Aggressive and prudential marketing strategy for financial services
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Aggressive and Prudential Marketing Strategy for Financial Services

RICHARD SPEED and GARETH SMITH

In the light of poor performance, there is debate about the benefits marketing has brought to the UK financial services industry. This argument is assessed in the light of marketing concepts and the findings of a study investigating the focus of marketing strategy in successful financial service companies. Based on qualitative data from rigorously identified companies, the article finds that the balancing of aggression and prudence in strategy, which is emphasised in marketing theory, is one of the factors which sets apart successful financial service companies. The findings suggest that the successful companies are those focusing on strategies embracing the key marketing concepts of selectivity and profit orientation.

INTRODUCTION

The turbulence in the UK financial services industry has dramatically increased in the last decade. The entry of overseas banks, the deregulation that increased domestic competition, the increasing sophistication and declining loyalty of customers all combined to place competitive pressure on financial service companies [see for example Thwaites, 1991; Edgett and Thwaites, 1990; Ennew, Wright and Watkins, 1990]. Other companies were seeking to attract customers, and customers were, more than ever before, willing to go [Lewis, 1989].

During this period marketing has made dramatic in-roads into the financial services industry. As environmental change and competitive pressure has increased, marketing has become a more and more important function in the UK financial services industry. However, this period of rising importance of

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marketing has coincided with a catastrophic decline in performance in the financial services sector. Researchers reporting this decline have advanced various arguments about how competition, marketing and performance have been linked in the industry [see Robbie and De Hoest, 1992; Chrystal, 1992; *Economist*, 1992; Skeel, 1991]. To shed light on these disputes this study reports research on the link between the orientation of marketing strategy and performance in the UK retail financial services industry.

As an introduction to these findings the article briefly outlines the development of marketing in the UK financial services industry and then goes on to discuss some of the arguments about the recent performance of financial service companies. In particular, aggressive and prudential marketing strategies are identified and their impact on performance is considered.

MARKETING AND COMPETITION IN UK FINANCIAL SERVICES

Marketing provides a mechanism by which the optimum positioning of a firm or its services can be determined and communicated to the target market. However, the perception of marketing and its status in UK financial service companies has evolved slowly over time. There has been 'marketing' in UK financial services for many years, but authors have frequently pointed out the limited understanding of the concept shown by financial service companies. Traditionally, financial service companies have been very process oriented. Their approach to deposit taking and lending was entirely reactive and what marketing existed was essentially advertising [Brien and Stafford, 1967]. As time moved on marketing was seen as a mechanism for collecting deposits, and the level of proactivity increased [Dunn, Thomas and Young, 1984]. Further development did see marketing being used in support of lending activities as well as deposit taking, but in this period the marketing of financial service companies was unsophisticated. The emphasis was on attracting new customers from the population without bank accounts, by emphasising the range of services and the ability to meet general needs. The banks in particular were engaged in what was essentially selling, rather than marketing, since they were endeavouring to sell more of their existing services. More sophisticated marketing has come in the past decade with the introduction of more sophisticated research, segmentation, branding, direct mail and other techniques. Many authors have seen marketing as a key competitive skill in financial services [Clarke, Gardner, Feeney and Molyneux, 1987; Howcroft and Lavis, 1986] and companies have been urged to view marketing as a means by which profitable relationships with customers are established and maintained [Dunn, Thomas and Young, 1984; Berry, 1982].

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MARKETING: CAUSE OR EFFECT?

The period which has seen the rise of marketing has also seen the increase of competitive pressure and environmental turbulence. One might expect the importance of marketing to rise with growing competition. Marketing and competition are intrinsically linked [Saunders, 1987]. Although marketing is traditionally considered to be about meeting customer needs, marketing success comes from doing this better than the competition. Marketing offers a mechanism to improve the ability of a firm to compete in the market place. As the level and sophistication of competition has increased, so the importance of marketing in financial services has risen. Marketing offers a method to *better cope* with the problems of increasing competition and turbulence. Now, with banks and insurance companies reporting disappointing results, and the ambitions of building societies severely curtailed, it appears paradoxical that despite this greater marketing sophistication, the performance of the UK financial services sector has not shown any major consistent improvements.

