-off between relational and technical benefits. This trade-off is the basis of our scale. We return to this in our discussion of measurements. We now turn to a discussion of value and activity.

5.3 Member Value and Activity

A number of studies have found a positive relationship between emotional value and constructs such as loyalty (Gwinner, Gremler and Bitner, 1998; Hennig-Thurau, Gwinner and Gremler 2002; Roig, García and Tena, 2009; Mazzarol, Mamouni-Limnios and Simmons, 2014b; Mazzarol, Soutar and Sweeney, 2012), buying intentions (Sweeney and Soutar, 2001) and positive word of mouth (Gwinner, Gremler and Bitner, 1998; Goldman, 2011). In Sweeney and Soutar's (2001) study, emotional value far surpassed the other technical or social values as a predictor of consumer willingness to buy. Goldman (2011), in his study of credit unions, found that members' experience of empathy from the credit union is a key driver of member advocacy for the credit union. Heinonen (2009) takes a different approach and directly links each dimension of value to activity, where she asks the consumer if certain dimensions would increase or decrease their likelihood of using the service. In doing so, she shifts the traditional cognitive focus of consumer value to a behavioural and experiential one (Grönroos and Voima, 2011, 2013). She found no association between technical value and activity, but that there was an association between process dimensions (how the service was delivered) and activity level. Heinonen's (2009) study was within an e-service context. She calls for greater quantitative testing of this relationship and within different contexts. We examine the relationship between value proposition preferences and patronage activity within the traditional face-to-face context of a credit union.

In this paper, we first examine the dimensions of the technical and relational value propositions, secondly, the preferences of members, and thirdly the relationship between value preferences and patronage activity. Based on our review of literature, we propose the following two research questions:

RQ1: What are the members' preferences for relational and technical value propositions in the credit union?

RQ2: What is the relationship between value proposition preferences of members and their patronage activity in the credit union?

5.4 Research Methodology

5.4.1 Data Collection

Data were collected from three credit unions in Ireland with a mix of both urban and rural credit unions. One of the credit unions was located in a city, the second in a large town and the third in a rural area. This provides a broad geographical spectrum of credit unions. A member questionnaire was administered on the premises of the credit unions during the months of January and February 2012. As the questionnaire was carried out in the credit union offices, it was confined to members who at least visit the credit union on occasion and have some level of activity with the credit union. Hence, the study does not include members who are totally inactive. However, our sample does cover members with different levels of activity ranging from very active to relatively inactive.

In total, 800 surveys were collected[4] of which 715 were deemed usable for data analysis. The summary demographics of the sample were as follows: 64 per cent female; 34 per cent below 40 years of age and almost 40 per cent over 50; well over half (67 per cent) were members of the credit union for more than ten years.

5.4.2 Measures Developed

A scale was developed which involved dimensions of relational and technical value propositions. The relational value proposition indicators were developed drawing on a previous survey of 1,400 credit union members carried out in June 2011 for Byrne *et al.* (2012) and a number of consumer perceived value and service quality scales. This survey had asked members to indicate the important dimensions of their relationship with the credit union through an open-ended question. Some of the typical responses to this open question are presented below.

Sample of responses to the open question on the meaning of relationship for the member in 2011 survey (Byrne *et al.*, 2012):

"I can depend on the credit union at all times, don't have to worry if I hit hard times".

"Know that they will always be compassionate to me, people in the credit union are very human".

"Bit of security, can always depend on the credit union".

"They never let you down".

"Have always been there when I needed them".

"Without them I'd be lost".

"Trust that they will put my needs first".

"They know my history".

"Feel at ease and feel free to ask any question".

"Good relationship means speedy reply to loans".

"Make you feel at ease".

[4] The authors would like to thank Martina Cole, Raymond O'Mahony and Teresa Dundon for their help in the administration of the survey.

"Feel comfortable in the credit union".

"Important that you are met by people you know and can approach".

"I feel credit union will listen".

"I feel if I were in trouble, I could put my case before the board".

