Branding, marketing and product innovation: the attempts of British banks to reach consumers in the interwar period

by
Lucy Newton
BRANDING, MARKETING AND PRODUCT INNOVATION: THE ATTEMPTS OF BRITISH BANKS TO REACH CONSUMERS IN THE INTERWAR PERIOD

Lucy Newton

Centre for international Business History, University of Reading

Abstract

This paper considers the relationships of the ‘Big Five’ British clearing banks with their personal customers in the interwar period. British banks formed a cartel and dominated the market for domestic financial services from the early twentieth century onwards. This cartel, combined with government imposed restrictions upon lending, meant that banks were severely restrained in their ability to offer new products and consequently to distinguish themselves from their competitors. It also meant that consumers had limited choices in terms of financial service providers. In this environment, bank managements had to rely heavily upon building brand image and utilising marketing techniques in order to differentiate themselves and to attract customers. For many bankers such techniques were new and unpopular – they were not used to communicating with their customers. From the perspective of the consumer, the paper aims to examine if the adoption of such marketing, brand building and public relations efforts were successful or not. It draws upon sources from bank archives but also from newspapers and public inquiries in an attempt to gather both the perceptive of banks and of their customers. The paper presents an analysis of personal customers and their relationships with, and views of, British banks in order to build upon the growing literature concerned with corporations and their consumers.

The interwar period was a time in which the banking sector was forced to respond to consumers in way that it had previously managed to avoid. During these decades banks came under increasing scrutiny from members of the public and from their own customers, firstly due to the levels of concentration that had occurred as a result of the merger movement

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1 I would like to thank Sara Kinsey and Edwin Green (HSBC Group Archives), Karen Sampson and Natasha Cole-Jones (LloydsTSB Group Archives) and Philip Winterbottom (RBS Group Archive) for their generous assistance and permission to reproduce advertisements. Thanks also to all those who have commented on earlier drafts of this paper at the University of Reading and the ABH Annual Conference, Queen Mary, London, 2006.
before 1918 and secondly due to a perceived lack of support for British industry at a time when unemployment was relatively high. Such public disquiet about the activities of the banking system led to two government enquiries – the Colwyn Committee (1918) and the Macmillan Committee on Finance and Industry (1929-31). They signalled a relative decline in trust in the banking system from a consumer perspective. This paper focuses on the responses of bank managements to pressure from consumer scrutiny and dissatisfaction, particularly the use of product innovation, marketing, advertising and brand promotion in order to communicate with both their customers and the public at large.

The paper examines bankers’ attitudes to the general public and from the viewpoint of the consumer it examines the erosion of trust in banks and why this occurred. A lack of sources that directly provide the perspective of the consumer with regard to banks limits the study to considering the consumer voice through the refracted view of bankers themselves, government enquiries responding to consumer or public discontent or views expressed in the press. Indeed, the majority of work on banking during this period has considered industrial or commercial consumer rather than the ordinary ‘personal’ consumer of banking services. Consumer responses to the behaviour of those in the banking sector during this period are worthy of more


3 Sources providing consumer perspectives with regard to banks are difficult to find in the early twentieth century. The official voice of the consumer in Britain was most clearly heard with the formation of the Consumer Association in 1957. Sources such as newspapers or the reflected perspective of consumers in company archives or trade journals shed some light.
detailed consideration. The paper demonstrates that the bank managements were forced to acknowledge that their customers had choices in terms of financial service providers and this, combined with criticism and dissatisfaction towards their behaviour, resulted in changes in their attitudes during this period. Most importantly, the paper illustrates how banks managements went about gaining, or rather regaining, public trust and reputation during the interwar period.

Firstly, some background to the banking sector in Britain during the nineteenth and early twentieth century is provided, before considering the means by which bank managements could potentially go about gaining customer confidence. A section examining bankers’ attitudes towards customers and the general public follows. Customers themselves will be looked at in terms of their demand for banking services, before turning to an examination of competition in the financial service sector as a whole. The means by which bank managements reached out to customers in an effort to regain their trust and signal reputation, but to also generate new business, will be analysed, in particular promotion of new products and the use of advertising, marketing and brand awareness. These formed major ‘public relations’ campaigns by the clearing banks during the 1920s and 1930s and signified a radical departure for them in their attitude towards customers and customer services. The paper finishes with a summary of the findings and their implications.

**Banking in Britain – from the nineteenth into the twentieth century**

Banks in the UK had maintained a high degree of stability after the 1826 Bank Act, legislation that permitted the establishment of joint-stock banking institutions (JSBs). These institutions flourished and by the mid-century had become more prevalent and widely used than private banking institutions. Both joint stock and private banks were usually small-scale institutions, with only one national bank in existence by 1860. There were 831 banks in 1875
JSBs in particular were embedded in the local business community and ties to the regions in which they were located were strong. Moreover, both private and JSBs enjoyed a relatively low failure rate during the nineteenth century. Most withstood the various financial crises of the nineteenth century. Also, from 1858, banks were able to adopt limited liability, which increased their stability as financial institutions. As a result of such solidity and community ties, banks enjoyed a high level of public trust. A quote from the 1900 Bankers Magazine typifies the attitude of a customer towards their bank/bank manager:

The public has come to consider a well-established bank as an institution managed….. by men of capability, prudence and caution’. Customers were willing to place their money on deposit with banks, as well as use their services for note-issuing, remittance, currency and lending with a high degree of confidence.

Yet the merger movement that gathered pace from the 1880s meant that the banking landscape changed markedly during the first two decades of the twentieth century. By 1918 the ‘Big Five’ clearing banks dominated the banking sector. In the early years of the twentieth century British clearing banks became increasingly large-scale, centralised and bureaucratic organisations, focused upon a London head office. They began to operate what

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became a very effective oligopoly. Local or regional ties had been loosened. This change meant a move from a style of banking epitomised by a strong bond of trust between consumer and bank and bankers with close ties to the business communities in which they operated - termed ‘relationship’ banking - to a more formalised, arms length interaction between the two parties - or rather transaction banking - characterised by bureaucratic and centralised decision-making; short-term loans; formal screening and monitoring processes; and an emphasis on collateral security. Consequently, there was a relative decline in trust from customers and the general public with respect to the clearing banks due to the increasing distance – both geographical and perceived – between the two parties and due to the focus of power into five banking institutions with which the public felt uncomfortable.

Trust is crucial to the activities undertaken by banks. Banks are financial intermediaries that mediate between those in financial surplus and those in financial deficit, and between

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8 In its most extreme form, transaction banking involves a bank dealing with each loan as a separate transaction and not taking into account any long-term bank/client relationship that may exist. In turn, customers are free to seek the most preferential borrowing terms available in the market. In this system banks lend for short periods, have a highly liquid portfolio, engage in rigorous screening and monitoring of borrowers and require collateral in order to ease the recovery of debt in cases of default. A less extreme form of this type of banking was practiced by the main British clearing banks. Michael Collins and Mae Baker Commercial Bank and Industrial Finance in England and Wales, 1860-1913 (Oxford, 2005): 53-5; L. A. Newton, “Trust and Virtue in English Banking: the Assessment of Borrowers by Bank Managements at the Turn of the Nineteenth Century,” Financial History Review, 7 (Part 2, 2000): 177-99, 182-3.

