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An Assessment of the Potential Capability of Banks in the United Kingdom Banks to Exploit Sociodemographic Change

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Abstract

The purpose of the paper is to examine whether UK banks recognize that population ageing and the increasing wealth the over-50 age group, relative to younger people in the 18-49 year age group, mean the older consumer offers an increasingly important target market to sustain business performance. A mail survey was undertaken of UK bank employees. The survey tool utilized previously validated scales to assess entrepreneurial orientation, strategic flexibility, and organizational competence. Results suggest that, when compared to an earlier study of other financial service providers, branch-level employees perceive that their banks lack entrepreneurial orientation and strategic flexibility. The implication is the ability of these banks to exploit the opportunity to generate incremental revenue from focusing upon the marketing of services to people over 50 may be somewhat restricted. The survey does indicate, however, that UK banks have the necessary internal capabilities in areas such as human resource management (HRM), service quality, and information management to effectively service the needs of older consumers. Future research is required concerning the motivations of the management within UK banks who have apparently yet to recognize the opportunities available by focusing greater emphasis on the provision of services to older people.

Keywords: entrepreneurship, older consumers, sociodemographics, banks, strategic flexibility.

Introduction

For some years, in many industrialized nations, average life expectancy has been rising whilst birth rates have fallen. The outcome is that older people are becoming the dominant group in many populations. Emergence of population ageing means that many governments will soon face potentially massive fiscal crises (Johnson, 2004). On average, the cost of public pensions and healthcare benefits consumes 12% of GDP in developed nation economies. This figure is forecasted to rise to 24% of GDP by 2040 (Meeks, Nickols, & Sweeney, 1999). Without significant changes in the way governments operate their welfare systems, funding of this increase in GDP will require the working population to accept a major increase in their personal tax burden.

The potential scale of the impending crisis varies by country. In Europe and Japan, unless there are fundamental changes in government policy, the crisis will deepen rapidly because low birth rates mean the size of the working population is declining (Coleman, Hladokova, & Savelyeva, 2005). The USA will be less affected by population ageing because higher birth rates and a liberal immigration policy will result in a continuing expansion of the number of people in employment.

Since the advent of mass marketing after World War II, branded goods companies have traditionally focused on the 18-49 age group as their primary target market. Even though the marketers in these organizations are probably aware of the fiscal problems associated with an ageing population, few seem to realize that along with this sociodemographic change, people in the age group over

50 are becoming wealthier, thereby offering an exciting new market opportunity (Peterson, 2007). Given that a primary aim in consumer banking is to attract high-net-worth consumers, a reasonable assumption is that these organizations would be leaders in redirecting their marketing efforts towards the over-50 age group. Hence, the purpose of this paper is to describe a pilot study to determine the degree to which the UK banks have the potential capability to refocus their marketing efforts towards their older customers.

A key limitation encountered in undertaking this study was Head Office and regional bank marketing staffs were unwilling to contribute data. Hence, information had to be based upon interpreting the responses from branch-level employees. Even these staffs are not permitted to provide answers about branch performance. This situation required data evaluation to be achieved by using earlier research about other financial providers as a benchmark against which to assess the marketing capability of UK banks.

Reviewing Opportunity

The lack of recognition that older people represent a major new opportunity tends to be influenced by incorrect assumptions being made by marketers about older individuals' interests and lifestyles. These incorrect perceptions are being continually reinforced by the media presenting tragic stories about pensioners living below the poverty line in unheated apartments or being put into jail for refusing to pay their property taxes (Carrigan & Szmigin, 1999).

In contrast to these somewhat incorrect perceptions about the lifestyle of older people, sociodemographic data from nations around the world provide clear evidence that a significant number of older people are active individuals who enjoy a higher standard of living than their younger generation counterparts. For example, in the USA, people over 50 comprise 35% of the adult population, have disposable income of \$28 trillion, and control 70% of the net worth of U.S. household assets (Weismann, 2005). Such a high level of wealth is the reason why older people in America are able, on a per capita basis, to hugely outspend younger people. The scenario in the UK is similar. Data from the Office for National Statistics reveal that over the period 1996 to 2004, retiree annual income, adjusted for inflation, rose by 38%. This rate was well in excess of increases in average earnings of employed persons over the same period. Furthermore, by the beginning of the 21st century, the group with the highest median income within the entire UK population was the 60-64 age group, whilst the over-50 age group now account for 60% of Britain's savings and 80% of all personal assets.