"Can rely on the credit union in the case of an emergency, where a loan is needed at short notice".

From a detailed analysis of the full sample of responses and of the consumer perceived value and service quality scales in the literature, we developed items for the relational value proposition scale. This scale was composed of two indicators and eleven items. The emerging indicators were connectedness and solidarity. Connectedness was measured using seven items and was adapted from Randall, Gravier and Prybutok (2011) and Lindberg-Repo and Grönroos (2004) and our 2011 survey. Solidarity was measured using four items and was adapted from Gwinner, Gremler and Bitner (1998), Lapierre (2000), LeBlanc and Nguyen (2001), Brady and Cronin (2001), Nguyen (2006), Khan, Kadir and Wahab (2010) and our 2011 survey. Byrne *et al.* (2012) highlight that these relational dimensions are likely to weaken in a restructuring model focused on scale and centralisation. The positive outcomes put forward are technical in nature and should strengthen the credit union's technical value proposition.

A technical value proposition scale was then developed. As indicated earlier in this paper, there has been a lack of consistency across the consumer perceived value scales in terms of the sub-dimensions of technical value. Hence, the authors made a decision to develop a scale that closely related to the technical dimensions of service quality and to the current restructuring context of Irish credit unions. As highlighted at the beginning of the paper, three key dimensions have been outlined as positive member outcomes of credit union restructuring – return, wider range of services and security of savings. These first two items particularly relate to the technical dimensions of service quality (Grönroos, 1984). We also include items on convenience. This has also been cited on occasion as a benefit of restructuring, due to better opening hours and so on. While Heinonen (2004a) includes this as a process dimension, others such as Khan, Kadir and Wahab (2010) include it as a technical value dimension. However, within the context of restructuring, we have included it as a technical dimension because it fits within the credit union narrative which combines wider services and greater opening hours.

Hence, technical value proposition dimensions were composed of four indicators and ten items. These indicators are return, range of services, convenience and security of savings. In terms of return, we focus on items such as dividends on savings and interest rebate on loans. This is usually incorporated into the price indicator of technical value scales in the form of value for money or savings that are made. The second indicator focuses on range of services in terms of the possible developments post-restructuring. This is a variation on the product indicator of technical scales. The third indicator focuses on security of savings. This is very specific to banking and has not been included in previous consumer perceived value or service quality scales. The fourth indicator is convenience. This scale was adapted from Lapierre's (2000) and Khan, Kadir and Wahab's (2010) flexibility scale and Goldman's (2011) convenience indicator.

The relational and technical value proposition scales were examined for content validity in a number of ways. We asked four marketing and credit union researcher colleagues to examine the scales. Three items were removed following this process. In addition, we asked four credit union practitioners and five credit union members to examine the scale from their perspectives. Following this process, the wording of some of the items was changed and two items were also removed.

5.4.3 Data Analysis

An exploratory factor analysis (EFA) was used to evaluate the 21 items to investigate the underlying structure. Factor analysis is used to reduce data to a smaller number of variables and hence make the data more meaningful (Allen and Bennett, 2010). The procedure identifies the underlying structure of interrelationships between variables, resulting in common underlying dimensions which are known as factors (Hair *et al.*, 1998).

Before running an EFA, a number of decisions need to be made – first, how many factors to extract, and second, what rotation method to use. We had originally proposed that there were six factors, but only the first four factors had eigenvalues >1. However, factor five and six were both over 0.8. While using the eigenvalues >1 is the most popular method to determine the number of factors to extract in the literature is the default in most statistical packages, a number of statistical experts believe that this approach is incorrect (Horn, 1965; Zwick and Velicer, 1986; Wood, Tataryn and Gorsuch, 1996; Fabrigar *et al*., 1999; O'Connor, 2000). They suggest the use of other approaches, one of these being parallel analysis. As the parallel analysis method is not available on Statistical Package for the Social Sciences (SPSS) which we were using, we used syntax developed by O'Connor (2000) to run a parallel analysis on our data. The output indicated that there were six factors with associated eigenvalues which were larger than the means obtained from random uncorrelated data. These six components accounted for 61 per cent of the variance.