9 There was much anxiety expressed about a ‘Money Trust’, in which money, and consequently power, were concentrated in the hands of a few. L. A. Newton, “Government, the banks, and industry in inter-war Britain”, 145-70 in Terry Gourvish (ed.), Business and Politics in Europe, 1900-1970. Essays in honour of Alice Teichova (Cambridge, 2003).
those making and receiving payments. In terms of lending, an element of trust if present between banks and their customers due to the information asymmetries inherent in loan contracts, whereby the borrower is more informed about the likelihood of default than the lender.\textsuperscript{10} Trust is also an important element in the relationship between banks and depositors. Depositors need to trust a bank sufficiently to leave their money with the bank and presume that it will be returned to them on demand. In lending the money of depositors to borrowers who require it, a bank fulfils the role of delegated monitor for the depositor. It is necessary to monitor loan contracts in order to ensure that borrowers repay, a costly activity but one that is more efficiently undertaken by banks than by individual lenders.\textsuperscript{11} The depositor is not informed about these lending decisions but is required to trust the bank as delegated monitor to carry out such lending activity profitably and without unnecessary risk. Depositors therefore entrust bank managements to lend their money to those in financial need and to monitor such loans in order to ensure repayment.

Bank managements faced a quandary by 1918 in that they wished to protect their oligopoly and ensuing profits yet also wanted to maintain the trust and goodwill of customers and the public as delegated monitors, some of which had been lost. As a result, banks managements were forced to focus on mechanisms to signal reputation and attempt to maintain or rebuild trust amongst consumers. They also faced declining profits and were threatened by competing financial service providers such as savings banks, building societies and insurance companies that had a strong customer focus in. To these ends they utilised marketing and branding techniques that were innovative for this sector. The adoption of such new

\begin{itemize}
\item \textsuperscript{10} Newton, “Trust and virtue in English banking”: 177-99.
\end{itemize}
techniques by such a conservative profession was an indication of the seriousness with which the banking community began to take its public ‘image’.

**Bankers’ attitudes to the general public**

Marketing techniques are concerned with identifying consumer needs and attempting to satisfy them. Yet bank managements had traditionally not demonstrated a customer ‘focus’ nor acknowledged the importance of customer perception when offering their services. In their role as delegated monitors the views of depositing customers, and more broadly the general public, were little considered. The interwar period forced bank managements to reassess this position. The depression and ensuing unemployment increased the country’s interest in and awareness of economic issues. The prominent banker George Rae pointed out that ‘What any leading newspaper says to-day, as to the monetary outlook, will be repeated throughout the land in a million or so of broad sheets to-morrow morning’. The behaviour of the main clearing banks was under scrutiny like never before.

In the banking journals the overriding reaction to public condemnation was defensive. The general tone was that bankers knew their profession best and that members of the public were not qualified to condemn their practices. Statements in the *Banker’s Magazine* frequently referred to the public’s ignorance with regard to financial matters and displayed a patronising tone to those outside the banking profession. In 1932 an editorial in the *Banker’s Magazine* claimed: ‘there is a considerable amount of ignorance amongst the general public with regard to financial matters’.

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12 Rae, *Country Banker*: 316.

13 See for example *BM*, 1932, 134, 620.

14 *BM*, 1930, 134, 620.
Bankers often displayed a lack of awareness that ‘the public’ and their paying customers were one in the same. There had been little attempt in their previous history to ‘market’ themselves to customers or to display an understanding of what has become known as ‘public relations’. The 1930s witnessed a change in this attitude as declining profits meant that, probably for the first time in their history, managements of domestic clearing banks were required to become aware of their customers opinions and to actually ‘chase’ new business. Although levels of deposits were growing, the volume of advances made by the banks was in decline. If the banks were not lending the money that they held on deposit, they were not profiting from it. During the 1920s and 1930s there was limited opportunity to expand lending due to economic recession. Bank managements did not wish to lower their interest rates or relax lending criteria in order to encourage more borrowing (especially of a type they did not wish to engage in) but they did successfully expand their level of deposits and use of financial services, from which they could also profit (if not to the same extent as through lending activity).

To encourage a growth in deposits and a growth in the use of their services, bank managements realised that they needed to communicate with existing and potential customers. They increasingly took action during the period to seek greater publicity for their organisations and their products. Speeches of the Chairmen of the major banks at annual general meetings received much publicity. In addition, the climate in which banks rarely discussed their business in public was no longer possible following the very public debates surrounding the amalgamation movement of the late-nineteenth/early twentieth century and

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the lack of support of industry by banking institutions.\textsuperscript{16} Bank managements gradually took a more ‘outward’ looking approach towards their business and customers, although it was achieved with reluctance by many in the profession and under conditions of economic adversity.

In 1933 the newly appointed President of the Institute of Bankers, Francis Bland, conceded that some of his colleagues preferred to ignore public censure but he advocated a more measured approach.

In these days of extended education when men are apt to think for themselves, I believe that it is safer to acknowledge adverse thought when you realise its existence, and meet it sympathetically, offering explanation where you can appropriately rather than rely on the pontifical attitude which may have availed in the past but is very clearly resented to-day. Bank services in one form or another now affect the personal lives of so many of our fellow citizens that we should do well to see how far we can ensure the authoritative propagation of facts rather than leave those interested to absorb the fallacious rubbish that is put about.\textsuperscript{17}


\textsuperscript{17} \textit{BM}, 1933, 136, 802.
In the same speech he went on to advocate the advisability of courting the goodwill of the public. Bland’s statement differed markedly from the majority of previous proclamations on public opinion on banking and finance found in the *Banker’s Magazine*. He reflected the growing awareness of bankers of the need to present themselves in a positive light in the public domain and the need to maintain their standing and reputation. This was highlighted by the need to compete against new entrants into the market for financial services.
Competition and market share

During the 1920s and 1930s the institutions that entered the market to compete with the clearing banks in providing lending, but also sometimes deposit talking activities, were insurance companies, building societies, hire purchase (HP) companies and the stock exchange, the latter for large companies.\textsuperscript{18} There were also several new schemes that attempted to offer alternative sources of credit for industrial customers. These were the industrial finance organisations such as Credit for Industry, the Special Areas Reconstruction Association, Charterhouse Industrial Development Company Ltd., Leadenhall Securities Corporation Ltd., and the Cheviot Trust.\textsuperscript{19} As a result of this competitive market, the contribution of banks to the financial sector as a whole decreased. Having accounted for 49.9 per cent of total financial assets in 1924, the contribution of UK banks fell to 45.7 per cent in 1929 and 43.3 per cent in 1937; while the Big Five banks appear to have witnessed an even sharper relative decline.\textsuperscript{20} Table 1 shows this decline in comparison with other financial institutions, with banks and discount houses being considered together. In contrast, building societies were increasing their market share from 1.9 per cent in 1920 to 3.3 per cent in 1938. The assets of building societies increased 90 per cent between 1920 and 1930, while their volume of shares and deposits increased from approximately £80 million to £700


\textsuperscript{19} Scott and Newton, ‘Jealous monopolists?’