There is also an alternative argument, that increasing marketing *leads* to increasing competition and market turbulence [Banyard, 1989]. One might argue that the techniques of marketing had served merely to undermine the profitability of the bank's UK retail business, the traditional cash source. Marketing therefore has increased, rather than relieved, the problems of the industry [Skeel, 1991]. As competition increased, better and better deals had to be offered to maintain the customer base. The greater competition and improving offers served to undermine the traditional customer loyalty found in the financial services industry, as customers took their business around the market in search of a better deal. The first effect of the dominance of marketing was to increase the costs, and therefore the risks, of doing the same business with the same customers. Not only that, but any marketing innovation which was developed by a company was matched or bettered by competitors within weeks. To better an offering, a firm had to offer more, so further increasing the costs and the risks. Later entrants into the interest-bearing cheque account market found themselves having to offer higher rates, later entrants into credit cards offered lower rates. The cycle of competition led to ever-increasing product costs merely to maintain customers. The downturn in the UK economy converted many risks into certain failures, causing bad debts to rise and compound this situation. It would appear from this analysis that the advent of marketing into financial services has merely served to increase the need to compete and simultaneously increased the costs of competing. If events are interpreted in this light it appears that marketing is as much part of the problem as part of the solution.

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MARKETING: THEORY v. PRACTICE

Most business people now understand that marketing is about the relationship a company has with its customers and other external individuals and organisations. Indeed, most people would be familiar with a definition of marketing as 'meeting customer needs'. Most of the widely accepted definitions of marketing will talk of 'mutually satisfying exchange relationships' between company and customer.

Companies that research and target customer groups with the intention of developing products to meet their needs are often termed *market oriented*. A market-oriented company seeks to meet the needs of customers, by application of marketing techniques.

However, meeting customer needs is not the whole story. If marketing is about 'mutually satisfying exchange relationships', then the satisfaction goes both ways. Firms should not simply research and seek to meet customer needs. They must do this only when such a relationship with their customers would be satisfying for them too. A company with a true *marketing orientation* is not concerned with the satisfaction of the customer regardless of the cost to the company. The marketing concept is about a company as a whole acting to select the profitable opportunities arising from amongst identified customer needs. Of course, exactly what is 'profitable' depends on company objectives, but for most public companies profitability is ultimately measured in financial terms [see Sharp, 1991, for a discussion of this distinction, and Hooley, Lynch and Sheppard, 1990, for empirical examination].

This immediately identifies one difference between what financial service companies have been doing and what the marketing concept would direct them towards. The marketing concept is illustrated in Figure 1. The three elements of the concept are a market orientation with customer satisfaction the basis for a company's efforts, profit as the objective of company efforts and the direction of the total company effort at these twin goals.

The marketing concept therefore emphasises not only a market orientation in pursuit of market-based opportunities. A truly marketing-oriented business would not accept business merely because it met a customer need, or because it denied that business to a competitor, unless that business also passed the profitability test. Competition which destroys profitability is an option a truly marketing-oriented company could not take.

So there are two sides to a marketing-oriented company. The first is that the company bases its activities on identifying, monitoring and meeting the needs of customers. Market orientation defines the basis on which action targeted at customers, and through them competitors, should be taken. Market orientation is the key to successful aggressive action by companies. Attracting new customers, attacking a competitor's customer base or defending an existing