The second decision was in relation to the rotation method. The correlation matrix indicated that components were not correlated. Hence, a varimax rotation was used. The extraction method used was a principal component analysis. The results of the KMO (0.900) and the Bartlett's test of sphericity (3755.254, $p<0.00001$) indicate that the data are appropriate for factor analysis.

Many of the items loaded clearly on a number of components, however, some had cross-loadings (of >0.3) on more than one component. These items were removed and the principal components analysis was re-run. Reliability analysis, using Cronbach's α , was used to test the reliability and internal consistency of each of the six factors. Reliability coefficients should be above 0.7 to be deemed acceptable as indicators of reliability (Nunnally, 1978). Two factors (convenience and security of savings) were well below this minimum value with an a of 0.587 and 0.431, respectively. Hence, these were removed from the data and the principal components analysis was re-run. This resulted in four clearly loading variables – two relational and two technical factors. The first relational factor was connectedness with factor loadings ranging from 0.692 to 0.818 and a reliability coefficient of 0.789. The second relational factor was labelled solidarity and consisted of four items with loadings ranging from 0.634 to 0.754 and a reliability coefficient of 0.708. The first technical factor was labelled as return. This factor consisted of two items and had factor loadings ranging from 0.843 to 0.891 and a reliability coefficient of 0.764. The second technical factor was labelled as range of services. It consisted of two items with factor loadings ranging from 0.857 to 0.876 and a reliability coefficient of 0.725. These items and loadings are presented in Table 5.1.

Table 5.1 Factor Loadings and Reliability Scores of the Perceived Member Value Factors

Factor/items	Factor loading
1. Relational value (connectedness)	
Knowing the people in the credit union	0.818
Feeling at ease and at home in the credit union	0.763
Building a long-term relationship with the credit union	0.761
Knowing that I have a say in how the credit union operates	0.692
Cronbach's reliability coefficient: 0.789	
2. Relational value (solidarity)	
Speed of loan approval	0.754
Knowing that the credit union is working in my interests	0.681
Easy access to a manager or other key decision-maker to explain my case	0.661
Knowing that the credit union is willing to listen	0.634
Cronbach's reliability coefficient: 0.708	
3. Technical value (return)	
Dividend/interest rate on savings	0.891
Loan interest rebate	0.843
Cronbach's reliability coefficient 0.764	
4. Technical value (range of services)	
Wide choice of services/typical banking services (ATM, debit Circs credit cards etc)	0.857
Development of internet banking services	0.876
Cronbach's reliability coefficient: 0.725	

5.5 Findings

5.5.1 Value Proposition

As was indicated in the EFA discussion above, value propositions loaded onto four factors which can be categorised into technical (return and range of services) and relational (connectedness and solidarity) value. These four factors were collated into two variables – technical and relational. Members were asked to indicate how essential these items were to them, where 1 was rated as essential, very important to me, 2 was rated as less essential but still important to me and 3 was rated as not essential. The descriptive results are presented in Table 5.2.