\textsuperscript{20} Collins and Baker, ‘British commercial bank support’: 54.
between the same period. Building societies held an increasing volume of the British public’s deposits and providing an increasing number of mortgages. Mortgage advances form the building societies increased from £22 million in 1920-1 to £137 million in 1937-8. Competition for savings also came from the Post Office Savings Bank, in addition to other savings banks. The Post Office Savings bank and trustees savings banks’ deposit grew from £112 million in 1919 to £293 million by 1939. Almost 2,500,000 depositors used the services of these institutions by 1939.

Table 1: The asset distribution of UK financial institutions, 1920-38 (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total assets (£ M)</th>
<th>Percentage contribution of particular intermediaries</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>Banks and discounting houses</td>
</tr>
<tr>
<td>1920</td>
<td>4,552</td>
<td>59.5</td>
</tr>
<tr>
<td>1923</td>
<td>4,707</td>
<td>53.6</td>
</tr>
<tr>
<td>1926</td>
<td>5,096</td>
<td>50.5</td>
</tr>
<tr>
<td>1929</td>
<td>5,553</td>
<td>48.2</td>
</tr>
<tr>
<td>1932</td>
<td>6,138</td>
<td>46.7</td>
</tr>
<tr>
<td>1935</td>
<td>6,852</td>
<td>44.4</td>
</tr>
<tr>
<td>1938</td>
<td>7,687</td>
<td>41.5</td>
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Bank managements became very concerned about their declining market share and their historically low ratios of advances to deposits. The total volume of advances from the

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London clearing banks fell from £978 million in 1929 to only £730 million in 1933.\(^\text{24}\) Despite the decline in the level of advances, banks were not willing to reduce rates of interest on lending, even after the British government introduced a cheap money policy after the exit of Britain from the Gold Standard in 1931. Neither were they willing to relax borrowing conditions - the banks retained a policy of ‘safety first’.\(^\text{25}\) Such strategies may have been born out of conservatism but also an attempt to protect profitability. They wished to attract the ‘safest’ and most reliable type of borrower. Bankers pointed to their record of stability, especially in the 1930s when other European banking system experienced catastrophic failures. A stable banking system benefited customers – in Britain bank customers did not experience the losses that they did on the Continent or in America.

Clearing bank managements realised that they could not rely on economic recovery in order to increase the level of their business. Indeed, when overall business performance recovered in the mid-1930s, the level of advances made by the banks did not rise as a result. Moreover, competing financial institutions were gaining market share. Banks became aware of the need to attract new business. The Intelligence Department of Midland Bank recognised that a reduction in demand for advances from trade and industry meant an increasing reliance upon personal accounts.\(^\text{26}\) How could they entice new personal customers? And at the same time how could they enhance their reputations when they had, to an extent, lost some degree of their customer’s trust? It is firstly necessary to look at the

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\(^{25}\) Safety was short-term lending upon which collateral security was provided. Scott and Newton, ‘Jealous monopolists?’

\(^{26}\) HSBCGA: 193/03/07, Classification of Advances, Intelligence Department Confidential ‘Memorandum on some general considerations suggested by the quarterly analysis of advances’, for the Chairman and Managing Director, 4 Dec. 1934, 3.
customers themselves and their attitudes towards banking institutions to attempt to answer these questions.

Customers

During the interwar period the banking ‘habit’ in Britain increased, largely spread by the rise in number of branches from the start of the twentieth century. It was common for middle class families to have bank accounts, both for personal and business use, but it was still rare for member of the working classes to hold an account. A rise in real wages stimulated demand for accounts by the working classes, but they tended to utilise trustees savings banks, building societies and Post Office saving accounts for their needs.27

Despite relatively high levels of unemployment during the depression of the early 1930s, the interwar period witnessed an upward trend in real incomes.28 This was largely due to the downward trend in prices from 1920. Those in work, especially salaried workers, gained the most and there was a marked increase in such occupations. An increasing number of working wives by the 1930s also meant that the average family had more disposable income.29 Average family size fell from 4.35 persons in 1911 to 3.59 in 1939, again leaving more disposable income per household.30 As a result, the interwar period saw a rise in

27 Ackrill and Hannah, Barclays: 100.
29 P. M. Scott, ‘Did owner-occupation lead to smaller families for interwar working-class households?’ University of Reading School of business Discussion Paper, 022 (2004).
30 Aldcroft, The British Economy Between the Wars: 121.
owner-occupation of housing, as opposed to renting accommodation, along with an increase in spending on consumer durables.31

The clearing banks serviced the needs of the growing numbers of people with increasing incomes.32 This can be demonstrated by the growth in deposits, which at the Midland grew from £377 million in 1921 to 496 million in 1939.33 As well as personal bank accounts in which money could be deposited, services offered by banks included overdrafts, loan facilities, currency exchange, provision of travellers cheques, a wills service, cheque book facilities, executorships and trusteeship facilities, safe deposit facilities, purchase and sale of investments and savings facilities. Services such as personal trusteeship and income tax services did not generate high levels of profits but did enhance the goodwill of customers.34 Such services were of value to the banks as they helped improve the reputation and standing of banks’ from the perspective of their customers.

There was clearly potential for growth in the market for banking and financial services. However, this was combined with a level of public dissatisfaction with banks, in addition to increasingly successful competition from other institutions. The public disquiet following the concentration of wealth and power into just five major banking institutions following the amalgamation movement resulted in political action in the form of the Colwyn Committee, appointed in 1918. Further political and public disquiet resulted from a

33 Holmes and Green, Midland: 167 and 325.
34 Ackrill and Hannah, Barclays: 102.
perceived lack of support for domestic industry by the banking sector and this resulted in the Macmillan Committee, which published its findings in 1931. Neither investigation called for any change in government policy in regulating the banking industry. However, following the report of the Macmillan Committee, Montagu Norman, Chairman of the Bank of England, attempted to establish financial institutions to fill the Macmillan Gap, stating that:

‘He had formed the opinion that it was a matter of policy that all banks should assist owing to the public criticism that has been levied against them in not assisting various industries’.  