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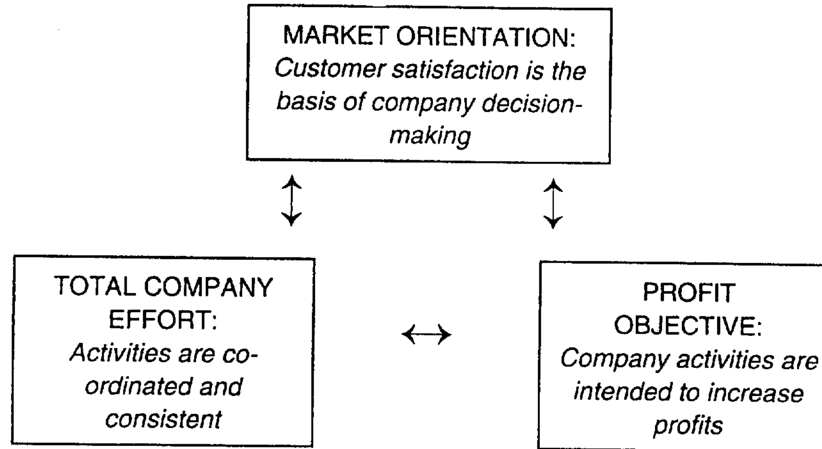
customer base are all best carried out on the basis of an appeal based on identified and researched customer needs.

FIGURE 1
THE MARKETING CONCEPT



The other side of a marketing-oriented company is that the opportunities arising from these needs are selected on the basis of their profitability. A marketing-oriented company will monitor its activities in terms of costs and revenues, and therefore also in terms of risk. A profitability constraint allows the quality of a firm's business to be maintained, avoids misallocation of resources and acceptance of a poor mix of risks. The profitability requirement is the key to company prudence.

These two sides of a marketing orientation can be seen and contrasted in two of the approaches taken to financial services management in recent years. The concept of 'relationship banking' is relatively market oriented [see Grönroos, 1991]. This approach suggests that the bank should seek to establish and maintain a relationship with a customer. It should draw income not from individual transactions or services, but from the relationship as a whole. In this approach, the profitability of individual transactions or services is not important. What is important is maintaining and deepening the relationship, perhaps using some services as loss leaders, to enable higher profit ancillary services to be sold to the customer, so creating a profitable relationship overall. The relationship banking approach places considerable emphasis on being market oriented, to establish and maintain the relationship.

The alternative approach is to apply the principle of profit centres. In this approach it is the profitability of transactions and services which is important, so customers are charged true costs for the services they choose to use. The

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profit centre approach tries to avoid cross subsidies between services and between customers. It is based on a substantial profitability orientation.

There are advantages and flaws with both these approaches. The relationship banking model can easily lead to escalating costs as more and more is done to maintain the relationship. The repricing of Midland Bank's multi-service account products can be seen as a result of placing too much emphasis on customer relationships and not enough on product profitability. On the other hand, the profit centre approach can lead to dissatisfied customers and loss of business. The introduction of fees for credit cards by Barclays led to considerable loss of customers.

The marketing concept therefore offers two things. Firstly, a basis on which business may be generated, identifying and satisfying customer needs. Secondly, a basis on which business quality can be determined, that is, profitability. To carry out one without the other is to destroy marketing effectiveness. Failing to identify the return from marketing efforts in terms of profits will lead to losses. Seeking profitable business without identifying and meeting customer needs will lead to poor competitive performance as customers select products that better meet their needs from other suppliers. The marketing concept therefore requires a firm to balance aggression and prudence. Market oriented activity must be regulated by the profitability constraint if a company is to be genuinely marketing oriented.

RISK AND MARKETING STRATEGY

The risk nature of financial services has traditionally placed pressure on companies to manage both business generation and business quality. The criticisms of marketing in the financial services industry, reported above, that marketing activities raise costs and destroy profitability, suggest that marketing is directed at business generation to the detriment of business quality. Marketing, it is argued, acts against good practice in the financial services industry.

Doyle [1987] has proposed a model of management as being made up of 'left-hand' and 'right-hand' activities. He divides management activity into two elements, a left-hand set of policies affecting market performance, such as market share, brand recognition or customer satisfaction, and a right-hand set affecting financial performance; profitability, return on assets and expenses. Doyle argues that the key business decisions generally have opposing effects on left- and right-hand factors, and the ideal situation is to achieve a balance between them. The criticism of marketing in the financial services industry suggests that marketing may have had a beneficial effect on left-hand factors, increasing market share by business generation, but it has had a detrimental affect on right-hand factors, decreasing business quality and increasing costs.