Table 5.2 Mean Values for Relational and Technical Value Proposition

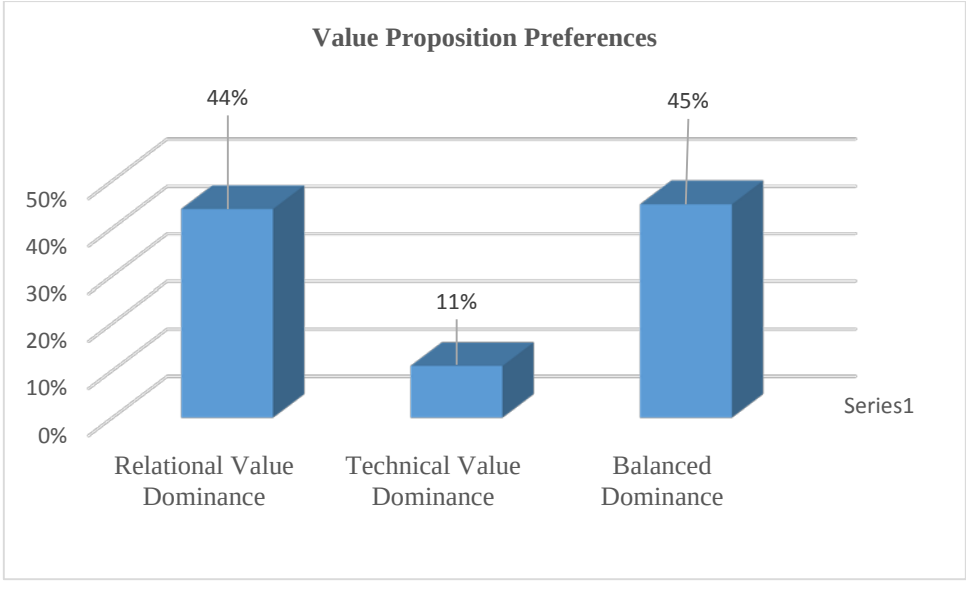
Value proposition preference	Mean
Relational value (connectedness and solidarity)	1.4577
Technical value (return and range of services)	1.7302

As can be seen from Table 5.2, a higher number of members indicated that the relational value dimensions of the credit union service were essential to them than was the case for technical value aspects. However, in saying that, it should be noted that technical dimensions of the credit union are still rated as essential for many members as can be seen from the 1.7302 mean result. Our first research question is: what are the members' preferences for relational and technical value propositions in the credit union?

In order to answer this research question, it was necessary to first calculate the value preferences of the individual members in terms of the interplay between relational and technical value preferences. To do this, we compared the means for each individual member. For members where the mean was 0.3 of a difference[5], it was deemed that the members attached equal importance to their relational and value preferences. The remaining means were examined. Members with a lower mean (outside the 0.3 cut-off point) on technical value were deemed to have technical dominance. Members with a lower mean (outside the less than 0.3 cut-off point) on relational value were deemed to have relational dominance. Hence, we examined the interplay between relational and technical value preferences for the individual member. The frequency distribution is presented in Figure 5.1.

[5] The authors examined scenarios where the members answered equally on both the relational and technical items, except for one item and two items on the smaller technical scale. For one item the difference in the average was 0.25, for two items it was 0.50. Hence it was deemed that for members who answer equally on both scales except for one point on the technical scale, it was deemed that they had equal dominance between relational and technical value preferences. The cut-off point of less than 0.3 was used.

Figure 5.1. Member Value Dominance



As can be seen from Figure 5.1, 44% of members value the relational over the technical aspects of the credit union service and 45% value both equally. In total, 11% of members place a higher importance on the technical aspects of the credit union. From the descriptive analysis above, it would seem that fewer members place technical value above relational value (however, 45% see it as equal to relational value). Hence, it would appear that in answer to our first research question, a majority of members value the relational to the same extent or more than the technical aspects of the credit union. This finding confirms the results of other studies which also indicate the importance of emotional/relational value and process dimensions of the service to consumers (Sweeney and Soutar, 2001; Heinonen, 2009; Mazzarol, Soutar and Sweeney, 2014; Goldman, 2011). However, while it may seem surprising, credit union literature has not explicitly compared the members' preferences for relational and technical value. Hence, we feel that these findings make an important contribution to the credit union literature. In addition, these findings also have relevance for the general retail banking sector where a number of authors (Sokol, 2007; Tallon, 2010) highlight that while banks may talk about customer relationships, their increasing scale (Tallon, 2010), reliance on technology over face-to-face interaction (Leyshon and Pollard, 2000; O'Loughlin and Szmigin, 2006; Silver and Vegholm, 2009) and strategic focus on cost (Sokol, 2007; Tallon, 2010) make it difficult for them to offer a relational value proposition to the consumer. If relational value is as important to banking customers as it is to credit union members, then banking strategy needs to be more closely aligned to and supportive of a relational value proposition.