Both investigations and the comments of Norman reflected the scrutiny under which banks fell during this period. Specific interest groups also criticised the behaviour of the changes taking place in the banking sector: ‘both fascists and the left in Britain attacked the banks and Barclays board felt obliged to subscribe several thousand pounds to the Economic League to counteract anti-bank propaganda’.  

This was part of the changing nature of the relationship between banks and their customers. Customers were no longer uncritical of financial institutions. Banks themselves had moved away from their customers geographically in terms of their decision-making functions. They maintained branches throughout the country but the power and decision-making authority of bank managements lay at head offices in London. Unlike the banking system before 1880, the local and regional perspective was no longer the prime focus for the large-scale, twentieth century clearing banks. They looked to a national audience and in this sense immediate ties to the ordinary, personal customer had been loosened. Customers still maintained ‘relationship’ banking with their local branch but London offices made decisions


36 Ackrill and Hannah, Barclays: 106.
about the banks strategy, policy and lending. This put an element of distant in the bank/customer relationship that had not existed previously.

In an attempt to counteract such ‘distance’, and to engender trust amongst customers and to attract new business, bank managements undertook marketing campaigns to an unprecedented extent. The following section analyses such efforts.

**The promotion of new business: new products, marketing and advertising**

All of the major clearing bank managements initiated some form of activity that attempted to generate new personal business, whether it was in the form of branch expansion, informal marketing activity by the staff, offering new products or more formal advertising and marketing campaigns. They also undertook what we today would recognise as ‘public relations’ activities and the promotion of brand awareness. They did this through branch expansion and the projection of a certain ‘image’ through branch architecture; encouragement of good staff/customers relations; launching new products; and advertising.

**Branch architecture and branch expansion**

Bank branches were the usual point of contact between the bank and its customers. The bank offered an intangible service but the branch itself, and the staff who worked in it, offered the physical manifestation of the bank and its brand. The physical presence of the bank and its architecture made the service tangible but also provided an important signal to customers of the banks reputation. A solid and impressive piece of architecture spoke of reliability, dependability, quality, power and prestige. All these were valuable assets for a bank to possess, as it had to persuade customers that they could be entrusted with their money and related financial services. Conventional branching was therefore a key means by which
banks tried to build brand recognition and reputation in an era before the development of sophisticated advertising techniques and strap lines.\textsuperscript{37}

As early as 1919, the Chairman of the Midland proclaimed:

‘in modern days it is absolutely necessary to have good bank premises, because a good bank with poor premises does not attract deposits in the same way as a bank with good premises’.\textsuperscript{38}

The Midland Bank developed a standard type of architecture for its branches that were built or altered in the 1920s and 1930s. All have very similar styling and features. Edwin Lutyens designed a series of prestige branches during the 1920s, including the new head office at Poultry, London branches in Piccadilly and Leadenhall Street and a Manchester branch on Kings Street.\textsuperscript{39} Advertising campaigns were often undertaken when new branches opened.\textsuperscript{40}

Branch architecture was especially important to the new, large-scale branch banks that populated the British high street by the interwar period. The amalgamation movement


\textsuperscript{39} Lutyens also designed a home for the Midland Bank Chairman, Reginald McKenna, and there were close connections between the families of the two men. Holmes and Green, \textit{Midland}: 171 and Green, \textit{Buildings for bankers}.

\textsuperscript{40} For example, the Leytonstone branch manager was advised to advertise the new branch opening in the \textit{Leytonstone Independent}. The bank would provide a photograph and agree a ‘suitable editorial’ with the editor. The bank was not required to pay for this advertising - the newspaper was a customer of the Midland Bank. HSBCGA: Advertising Diary 1922, 167, March 16, 1922, 517.
meant that the ‘Big Five’ clearing banks possessed a head office in London and customers had contact with the bank through branches spread throughout the country. The customer was usually near a branch but the decision-making regarding bank policy took place in a London head office. Therefore it was especially important for these large-scale institutions to signal trust to a more distant customer via their branches – the point of contact with the consumer. This could be achieved by commissioning commanding architectural designs for new branches and attempting to standardise the corporate appearance of existing branches. The Prudential Assurance Company was an early pioneer in the financial service sector when it used the architect Alfred Waterhouse to design the company’s offices at High Holborn, Southampton and Leeds to create a corporate style of architecture in the nineteenth century.41

The style of bank architecture during these decades tended to be sober and imposing and signalled solidity and safety. This can be seen from the examples below. These bank branches are not built in fashionable art deco styles but rather in traditional or classical styles. This signalled history and gravitas.

Figure 1: Midland Bank, Folkestone Branch, 1926

Source: HSBC Group Archives, 0290.

Figure 2: Midland Bank, Southport Branch, 1921

Source: HSBC Group Archives, 3624.
In contrast, department stores and other retail outlets used architecture that was contemporary and aimed to entice customers into their premises and to buy the products on sale.\textsuperscript{42} Figure 3 shows the flagship Pantheon store of Marks & Spencer on Oxford Street, London that was opened in 1938. The store signalled luxury and modernity. This stood in contrast to the message that bank managements were attempting to convey - they wished to signal that their customers could trust their financial institutions and depend on them to safeguard their money. Yet retailers also wished to project a corporate ‘style’.\textsuperscript{43} Marks & Spencer introduced a green and gold fascia to its stores in 1924 that gave them distinctive brand recognition.\textsuperscript{44} Boots The Chemist developed a ‘corporate’ style to their architecture to ensure that they became clearly identifiable to their customers and appealing to shoppers.\textsuperscript{45}

\textsuperscript{42} Retailers were also restricted to the extent that they could compete on price so they competed in other ways, such as the attractiveness of their stores. Goronwy Rees, \textit{St Michael. A History of Marks & Spencer} (revised ed. Pan, 1973): 70.


\textsuperscript{44} Rees, \textit{St Michael:} 73 and 103-6.

On the whole, branch expansion by the clearing banks was the most successful means of reaching new customers and increasing brand awareness. Table 2 shows the pace of branch expansion at the Midland Bank. This growth was rapid at the start of the twentieth century and into the 1920s but slowed during the 1930s. The number of branches of Barclays Bank increased from 1,652 in 1920 to 2,272 in 1935. By 1937 the total number of bank branches in the UK stood at 10,118, although this included branches of all 23 joint-stock banks in England and Wales, not only the ‘Big Five’ clearing institutions.