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In fact, as can be seen from the previous discussion, this should not be the case. Although a *market orientation* may lead to an over emphasis on left-hand factors, a truly *marketing oriented* company is concerned with both business generation and business quality. A genuine marketing orientation implies concern about both left-hand factors, since customer needs drive decisions, and right-hand factors, since all decisions are subject to a profitability constraint. A company with a marketing orientation should show the kind of strategic balance Doyle argues for. The poor quality of the marginal business taken on by financial service companies suggests that financial service companies have still to fully adopt the marketing concept, rather than that the marketing concept encourages such over expansion of business.

However, it should not be assumed that such criticisms apply to all firms in the industry. It may be the case that the marketing concept has been adopted within the financial services, but not universally. The remainder of this article reports on research examining differences in the orientation of marketing strategy among firms in the financial services industry. The research seeks to examine how the focus of marketing strategy varies with competitive performance in the financial service industry. Since it is claimed on behalf of marketing that it contributes to superior performance by companies, it may be hypothesised that successful companies will show more evidence of having adopted the marketing concept than will unsuccessful companies. As has been discussed above, one element of a marketing-oriented strategy involves balancing aggressive, market-oriented strategy with prudential, profitability oriented strategy. Thus it may be hypothesised that successful companies will show a balance between aggressive and prudential strategies.

MEASURING PERFORMANCE BY TRIANGULATION

Data on the focus of marketing strategy was collected by conducting interviews, using a semi-structured questionnaire, with marketing managers in a sample of UK financial service companies. The questions seeking quantitative responses were framed as statements and the interviewees asked to scale the accuracy of the statement as a description of their company. This paper focuses on their responses to open-ended questions seeking qualitative data.

Marketing managers were contacted in a sample of 40 financial service companies. A total of twenty-six companies participated (65 per cent). Three of these interviews did not provide quantitative data suitable for use in this analysis. The sample was purposive in design, companies being selected to be similar on the basis of size and covering the maximum range of reported strategies or approaches. Although this was a small sample, it included the majority of the most significant firms in terms of size of assets in each of the life industry and the building societies movement, along with all of the major

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and intermediate UK banks and the major composite insurers. Because of the level of industry concentration in financial services, participating companies represented a substantial part of the market for financial products such as current accounts, mortgages, life insurance and credit cards.

Gathering data to measure performance in the retail financial services industry encounters problems. Firstly, because of historical divisions in the market, financial reporting conventions vary widely, making published financial data non-comparable. Secondly, historical divisions also affect industrial organisations and bodies, and therefore the coverage of published operational data. Finally, the variation in ownership patterns leads to differences in the level of aggregation of data and the consolidation carried out.

In the absence of suitable data-based measures of performance, opinion-based measures of performance were used to identify successful retail financial service companies. Various opinion-based measures of performance have been utilised by researchers [see Saunders, Brown and Laverick, 1991; Craig and Hart, 1992, for discussion of such measures]. In this study companies were identified using three separate opinion-based measures of performance. These were self-assessment of relative performance by respondents, peer assessment of relative performance and expert assessment of relative performance.

Self-assessment of performance is the commonest form of opinion-based measure, widely used in research [for instance, Dess and Robinson, 1984; Berry and Massey Kantak, 1990]. A standard approach, adopted in this study, is to ask respondents to score their company on a Likert scale, ranging from 'very good' to 'very poor' performance. Peer assessment, asking respondents to assess their competitors, is less common [see Barsoux and Saunders, 1989, for an example]. One advantage over self- assessment is that respondents have good industry knowledge but the dangers of bias are reduced, since they are not commenting on performance for which they may have responsibility [for a fuller discussion of the peer assessment study see Speed and Smith, 1991].

Previous studies using experts have utilised face to face meetings in assessing performance [Varadarajan and Ramanujam, 1990]. Because the experts on financial service companies (defined as 'those with a professional knowledge of the retail financial services industry') included city analysts and researchers, fund managers and stockbrokers, business and personal finance journalists and academics, such a meeting was impossible. As an alternative the Delphi method of expert polling was utilised [Lindstone and Turoff, 1975]. Judgements are collected by anonymous polling of experts, who subsequently are asked to reconsider their judgement on the basis of feedback they receive on the group judgements. This iterative process continues until a consensus is reached or is seen to be unachievable.