The second research question calls for an examination of the relationship between value dominance and patronage of the credit union: what is the relationship between value proposition preferences of members and their patronage activity in the credit union? Before we answer this research question, we need to discuss our measurement of member patronage of the credit union. This was measured through an examination and collation of two variables – members' patronage of the two core services – savings and loans. Members had an option of three choices for each question, ranging from 1 (yes currently borrow/save) to 3 (do not borrow/save). An average was taken of the two questions for each member. Members who received an average of 1.5 or less were categorised as active, those with an average of 1.6 to 2.5 were labelled as somewhat active and those with an average of 2.6 and over were categorised as inactive. The frequencies for each categorisation are presented in Table 5.3.

Table 5.3 Members' Patronage of the Credit Union

Patronage of credit union	**% of members**
Active	502 (70%)
Somewhat active	133 (19%)
Inactive	79 (11%)

As can be seen from Table 5.3, a large majority of the sample (70 per cent) are active members of the credit union. However, while the balance is tipped towards active members, 30 per cent have less activity ranging from somewhat active to inactive. Hence, it is still possible to compare levels of patronage activity.

The second research question was answered by running both a two-way cross-tabulation and a Log Linear Poisson Model. The cross-tabulation is presented in Table 5.4

Table 5.4 Cross-tabulation of Value Dominance and Patronage of Credit Union

Patronage of the credit union	**Value dominance**			**Chi Square**
	Relational	**Balance**	**Technical**	**P Value (< 0.05)**
Active	229 (76%)	217 (71 0%)	40 (52%)	31.341
Somewhat active Inactive	49 (16%)	62 (20%)	15 (20%)	<0.000001
Active	24 (8%)	29 (9%)	22 (29%)	

As can be seen from Table 5.4, a higher proportion of those who value the relational over the technical aspects of the credit union are more inclined to be active. A Pearson's chi-square test of contingencies (with $\alpha = .05$) was used to evaluate if value dominance is related to whether members are active or not. The chi-square test was statistically significant ($\chi 2$ (1, N = 715) = 31.341, $p < .001$) although the association between value dominance and patronage was quite small ($\phi = .21$). We also compared these two variables as part of a log linear poisson regression model. Those who are not active patrons were compared to those who are active. Those who are not active are significantly (P=0.0114) more likely to favour technical dominance rather than relational dominance. The odds ratio is e = 2.58.

The second research question called for an examination of the relationship between value proposition preference and patronage activity. Our findings indicate that there would appear to be a relationship between these two variables where there is a stronger association between relational

value preferences and higher levels of patronage activity. Technical value preferences are related to lower levels of activity. Heinonen (2009) found a similar result within an e-service context and suggests that the experience of activity may itself influence the perception of value rather than the other way around. Perhaps, in the credit union context, it is also the higher patronage activity and the resultant experience that creates the relational value.

Our results would appear to differ from Roig *et al.*'s (2013) study which found that technical value plays a greater role in bank customer loyalty than emotional value. Perhaps, our extended emotional value indicator which incorporates a greater relational dimension is a factor at play in the different results. It may also indicate that emotional value, which is more relationally superficial, holds less value for consumers in a sector requiring deeper relationships based on trust (Ferguson, Ellen and Piscopo, 2011; Birchall, 2013). This may also highlight the need to extend the emotional value indicator to incorporate relational dimensions, particularly in high contact services (O'Malley, Patterson and Kelly-Holmes, 2008) such as banking.

5.6 Discussion and Contributions

The focus of this paper was to examine the technical and relational value proposition preferences of members. It was found that a significant majority of members in the credit unions studied value the relational over, or to the same extent as, the technical dimensions of the credit union. It was also found that those who express relational value dominance are more likely to be active patrons of the credit union. Hence, relational as well as technical value must be considered in both strategic and operational decisions in the credit union, particularly in relation to restructuring. Otherwise, the credit union will, as Røkholt (1999, p. 2) warns, end up with a restructuring model which may "stamp out the strengths" in its drive to reduce weaknesses.