There are two reasons for this situation. First, many people over 50 who are still in work have reached the maximum earnings point on their organization's salary scale. Additionally, in most cases, their living costs have fallen as

their children have left home. The second factor is that in the case of retirees, many are in receipt of pensions from both the state and their previous employers. In addition, many older people have downsized their accommodation upon retirement, and this action generates another significant incremental source of funds (Doka, 1992).

Large Firm Behavior

Despite academics such as Leventhal (1991) forecasting the potential opportunities associated with population ageing as far back as the beginning of the 1990s, the major mass market brands in Western nation markets have appeared to ignore such predictions. Instead, they continued to focus on the 18-49 age group (Leventhal, 1997). It was only towards the end of the 20th century that some consumer goods companies began to alter their views (Chaston, 2009a). The first signs of this attitude shift were among the multinational cosmetics and health and beauty aids companies. These major corporations are now launching products specifically targeted at older people, promising the benefits of a more youthful appearance (Reinhold, 2007). A probably important catalyst for this market shift was the growing number of women who were turning to Botox injections to reduce the signs of ageing. The increasing scale of interest in this segment of the skincare market is perhaps not unsurprising because globally in 2006, anti-ageing creams achieved a 25% share of total sales in the \$47 billion global facial care market.

Another example of large firms' early recognition of the growing opportunities of marketing products to older people is the success enjoyed by those construction companies in the USA which focused upon building new housing developments specifically for the retiree market. Firms that specialized in this market have been less affected by the downturn in the housing prices in the wake of the subprime mortgage market. In contrast, U.S. homebuilders who continued to target their products at the traditional family home market have been reporting huge financial losses, with many being forced into bankruptcy (Erwin, 2007).

In the UK, one of the first companies to recognize the long-term potential for marketing products to older people was the diversified leisure and financial services company, Saga Ltd. (Islet, 2007). Launched over 50 years ago, Saga's first product was the provision of low-cost coach holidays for older people. Upon recognizing that an increasing number of older couples could afford to travel to more exotic locations, the firm started offering a range of overseas travel packages and, subsequently, also entered the cruise ship market. In the 1980s, Saga entered new market sectors such as insurance, investments, and Web-based retailing. An injection of capital by Charterhouse Development Capital in 2004 assisted the firm's acquisition of the UK Automobile Association. This action, at a single stroke, moved the company into

a leadership position by making it the largest financial intermediary in the UK insurance market (Quinn, 2007).

Despite the fact that the 50-plus age group are known to be the wealthiest age group in many developed nation economies, even in the USA, the financial services industry was initially somewhat slow in seeking to exploit this opportunity. Initially, it was the smaller, local American banks who first recognized the benefits of targeting older people within their market area ("Going for the Grey," 1989). The first banks to develop products and new customer services for older people were located in states such as Florida and Arizona which have a higher than average number of retired people within their market catchment areas. It appears that only after these regional operations demonstrated the market opportunities from developing customized services for the older consumer did the larger, more internationally orientated institutions begin to seek to achieve a greater share in this sector of the market (Streeter, 2004).

Entrepreneurship

Long-term success in competing with other organizations in most market sectors is usually based upon the ability of a firm to be more innovative, flexible, and responsive to newly emerging market opportunities (Carson, Cromie, McGowan, & Hill, 1995; Van Pragg & Versloot, 2007). These authors suggested that the scale of market success is likely to be greatest among those firms which exhibit an entrepreneurial orientation. This is because the orientation permits firms to identify and develop new products and services capable of supporting above-average business growth.

The Austrian economist Joseph Schumpeter (1934) perceived entrepreneurship to be a "meta-economic event" such as the introduction of a new technology which causes a major market change. He considered the distinguishing attribute of the entrepreneur was not that of risk taking, but the willingness to exploit innovation as a path through which to succeed when competing with other firms. Since the Second World War, a somewhat broader view of entrepreneurship has emerged amongst management theorists. Entrepreneurship has been redefined as the process of "creating something different by devoting the necessary time and effort, assuming the accompanying financial, psychological and social risks and receiving the resulting rewards of monetary and personal satisfaction" (Hisrich & Peters, 1992, p 34).

In one of the earliest writings concerning the role of entrepreneurship in terms of influencing the performance of organizations, Miller (1983) proposed that the entrepreneurial orientation of a firm is demonstrated by the extent to which top managers take risks, favor change, and exploit innovation to achieve a competitive advantage. This view is echoed by Hills & LaForge (1992) who, on the basis of a review of published

research, concluded that being a successful entrepreneur requires the presence of certain attributes: namely, an ability to create an organization which exploits innovation and develops a unique operation that supports business growth. Covin and Slevin (1988) defined entrepreneurial orientation in terms of the extent to which "managers are inclined to take business-related risks, favor change and innovation, and compete aggressively with other firms" (p. 69). These researchers were the first to develop a fully validated tool for empirically measuring entrepreneurial orientation. Georgelli, Joyce, and Woods (2000) described being entrepreneurial as a willingness to take risks, being innovative, and an ambition to grow. Georgelli et al. went on to suggest that the core competencies for entrepreneurship are a capacity for changing business processes and the launching of new products or services.