Twenty-one experts participated in a three round Delphi study. The experts

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were asked to score a list of thirty companies, including those in the sample, on a seven-point Likert scale, in terms of their performance. Experts were asked to list any company which had been omitted from the list of thirty that they considered to have above average performance. These were included in later rounds of the study. Stability was achieved after three rounds of the process and the mean scores awarded to companies were examined using tests to determine whether they were significantly different from the scale average.

To avoid constraining respondents in their assessment of company performance the research took an unrestricted definition of performance [Dess and Robinson, 1984]. Respondents were asked to assess global performance relative to both the competition and to the firm's own potential.

Because of the dangers of bias in opinion-based measures [Barnes, 1984; Larreche and Moinpour, 1983] these three measures were triangulated to increase validity, and companies were classified as successful only if all three measures placed the firm in the 'above average' category. Six companies out of the sample of twenty-three were classified as successful by this method. Four companies which were rated as 'average and below' by all methods of performance assessment were classified as non-successful. None of the industry sectors (that is banks, building societies or insurance companies) was significantly over- or under-represented in either group.

Because of the extremely small size of the residual sample after triangulation, the potential for quantitative analysis is extremely limited. However, the rigour with which the companies classified as 'successful' or 'unsuccessful' were selected allow a good deal of confidence that the classifications are accurate. This level of confidence about category purity is rarely possible with more conventional approaches to case classification [see Speed, 1993, for a discussion of such problems]. Because of this rigour, it is possible to report differences observed through more qualitative methods, suggesting that those consistently observed between firms in different classifications represent the differences between successful and unsuccessful companies.

THE STRATEGY OF SUCCESSFUL FINANCIAL SERVICE COMPANIES

The findings from the limited quantitative analysis are shown in Table 1. Given the extremely small sample and the fact that the ratio of variables (44 in all) to significant findings is close to what might be expected at random, these findings cannot be treated as valid in their own right. They are presented as indicative findings to introduce the qualitative data reported below. These findings indicate that successful UK financial service companies were distinguished from the unsuccessful companies on seven dimensions, three of which relate to social class of customers. The wealth of their customers was greater, the social class of their customers was higher, their

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skill at controlling their costs was greater and the customers they attracted did not join them because of family or friends recommendation or outlet location. As will be discussed below, these differences were supported in the qualitative findings.

TABLE 1
DIMENSIONS DIFFERENTIATING BETWEEN SUCCESSFUL AND UNSUCCESSFUL COMPANIES

Measure	Successful companies agreeing with the statement (%) (n=6)	Unsuccessful companies agreeing with the statement (%) (n=4)
Recommendation by friends/family is of above average importance in customer selection decision	0	100a
Outlet location is of above average importance in customer selection decision	17	100b
Customers more wealthy than those of competitors	67	0c
Higher proportion of customers from social class A	67	0c
Higher proportion of customers from social class B	67	0c
Higher proportion of customers from social class C1	83	25b
'Skilled at minimising the costs of supplying our products' is an accurate description	67	0c

a Fisher Exact Test score (2 tail) significant at 1% level
b Fisher Exact Test score (2 tail) significant at 5% level
c Fisher Exact Test score (2 tail) significant at 10% level

Six of these recommendations relate to aggressive action, the attraction and retention of customers, in terms of the customers targeted and the methods by which they are recruited. The seventh dimension relates to controlling the cost of attracting and retaining those customers and therefore relates to prudential actions.