5.6.1 Contribution to the Literature

We would suggest that we have made a contribution to both the credit union literature and the consumer perceived value and service quality literature. In terms of the credit union literature, we would hope that other credit union researchers would be encouraged to move beyond the technical measures of member value and also include relational value in their empirical studies. We would also hope that our results, which indicate that only a small percentage of members place greater value on the technical dimensions of the credit union, would also encourage this shift in orientation in the credit union literature.

In terms of the wider value literature, we suggest that we have extended the emotional value construct of consumer perceived value literature and the interactive construct of the service quality literature to include a greater relational dimension. This was necessary within a co-operative organisational context. However, with the increasing focus on co-creation of value, where relationship and a sense of ownership from the consumer will be required, it will be necessary to extend beyond the emotional value response to the service or to the interaction process itself to a holistic relationship with the entire organisation.

Both the consumer perceived value and service quality indicators have also tended to be static evaluations (Boksberger and Melsen, 2011) or episode centred (Heinonen, 2004a). Our measures encourage the member to focus on the entire service and the organisation and to indicate what is essential and less essential to them. Therefore, our approach is more longitudinal than episode focused. This responds to calls from Grönroos and Voima (2011, 2013) who call for a longitudinal approach in the understanding of consumer value. As we point out in this paper, credit union members do not evaluate the credit union service within an "episode" frame, but within a longitudinal framework incorporating past, present and future potential experiences with the credit union. Neither do they evaluate the service just from their own individual perspective but from a wider family and community context.

In addition, following on from Day and Crask's (2000) and Heinonen's (2009) approach, our measurement approach encourages the member to make a trade-off between benefits rather than the traditional trade-off between costs and benefits. We believe that this approach is very relevant to co-operatives, where the co-operative member is both a consumer and an owner. The member knows it is not possible for their co-operative to provide every benefit, so they make a judgement on what is essential and less essential to them. We suggest that this approach better captures the centricity of the consumer in the design of value propositions and fits better within a consumer co-operative context where the consumer and the owner of the firm are effectively the same person. This also fits well with the more recent focus in the marketing literature on a customer-dominant logic (Heinonen, Strandvik and Voima, 2013; Heinonen *et al.*, 2010; Voima, Heinonen and Strandvik, 2010; Edvardsson, Tronvoll and Gruber, 2011; Grönroos and Voima, 2011, 2013).

In terms of our findings on the relationship between relational value proposition preferences and patronage activity, we further confirm Heinonen's (2009) results, but in a different context. It may also bring into focus Heinonen's (2009) contention that value may be more or as much experiential and behaviourally focused than cognitive alone.

5.6.2 Practical Contribution

A question that may arise for the reader at this point in the paper is, can a credit union offer both a technical and relational value proposition? The competitive advantage literature suggests that firms cannot compete on all fronts and must decide where their capability and market advantage lie (Porter, 2008). This would suggest that if a credit union is to focus on enabling a technical proposition based on a wide range of services and a good return to the members, they will need scale.

However, scale does not seem to fit well with a relational value proposition (Tallon, 2010). Hence, the drive towards scale at the expense of what makes credit unions unique (the relational), is a potentially risky strategy. However, does there have to be a trade-off between the technical and the relational? We suggest, like other writers including Ward, Briscoe and Linehan (1982), Røkholt (1999), Briscoe and Ward (2000) and Gray and Stevenson (2008) that it does not have to be a case of "either/or" but rather "both" at the same time (Briscoe and Ward, 2000) – where the organisation can achieve technical and relational competence simultaneously. Structure plays a significant role here. To achieve scale for financial competence, credit unions need to centralise certain back-office operations. To enhance relational competence, credit unions must remain decentralised. This cannot be attained through a restructuring model solely based on a mergers strategy, but can only be achieved through models such as national and local federations of credit unions which collaborate together, keeping the relationship between the member and the credit union decentralised.