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46 Ackrill and Hannah, Barclays: 399.
47 Collins, Money and Banking in the UK: 206.
Table 2: Midland Bank: Number of branches and sub-branches, 1910-1940

<table>
<thead>
<tr>
<th>Year</th>
<th>Numbers of branches and sub-branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>1910</td>
<td>689</td>
</tr>
<tr>
<td>1915</td>
<td>1087</td>
</tr>
<tr>
<td>1920</td>
<td>1497</td>
</tr>
<tr>
<td>1925</td>
<td>1850</td>
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<tr>
<td>1930</td>
<td>2100</td>
</tr>
<tr>
<td>1935</td>
<td>2140</td>
</tr>
<tr>
<td>1940</td>
<td>2031</td>
</tr>
</tbody>
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The 1920s and 1930s also saw some innovation in terms of branch sites. The Midland opened offices at Universities (for example at Leeds University in September 1931, which was advertising the local press)\(^{48}\); industrial sites (for example on Slough trading estate in 1928); and at special events (a branch was opened at the British Industries Fair from 1932). The Midland Bank installed ‘Atlantic Offices’ onboard three Cunard liners in 1920-1 to provide currency services but also in an attempt to advertise the bank to an increasing number of ocean travellers. It was unlikely that activity on the liners would attract a large amount of new business but it did provide publicity/raise brand awareness.\(^{49}\) Lloyds bank opened a branch for a short time at the British Empire Exhibition in Wembley in 1924-5.\(^{50}\) Such efforts demonstrate an attempt by the banks to diversify their markets and reach a greater social and geographical spread of customers.\(^{51}\) It is also indicative that the banks viewed


\(^{49}\) Holmes and Green, *Midland*: 167.


\(^{51}\) Holmes and Green, *Midland*: 192.
branches as a key weapon in providing publicity and marketing for their services - building their image, brand and reputation.

**Branch expansion: staff and customer relations**

While bricks and mortar communicated aspects of reliability and corporate reputation, staff at bank branches provided the point of human contact with customers. As a service such as banking is intangible, it is often perceived in terms of service personnel. The British clearing banks had a tradition of maintaining personal relationships with their customers. Yet the perceived remoteness of banks run by a centralised management team in a London created a psychological distance between banks and customers. Also, as a result of the rise in number of customers per branch (usually over a thousand customers per branch at Lloyds by the 1920s) the ‘the problem of personal contact with his [the branch manager] customers has become much more difficult for the bank’.

Despite the increase in the number of customers per branch, Britain was relatively well-served by a high number of branches. The increase in bank branches during the 1920s meant that by 1928 there were 4,600 people per bank office in England, as compared with 9,799 in the USA. This put British clearing banks in a powerful position. Rather than competing on price, the cartel of banks aimed to provide high quality service to their customers and one way of achieving this was to offer them an extensive branch network.

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54 Ackrill and Hannah argue that branch expansion increased costs rather than pushed prices down but do concede that the large branch network accelerated cheque clearing times and provided a wider credit network. Ackrill and Hannah, *Barclays*, 108. See also T. Balogh, *Studies in Financial Organisation*
The banks in the interwar period were also well aware that staff constituted an important weapon in providing quality customer service and generating new business. In a letter to branch managers, the Head Office of the National Provincial stated ‘It is gratifying that the actual number of customers of the Bank continues to increase; this is a result of accumulating goodwill which can be extended by constant effort to render efficient and obliging service.’ Branch managers and staff were encouraged to exhibit a ‘cheerful willingness to do all that is possible to help our customers’. High quality customer service was obviously important in generating new business but it also enhanced the reputation of banks in the public/consumer mind.

**New products**

Banks introduced new products in an attempt to enhance their brand image and to generate more business during the interwar years. The Midland Bank introduced a ‘small deposit’ scheme at the end of 1920, which allowed customers to open interest-bearing deposit accounts for as little as £1. The ‘Home Safe Account’ scheme was launched in 1926. This again was designed for small savers and provided a more physical manifestation of banking services. It provided account-holders with locked moneyboxes that only the bank could open. These activities attempted to attract customers that may have traditionally been users of savings banks, building societies or post office accounts. The ‘Home Safes’ also

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56 ibid.

57 Holmes and Green, *Midland*, 168.
symbolised the dependability and security of the bank, an institution that could be trusted with a customer’s savings, no matter how small. These accounts represented the need for large-scale clearing banks to communicate to their ordinary customer that banks were trustworthy institutions and to regain confidence from a sceptical public.

The Midland spent £14,402 on advertising for its launch campaign for the Home Safes in 1926. Such accounts were a great success - hundreds of thousands were opened, many by those who had not previously been customers of clearing banks. Lloyds Bank followed their example. Lloyds also offered savings bank accounts, which increased from 50,000 in the early 1920s to 246,000 in 1928, although the levels of deposits on these accounts were relatively small. These accounts did not generate large profits but rather had a more important ‘public relations’ aspect to them. They helped the large-scale clearing banks to enhance their reputations for safety and stability but also to improve their brand image.

Ackrill and Hannah are sceptical about the introduction of new products. They argue that Barclays provided a focus for middle class customers who required financial advice and basic banking services but that the bank did not ‘significantly diversify their services’. ‘Home safes’ and night safes (secured letter boxes that allowed traders to deposit cash out of hours) were unenthusiastically introduced between the wars in response to competitors’ initiatives.

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58 HSBCGA: Advertising Diary, 1926.
59 Holmes and Green, *Midland*: 168.
62 ibid. Midland first introduced home safes on a national level in 1926 and Barclays followed in 1929.
They conclude that during the interwar period ‘There were few traces of innovations - whether in products or transaction processing - in British banking, and Barclays was no exception’.\textsuperscript{63}

Alternative financial institutions dominated other forms of new business and took opportunities that the Big Five clearing banks missed. Hire purchase companies led developments in the provision of consumer credit - most clearing banks were reluctant to become involved in this area of business. Building societies offered far better rates on mortgage facilities than the banks, as well as better services in the form of friendly service, quick decisions on loans, simple contracts, and attractive long-term repayment packages for customers of up to 25 years and deposits of only five to ten per cent.\textsuperscript{64} Building societies and savings banks offered more attractive rates of interest on ‘investments accounts’ and ordinary deposits.\textsuperscript{65}

Yet the interwar period did not always provide an economic environment that was conducive to growth and experimentation. Slow economic recovery, political uncertainty in Europe and increasing competition meant the 1930s was a difficult decade for the clearing banks in the UK. The 1930s saw the Midland become ‘more cautious and inward looking’. Accounting controls were tightened throughout the bank and there was mechanisation of procedures.\textsuperscript{66} The other clearing banks followed similar strategies. Lloyds Bank established a committee in the early 1930s to examine costs and possible areas where running costs of the bank could be reduced, for example through mechanisation.\textsuperscript{67} Bank managements placed a

\textsuperscript{63} ibid., 108.
\textsuperscript{64} ibid, 104.
\textsuperscript{65} Collins, \textit{Money and Banking}: 216-7.
\textsuperscript{66} Holmes and Green, \textit{Midland}: 190.
\textsuperscript{67} Winton, \textit{Lloyds}: 68.
high importance on maintaining stability and liquidity and such prudent measures
demonstrate their caution.