Aggression in the Strategy of Successful Companies

It appears that the successful companies have focused on a specific customer group, the relatively wealthy, socially up-market customers. This group is likely to offer higher profit through heavier use of services, maintaining higher balances and using more complex, higher margin services. However, they are also likely to be more sensitive to service quality, deal quality and to be more financially sophisticated. Wealthier, up-market customers are more likely to be professionally advised about finance and are more likely to receive advice through personal finance journalism. Thus the customers are not only higher profit, they are also less loyal and more likely to be scanning for better offerings. They are a competitively volatile customer group, rewarding well those that can serve them best. The distinction between successful

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and unsuccessful companies in terms of the wealth of their customers is illustrated by the comments below collected from participating managers:

> We're not trying to attract all sorts with the same degree of effort, we're skewed towards the young up-market.
>
> **Marketing Manager, Bank (Successful)**

> Our client base is predominantly forty plus because we are primarily a protection office and we have tended to go for older ages because there are the best possibilities in that range. That has not left us in a very good strategic position so we want to segment out the people who have funds to invest, and the younger people and get them on board for life.
>
> **Marketing Manager, Composite Insurance Company (Unsuccessful)**

The findings also identified the importance of customer selection criteria as distinguishing factors between successful and unsuccessful companies. Traditionally, outlet location and recommendation by family or friends have been two of the major influences in determining the selection of financial service provider [Calantone and Sawyer, 1978; Mintel, 1992]. However, our findings suggest that it is unsuccessful companies that see these factors as important. The successful financial service companies rely less on outlet location or on an established relationship as a source of new business than do other companies.

Successful companies appear less reliant on these traditional methods of recruitment and the customers they recruit are more wealthy. A manager in an unsuccessful bank gave a traditional interpretation of customer recruitment and retention. Having explained that his customers were primarily recruited through either an existing relationship with parents or employer or through convenient location, he went on to say:

> Banks live behind apathy. People only move for negative reasons, not positive. I think that when there was all the hooha about interest on current accounts people weren't necessarily reneging on their banks, they still had a current account but they were opening a second account and moving between them.
>
> **Marketing Manager, Bank**

A manager in a similar bank, in terms of size and geographical coverage which was classified as successful had a very different interpretation of the issue of customer recruitment and retention:

> Offers are becoming increasingly important in the customers decision where to bank. When we went into free banking for the basic current account we won people who realised that they didn't have to pay £80 per

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> year, in other words the financially astute people. These people were young, up-market customers – our problem is that the guys you win like that you can lose just as easily.
>
> **Marketing Manager, Bank**

It is probably correct to assert, as the first manager does, that banks have traditionally profited from customer apathy. There is, however, evidence that attempts by banks to exploit this loyalty by recruiting children as customers in the expectation that they will remain loyal into adult life failed [Oliver, 1985]. Two factors appear to be undermining this traditional loyalty. The first is the encroachment of different types of financial service companies into each other's traditional area of operations, illustrated best by building societies' entry into current accounts and banks' venture into the mortgage market, leading to an increase in the level of competition. The second factor is the rising sophistication of customers [Cox and Lasley, 1984]. These two factors are the driving force being the rising importance of the deal noted by the second manager. The increased competition between companies has led to a greater variety of deals being on offer, and rising customer sophistication leads to a greater willingness on the part of customers to risk a change. Several managers echoed the comments of the first manager quoted that customers were not necessarily closing accounts. Managers dealing with the building societies' current accounts suggested that the customers were not transferring directly to them, rather they were opening a second account with a building society and testing it by usage, essentially running it in. The issue is therefore not one of account openings and closures, but rather one of usage. It appears that the more financially astute, more affluent customers are more willing to select a financial service provider on the basis of the deal offered or the product quality rather than more traditional reasons.

A related point is that research on customer loyalty in the USA [Jain, Pinson and Malhotra, 1987] suggests that the most loyal customers are older, less educated, less affluent and blue collar. These customers are therefore those concentrated in the less successful companies.

Successful companies appear to be better at attracting more astute, more deal sensitive customers who are likely to be more wealthy. However, as the second manager quoted said, customers you attract that way you can lose just as easily.