This question of 'either/or' also brings us back to assumptions. Apart from the assumption discussed earlier on the technical nature of member value, there is also another assumption made by many credit union commentators about technical value itself which they confine to dimensions such as choice and return/price. Perhaps, there are additional or alternative technical needs. These can only be discovered through a close relationship with the member. Hence, we would suggest that a relational framework is required to meet both technical and relational needs. This is the very essence of a dialogical approach to the creation of value which is well-supported in the literature (Prahalad and Ramaswamy, 2004; Vargo and Lusch, 2004, 2008; Varey and Ballantyne, 2006; Grönroos and Voima, 2011, 2013) and of course the logic of co-operation itself (Briscoe *et al.*, 1982; Fairbairn, 2003; Sennett, 2012). We would contend that the future of the credit union as a sustainable co-operative business lies in this neglected space.

In terms of credit union praxis in Ireland, it is hoped that we will have made some contribution to the debate that may encourage the consideration, at least, of a more reflective and sustainable restructuring model. We would hope, with further dissemination here in Ireland, that the Statutory Restructuring Board (ReBo)[6] would consider a more diverse range of restructuring models which would protect or enhance the relational competitive advantage of credit unions. However, if this is not possible, due to their terms of reference, we would hope that it would consider how it can develop mechanisms which at least protect the relational infrastructure of the credit union.

In terms of the credit unions, again with further dissemination, we would hope that boards and managers would look to the relationship with their members as their key resource and competitive advantage. The focus for the last number of years has been on meeting the needs of stakeholders other than their members, such as regulators. We would contend that the current time is a crucial juncture in the future of Irish credit unions – where they can become truly dynamic or can become just another story of gradual demutualisation.

5.6.3 Suggestions for Further Research

An area worthy of further research is to develop a relational value indicator within other contexts. Among increasing calls for value co-creation with greater involvement from the consumer, there is a need to extend beyond the emotional value indicator in the consumer perceived value scales and the episode focus of the service quality scales.

Another area worthy of research is to examine the relationship between structure/ scale and the relational value proposition in credit unions. One of the key changes from the current model of restructuring will be the decreased proximity of the member to key decision makers. This could be examined in a number of ways. A comparison of member value could be carried out between a credit union which is now a branch and an independent credit union. Another approach could be to compare member value at two points in time, pre and post-restructuring of a credit union. A third approach could be to examine the relationship between proximity and member value preferences.

It should also be remembered that co-operative enterprises are a significant business model across the world (e.g. the largest 300 co-operatives have a combined turnover of USD 2 trillion, Euricse, 2013). In 1994, the UN estimated that co-operatives meet the needs of 3 billion people across the world[7]. They also have a long historical legacy and have been in existence since the Industrial revolution. However, even with this scale and history, they often remain invisible in business text-books (Hill, 2000) and co-operative theory remains underdeveloped (MacPherson, 2007). Co-operatives operating within the financial and retail sector (comprising of co-operative banks, credit unions, supermarkets) are a significant proportion of the wider movement. In Europe alone, there are 4,000 co-operative banks with 271 million customers, of which 56 million are members.[8] In terms of credit unions, there are 200 million members in 56,000 credit unions in 101 countries. Hence, the lack of interest from researchers is surprising. In addition, this consumer-owned model (where the member has a dual role of consumer and owner) is of increasing relevance in the more recent marketing literature which calls for a greater involvement and sense of ownership from the customer. Hopefully, our paper will shed some light on this important sector and its potential to contribute to marketing theory and practice.

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[6] ReBo is a statutory body set up in 2013 to facilitate and oversee the restructuring of credit unions in accordance with Part 3 of the Credit Union and Co-Operation with Overseas Regulators Act 2012 (the Act).

[7] International Co-operative Alliance web site (www.ica.coop).

[8] www.eacb.coop

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