The attempts by the Big Five clearing banks to introduce new products during the
interwar years were limited. The banks also tended to follow their competitors, as with the
introduction of Home Safes. More energy was put into expanding the branch networks and
consolidating market share. Yet this was an era of uncertainty in terms of overall economic
conditions. The banks maintained their stability and safety – there were no bank failure as in
mainland Europe and therefore British customers were free from the losses experienced on
the Continent – but they appear to have done so at the expense of radical innovations of
products on offer to customers.

**Advertising**

‘Advertising is the king’s messenger in this day of economic democracy. All
unknowing a new force has been let loose in the world. Those who understand it
will have one of the keys to the future.’\(^{68}\)

Although well–established in other sectors, advertising was still a relatively underused
practice in banking. Bankers had previously not had to ‘tout for business’ to any great extent
and many found the act of self-promotion and advertising an anathema.\(^{69}\) The use of
advertising by bank managements during the interwar period therefore represented a series of
experiments, all of which were aimed at signalling reputation and trustworthiness by the
banks to their customers, in addition to generating new customers.

\(^{68}\) Editorial, ‘Messenger to the King’, *Collier’s*, 1930 (May 3): 78.

\(^{69}\) In 1899 a banker emphasised that ‘banking is not yet like trading’ and that a branch manager should not
Advertising in the United Kingdom has a long history. Companies in several sectors undertook concerted and modern marketing activities from the start of the twentieth century. There were pioneer marketers in the car industry; in the consumer goods industry by companies manufacturing shoes, confectionary, soaps and healthcare products; and in textiles. Advertising agencies, both British in origin and the branches of American agencies,


existed in the UK. The early twentieth century saw a growth in advertising in general. Total advertising expenditure in the UK increased considerably during the interwar years from £13 million in 1920 to £57 by 1928. The 1920s and 1930s was a period of growing activity in advertising in the UK.

Banks were not at the forefront of innovation or implementation of marketing and branding schemes. The historian of Lloyds Bank declared that during the 1920s:

The bank did little… to present itself in an attractive and interesting light to its customers and the public at large…. Advertising was rudimentary and unappealing.

Yet, evidence collected from this research reveals that bank managements may have been more willing than previously thought to undertake marketing schemes and public relations activity that were new to their way of conducting business. Lloyds considered the very innovative ideas of advertising on tramway tickets and bookmarkers, and in 1924 had the idea to erect an electric sign in Leicester Square, although these three schemes were eventually rejected. Lloyds were pioneers in film advertising. In 1929 a seven-minute advertising film with synchronised dialogue was commissioned and screened in 250 cinemas over a period of six months. The film was called The Better Way and was used to promote

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74 Midland Bank used Charles Barkers, an agency that had an established presence in The City of London from the early nineteenth century. Lloyds Bank used the American firm of J. Walter Thompson, who opened a London branch in 1899, and S. H. Benson, a British agency established in 1893.


the banks’ savings accounts and Home Safes – not highly profitable services but ones that built strong bonds with customers.\textsuperscript{78} Such an approach was also unusual for the bank, in terms of the medium chosen to advertise (film) and the nature of the message. The short film aimed to create a desire for the banks services (by creating fear or anxiety about the loss of money) in order to stimulate the opening of an account. It provides an early example of persuasive advertising by the banks and does not correspond with Winton’s characterisation of Lloyds advertising being ‘rudimentary and unappealing’.

Midland seems to have rejected the use of film for advertising. In 1921 the Intelligence Department discussed a proposal from their advertising agency, Charles Barker, to make a film for ‘publicity purposes….I have suggested to these people a film on ‘The Romance of Money’ and a scenario is being written’.\textsuperscript{79} Nothing ever came of this proposal. In 1933 the bank chose not to take up the approach from Ideal Films Ltd. suggesting a film advertisement for their Safe Deposit service.\textsuperscript{80} Midland also considered a variety of schemes that were eventually rejected such as advertising on matchboxes, on telephone pads and on tax forms.\textsuperscript{81} These were all novel ideas that Midland were unwilling to experiment with but they had to consider the cost implications of these schemes, as well as the risk involved in following untested methods of marketing.

\textsuperscript{78} ibid. In the film \textit{The Better Way}, a young wife dreams that her savings have been stolen. The following day she and husband go to the bank and open an account, after pictures of a safe and strong room are shown. The message was that their bank represented safety and stability.

\textsuperscript{79} HSBCGA: Advertising Diary, 1921, Jun. 8\textsuperscript{th}.

\textsuperscript{80} HSBCGA: Advertising Diary, 1933, Feb. 25\textsuperscript{th}, 1448. However, the bank did note that the feature film ‘That’s a Good Girl’ by Jack Buchanan ‘contains a scene representing the interior of a banking office. The equipment lent by the stationary dept. can be clearly seen. Further two Midland cheques were shown.’ Advertising Diary 1934, Feb. 15\textsuperscript{th}.

\textsuperscript{81} Winton, \textit{Lloyds}: 51.
Film was an efficient way to reach customers. Cinema attendance increased during this period, especially in the 1930s. Audiences rose from 17.4 million admissions per week in 1934 to 19 million by 1939.\textsuperscript{82} If banks were prepared to reach out to these large audiences, they recognised the value of communicating to a broad section of the general public. Yet film was an expensive vehicle for advertising to customers for the banks. A more common form of advertising was the ‘serial’ advertisement, the monthly insertions in papers and periodicals. They represented the largest single type of advertising expenditure by Lloyds in the early 1930s (68% of total expenditure in 1931, 57% in 1932 and 58% in 1933). Such advertisements were placed in national newspapers such as The Times, The Telegraph, The Morning Post and the Financial Times and Provincial newspapers.

‘Serial’ advertising increased public awareness of the bank. By using this form of publicity, banks were not only increasing brand awareness but also actively advertising services. Yet the serial advertisements used by the main clearing banks tended to be plain, without the use of colour and often containing very factual information as opposed to persuasive messages. They were usually small in scale. Examples used by Lloyds, Midland and Barclays and placed in The Times are shown in Figures 4, 5, 6 and 7. Sometimes they merely advertised the ‘hard’ financial information concerning the bank, such as capital (issued and paid up), volume of deposits and reserve fund or a full balance sheet (more of the latter below). They also publicised basic services offered by the bank, such as traveller’s cheques, letters of credit, work by the Savings Bank Department and the Trustees Department and the conversion of War Loans. The impression conveyed in these advertisements was of sobriety - their lack of ornamentation is striking. The messages conveyed in these

advertisements reinforced to customers that these were safe, solid, trustworthy and sober institutions. An advertisement from Lloyds placed in The Times in 1930 shows all that bank managements of the period were attempting to convey. ‘Modern architecture and mechanical accounting systems – Lloyds keep pace with every development’ yet they wish to reassure the viewer that ‘a legacy lingers from the time of Georgian buildings and quill pens, of private ownership and localised activities’. Lloyds acknowledged that the localised ties of the past were not as strong as they were but that the bank maintained the legacy of such connections. It also reassures the consumer that the bank ‘stills keeps to the friendly tradition of personal service’ in its branches.83

Figure 4: Lloyds Bank Serial Advertisement, 1936

Source: The Times, Tuesday Feb. 11th, 1936, p. 34, Issue 47295, col. A

83 The Times, Wed. April 16th, 1930, 20, issue 45489, col. A.
Figure 5: Midland Bank Serial Advertisement, 1928

Source: The Times, Friday Feb. 10th, 1928, p. 5, Issue 44813, col. F.