Prudence in the Strategy of Successful Companies

Our research, both quantitative and qualitative, found that one factor which distinguishes between financial service companies with different levels of performance is skill at controlling their profitability. This clearly relates to superior prudential action and is illustrated by the comments of managers;

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> I saw some recent figures looking at things like profitability and management expenses amongst the top fifteen societies and we didn't come out that well.
>
> **Marketing Manager, Building Society (Unsuccessful)**

> We offer a full range of established products. We do not offer newer products such as unit trust linked mortgage guarantees. We concentrate on offering products with low expenses.
>
> **Marketing Manager, Mutual Insurance Company (Successful)**

The findings suggest that the approach of successful companies is two pronged. Attracting wealthy customers on the basis of selection criteria other than the traditional and controlling costs are complementary elements of the strategy of successful companies, not alternatives. Again, the comments of managers illustrate this. One manager in a successful mutual insurance company, with impressive past performance in investment and hence highly rated by investment advisers, defined the firm's mission as follows:

> Our mission is to minimise the amount of the premiums taken for expenses and apply the balance to the best of our ability for consistent and best returns.
>
> **Sales Division Manager, Mutual Insurance Company (Successful)**

The ability of the firm in terms of investment performance is such that it has a large number of advised clients, who are likely to be more wealthy. A second manager, this time in a successful building society, discussed his principal target market and the strategy used in attracting it. The product mentioned, an interest-bearing current account based on superior processing ability, was not hypothetical, as the language might suggest, but had been in place for over a year at the time of the discussion.

> [In terms of our target market] I'm not too interested in the under tens, because they're so promiscuous in their financial habits they basically take financial institutions for a ride. They hike their money around the market, take all the goodies and there's no relationship. I'm not keen on high net worth individuals who have £40–£50,000 to invest because they tend to be interested only in the return and are 'hot' with respect to interest rates. Our key target market is 16–35-year-olds, who are relatively well off, where there is the greatest profit and cross selling potential and the key product I would offer them is a high profit, low interest transaction account where our information technology allows us to maintain low costs and hence high profitability.
>
> **Marketing Manager, Building Society (Successful)**

The last quote illustrates the link between quality products and wealthy customers that seems to be the basis of the performance of successful

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companies. The comments made by managers suggest that successful firms seek to attract wealthier customers through product quality strategy. The need for product quality is based on the superior information available to wealthy customers. With wealthy customers there is increased likelihood of professional advice, and there is increased exposure to investment advice through quality newspapers.

EXCELLENCE FOUND IN UK FINANCIAL SERVICES

The successful financial service companies in the UK are distinguished by both aggressive and prudential factors from their unsuccessful competitors. It appears that successful companies have been ambitious in their selection of target market, and they have also been consistent in that choice. They have sought to meet the needs of the most demanding, but also most profitable, segment of the financial services market. As has been pointed out, the need to meet customer needs is greater with wealthy customers because they do not select their supplier in a traditional way, they are more likely to be aware of the options offered by alternative suppliers and have greater confidence to exercise such options. Secondly they have had better control over their attack of the target market, they are more able to be prudent in their activities than the unsuccessful companies. They have greater control over their costs and so are not destroying margins to satisfy every whim of their customers and beat the competition.

The essential lesson for managers from this research is that the successful companies do their marketing in a way which is not only effective in practice, but right in theory. They have a marketing orientation. The successful financial service companies are differentiated in the focus of their marketing strategy by two factors, both of which are essential to the success of marketing. They are selective in the customers whose needs they seek to meet and they have greater control over the profitability of their activity. The successful financial service companies have adopted the marketing concept and achieved an effective balance in the marketing strategy between aggression and prudence. Managers in other industries should take note that the marketing concept is not industry specific, so there is every reason to expect these findings to be repeated elsewhere, and similar findings have been reported in non-service industry studies [for instance, Doyle and Hooley, 1992].

From a research view point, the value of these findings lie in what they add to the body of research examining business orientation and related characteristics [for example, Hooley, Lynch and Sheppard, 1990; Edgett and Thwaites, 1990]. The major contribution of this research is in the rigour with which performance level was defined, allowing confidence in the purity of the groupings, and hence the conclusions being drawn about the differences

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between successful and unsuccessful companies. The application of rigorous criteria to defining groups is costly in terms of reduction of sample size, but eliminates many of the problems of fuzzy groupings widely found in empirical research.

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