Figure 6: Lloyds Bank Serial Advertisement, 1925

Source: The Times, Saturday, Feb. 07, 1925, p. 16, Issue 43880, col. F.
Figure 7: Lloyds Bank Serial Advertisement, 1930

Source: *The Times*, Saturday, Feb. 07, 1925, p. 16, Issue 43880, col. F.

Building societies and savings banks tended to use more sophisticated visual advertising during this period, for example the use of images and the use of colour (see Figure 8). They utilised photographs or drawing of people much earlier than the clearing banks. This presented a ‘human’ element to their communications to customers that was missing from the bank advertisements.
There was recognition that the ‘personal element’ had receded in modern banking and as a result the customers relationship with a bank was not as strong as it once was. In April 1921 the Chairman of Midland Bank declared that he:

‘desires to advertise the local branch with the managers’ name as much as possible, especially in outlying districts in which the Bank is not strongly represented…..he takes the view that it is good for the Manager because it conveys the impression that the Bank is proud of him and it also gives the Bank a personality’.

Another form of advertising used by bank managements to communicate the key values associated with their institutions – solidity, dependability, trustworthiness – and to rebuild the relationship or trust element of their banking activities with regard to the

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84 HSBCGA: Advertising Diary, 1926, Mar. 24, 1926, 253
consumer was the publication of the Chairman’s speech. Bank managements viewed these speeches as important forms of publicity in an era of avid public interest in economic activity. (The Chairmen commented on the general economic matters). They also sent important signals. The speeches allowed Chairmen of these large and influential financial institutions to convey to the public and commercial world an image that enhanced the standing of the bank; they provided information about the viability of the bank and future prospects for its growth and success. The Chairmen themselves viewed the speeches as important vehicles by which they could communicate with the bank’s customer base, as well as the world of finance and commerce. Expenditure Lloyds on advertising the Chairman’s speech made of a significant proportion of total advertising costs (see Table 3).

Table 3: Advertising expenditure by type - Lloyds Bank 1931-1933

<table>
<thead>
<tr>
<th>Type of expenditure</th>
<th>1931</th>
<th>1932</th>
<th>1933</th>
</tr>
</thead>
<tbody>
<tr>
<td>Serial</td>
<td>£21,600</td>
<td>£12,050</td>
<td>£11,860</td>
</tr>
<tr>
<td>Chairman’s Speech</td>
<td>£7,444</td>
<td>£7,550</td>
<td>£7,396</td>
</tr>
<tr>
<td>Balance sheet (now statement of accounts)</td>
<td>£1,850</td>
<td>£1,150</td>
<td>£1,165</td>
</tr>
<tr>
<td>Publicity</td>
<td>£720</td>
<td>£370</td>
<td>£45</td>
</tr>
<tr>
<td>Total</td>
<td>£31,614</td>
<td>£21,120</td>
<td>£20,466</td>
</tr>
</tbody>
</table>


Bank managements could also communicate their financial status and solidity to their customers and those in the financial community through the publication of balance sheets (see Table 3). The 1900 Companies Act required compulsory auditing for all limited liability

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See for example the reaction of McKenna, the Chairman of Midland Bank when The Intelligence Department suggested that the length of the Chairman’s speech for publication should be cut for reasons of cost. HSBCGA: Advertising Diary, 1933, Jan 17, 1394.
companies and also gave the right of access to the companies’ financial report to shareholders. In 1907 an act was passed that made the filing of financial information with the Registrar for Joint Stock Companies compulsory. Shareholders consequently had the right to obtain a copy of the balance sheet of a company in which they held shares as well as the auditors report. This legislation included banks. Yet banks had published their full balance sheets and financial reports from an early stage.\(^\text{86}\) Publishing such ‘hard’ financial data was used as a signal regarding the solidity of a bank. A bank’s reputation rested upon their obvious financial security - if they could demonstrate that they were financially secure, bank managements could demonstrate that they could be trusted with the safe keeping of customers money and their financial transactions. It also demonstrated openness and transparency, and therefore honesty, an attribute with that bank managements were keen to be associated.

Banks were not pioneers in the area of marketing, branding and public relations, especially compared with other sectors in Britain. However it is unfair to paint these institutions as ‘dinosaurs’ that were unwilling to attempt any method of selling their services or building up their reputation. The 1920s and 1930s witnessed these rather traditional institutions make, what were for them, significant steps forward in marketing activities, even if some bankers remained sceptical of their use.

**Advertising: Market Segmentation and Advertising Vehicles**

Did the banks target specific segments of the market with their advertising? It has already been noted that the banks aimed at market segmentation in terms of branch opening

but there was also evidence of this in the advertising campaigns. Banks targeted specialist publications such as the *Jewish Chronicle* and *Teachers World* in an attempt to reach certain customers.\footnote{39} Midland placed an advertisement in the University College London calendar in 1922, presumably aimed at gaining student customers.\footnote{38} In 1933, the Midland declined to advertise its balance sheet in the *Leicester Chronicle* but rather recommended that the bank should place serial advertisements in the paper ‘inasmuch as it has a large working class circulation’.\footnote{39} This provides evidence that the Midland was interested in targeting working class customers and was aware of which publication reached such audiences. There was also targeting of specific regions. In June 1922 the Midland placed advertisements for the bank in nine local Cornish newspapers.\footnote{39} The bank had traditionally had little presence in the region. In targeting working class customers and regions in which the bank had little representation, the Midland demonstrated that the bank’s managements were attempting to reach new customers and build up brand awareness and reputation in segments of the market that it had traditionally not had a strong presence in.

The most popular mass-circulation newspapers increased their circulation during this period: from 3.5 million in 1910 to 7.6 million in 1938.\footnote{91} The large clearing banks were aware of circulation figures of various publications.\footnote{92} Placing advertisements in the national daily press such as the *Daily Telegraph* and the *Daily Mail* reached far more readers than an

\footnote{39} For example see the location of Midland advertising. HSBCGA: Advertising Diary, 1921, Feb. 8\textsuperscript{th}, 9.
\footnote{38} HSBCGA: Advertising Diary, 1922, Sept. 12\textsuperscript{th}, 703.
\footnote{39} HSBCGA: Advertising Diary, 1933, Jan. 16\textsuperscript{th}, 1391.
\footnote{39} HSBCGA: Advertising Diary, 1922, June 2nd, 599.
\footnote{92} For example, the circulation figures for the *New Statesman* for the first half of 1937 were noted as being 25,000. HSBCGA: Advertising Diary, Jul. 1937-Dec. 1938, July 16\textsuperscript{th}, 3245.
advert in the specialist financial press such as the *Financial Times*. By 1930 the Midland placed eight per cent of their total advertising in *The Times* and three per cent in *The Telegraph*. *The Daily Mail* took the largest single proportion of expenditure (approximately 14.5 per cent) but this was due to the higher rates they charged for the same space.\(^93\) By using these national daily outlets, the banks were guaranteed to reach a large audience and maintain their presence in the public eye. Repeated exposure to advertisements in these publications reinforced the image that banks wished to convey in the public mind’s eye - one of solidity, trustworthiness and safety.\(^94\)

**Advertising expenditure and impact**

How much were bank prepared to spend to communicate to new and existing customers and to enhance their brand? The expenditure by Lloyds gradually increased through the 1920s but declined from 1932 onwards, probably due to adverse economic conditions and then the looming war. It was not until the post war period – 1945 to be exact – that annual expenditure on advertising by Lloyds bank reached £50,000.\(^95\) In 1926, Midland Bank agreed to an annual expenditure of £40,000 on advertising, slightly higher than that of Lloyds.\(^96\) The Chairman of the Midland, Reginald McKenna, took the view that

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94   At Midland Bank the policy of advertising in publications that were also customers of the bank was explicit. The Midland could secure preferential rates from their own customers and the practice maintained good relationship with customers such as newspapers and printers whose services were utilised. HSBCGA: Advertising Diary, 1926, Jan. 4, 167 and Jan. 27, 1926, 168.


96   HSBCGA: Advertising Diary, 1926, Mar. 24, 1926, 253
advertising expenditure should not rise above £50,000. To put this in some context, the published net profits of Midland Bank were £2.5 million in 1926. The advertising budgets of the large banks were, therefore very small.

What was the impact of such advertising? This is almost impossible to measure and is one reason that bank managements maintained a cautious approach in their expenditure on and attitude towards advertising. However, by the post war period banks were investing significant amounts of money on advertising activity. By 1960 Barclays annual expenditure on advertising was £180,000, that of the Midland £245,000, of Lloyds was £223,000, the National Provincial £85,000 and the Westminster £105,000. The banks clearly believed that advertising was important enough to spend considerable sums of money on it. After introducing a new advertising strategy in 1944, the chief general manager of Lloyds Bank commented that:

It is difficult to say what value there may be to a Bank in advertising but, for what it is worth, I may say that we have evidence that the advertisements have been widely read and well received by the public. Managers throughout the country have, almost with exception, expressed their approbation of the present scheme.

Even in the 1920s, the clearing bank managements recognised that advertising increased ‘brand awareness’. Midland recorded that:

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97 HSBCGA: Advertising Diary, 1926, Jan. 19, 1926.
98 Holmes and Green, Midland: 334.
‘inasmuch as the object of advertising is to keep the name of the Bank before the public, quite a considerable amount of the appropriation this year is to be devoted to an advert of the Home Safe. The Committee did not fix a sum in respect to this advert. but the figure mentioned by Mr. Hyde was £10,000.\textsuperscript{102}

Given that the policy of advertising continued, with greater innovation and with greater cost, throughout the century, it would appear that the start of formal advertising by the banks in the 1920s was not viewed as unproductive. Yet this was an era when many in the banking world ‘found it difficult or demeaning to advertise services in any meaningful way’.\textsuperscript{103} Often it was the local managers who saw the direct value of advertising.\textsuperscript{104} In contrast, the Chairman of the Midland took the view that advertising expenditure should not rise above £50,000, which even then he regarded as a ‘bribe to the press’.\textsuperscript{105}

\textbf{Conclusion}

The clearing banks operating in interwar Britain were faced with declining business in terms of advances and increased competition from other financial institutions entering their markets. They were also faced with a relative decline in consumer confidence following the creation of the ‘Big Five’ clearing banks by 1918, which formed a cartel in the banking industry, and as a result of the apparent reluctance of banks to provide support for domestic industry during a time of economic recession. The amalgamation movement resulted in centralisation, bureaucratisation and formalisation in banking, as opposed to the ‘relationship’ banking that was previously predominant. It meant a physical and perceived movement away

\textsuperscript{102} HSBCGA: Advertising Diary, 1921 Mar. 24, 1926, 253.
\textsuperscript{103} Holmes and Green, \textit{Midland}, 188.
\textsuperscript{104} HSBCGA: Advertising Diary, 1921 April 22nd.
\textsuperscript{105} HSBCGA: Advertising Diary, 1926, Jan. 19, 1926.
from the ordinary customer and resulted in a relative reduction in the ties and trust that had existed between banks, their customers and the wider public. Such trust was vital for banks in their role as financial intermediaries, entrusted as they were by depositors as delegated monitors.

As a result, for the first time in their history, bank managements began to consider public ‘image’ seriously. They presented a ‘positive’ image to the public in order to enhance their reputations; introduced new products; attempted to increase brand awareness; and undertook informal marketing campaigns through branches (emphasising customer service and corporate architecture), as well as more formal advertising campaigns. Such strategies had limited success before World War II in increasing the volume of business for the ‘Big Five’ banks. The increase of small-scale personal accounts did not offset the revenue lost through the decline in business lending by the banks.

Yet one of the key aims of this marketing was not only to increase business but to communicate to the public and to consumers the trustworthiness of their institutions. Advertising by banks in the 1920s and 1930s was thus not merely about generating profits but about increasing and improving brand awareness; about winning back a sceptical public; and about reinforcing the reputation of these institutions as safe and reliable and as being able to successfully service the financial needs of a nation. In this they were largely successful. The image of the British banks as solid and secure became one that that was not only true during the turbulent 1930s (as banks in Continental Europe failed) but one that was extremely enduring and lasted until the end of the twentieth century.106

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106 The stereotype of the safe, steady, prudent and risk averse bank manager is one that has been used repeatedly in British comedy, for example Captain Mainwaring the bank manager in the long-running situation comedy *Dads Army*.
Ultimately banks maintained their cartel. Therefore their marketing campaigns were successful in encouraging barriers to entry for new firms and retaining their oligopolistic position. The campaigns also marked the beginning of an important shift in the world of banking. Bank managements could no longer be complacent and presume that their customers would come to them. Nor could they continue to be sceptical of advertising techniques as other sectors pursued such promotion with vigour and success. There was a realisation that they were required to actively seek business, market themselves and establish brand recognition. In this way the period proved to be the seedbed for important future innovations in the banking sector, not only in advertising techniques but also in terms of the attitude of bank managements towards their consumers. The 1920s and 1930s were the start of bank managements taking the perceptions of their customers and a banking public seriously.

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