Within the field of entrepreneurship research, the issue of the factors influencing the performance of firms has commanded widespread interest. One common conclusion within the entrepreneurship literature is that most high-growth firms are organizations which have enjoyed success as a result of the development and launch of new products (Sanders, 2007). Iansiti (1995) concluded that new products are the key source of momentum by which to achieve sustained market growth. Brouwer (2000) argued that the entrepreneur's key skill is in using product innovation to achieve advantage over competitors. Similarly, Zahra & Nielsen (2002) perceived the success of the entrepreneur as being the ability to launch new products that attract new customers or permit entry into new markets.

Similar studies in service sector markets also confirm the critical importance of innovation in sustaining performance (Lin & Chen, 2007). The nature of this innovation is often orientated towards the enhancement of internal organizational processes more than being concerned with the development of new products (Freel, 2006). Internal process innovation may rely on the introduction of new technologies such as the creation of a computer-based customer relationship management (CRM) system to improve supplier-customer relations (Tanabe & Watanabe, 2005). In other cases, process change may focus on the identification of innovative practices within the workforce which can support the firm in achieving a stronger market position through the delivery of superior customer service (Hine & Ryan, 1999). In relation to the provision of services to older consumers, available evidence would suggest this group of customers exhibit much more diverse needs and service quality requirements than their younger counterparts in the 18-49 year age group (Morgan & Levy, 2002). As a consequence, successful strategies among firms marketing services to older consumers are more likely in those organizations which exhibit an entrepreneurial orientation.

In the past, the banking industry has tended to exhibit a somewhat conservative approach with product or

process innovation not being considered as an important marketing activity. In recent years, in countries such as the UK and USA, however, this situation has changed as the business environment has become more competitive following deregulation of financial markets. The response of banks has been to become increasingly innovative by seeking to gain market share through the launch of a huge variety of new products ("Service Excellence," 1996). This shift in behavior provides the basis for the following hypothesis:

H1: The entrepreneurial orientation within UK banks is sufficient to identify the opportunities available through the provision of innovative services to older consumers.

Strategic Flexibility

Entrepreneurs are characterized in the literature as being able to identify new emerging opportunities ahead of competition and, just as importantly, implement the necessary strategic actions to exploit these opportunities (Chaston, 2009a). Research on how large firms convert ideas into action has revealed, however, that many of these organizations are extremely slow in developing and launching new products capable of exploiting newly identified opportunities. One key reason for this situation is the tendency for large firms to rely on a structured hierarchical approach to strategic planning. This philosophy can create a preference for in-depth risk assessment which can lead to ideas for highly innovative products being rejected during the screening phase of the new product development process (Raynor, 2007).

Dess & Lumpkin (2005) have proposed that a characteristic of those large firms which are able to adapt and respond to environmental change is their ability to exhibit flexibility in terms of rapidly altering their business strategy in order to exploit new emerging market opportunities. These authors perceive strategic flexibility as being an attribute which is as important as adopting an entrepreneurial orientation. In their view, strategic flexibility will permit the organization to willingly accept the need to move from a proven business model to a new business strategy more suited to changing market circumstances. Grewal and Tansuhaj (2001), on the basis of their review of the literature, concluded that the absence of strategic flexibility, even in entrepreneurial organizations, may lead to a failure to implement the actions necessary to ensure the successful market introduction of new products or services.

The literature contains a diversity of definitions of what constitutes strategic flexibility, but possibly one which seems to capture the essence of the concept is that proposed by Sanchez (1995). In his view, strategic flexibility represents an organization's ability to perceive the existence of alternative opportunities within a market

and to enact new product development decisions most likely to optimize business performance. Prahalad & Ramaswamy (2000) have proposed that key to the survival of service firms in today's more volatile and competitive markets is their ability to exhibit strategic flexibility. In their view, a lack of flexibility will be a major obstacle in terms of the speed and effectiveness with which service firms are able to revise their product portfolio in order to adequately meet changing customer needs. This view is shared by Raynor (2008) who believes firms most likely to survive the current global recession are those which have the strategic flexibility to revise business practices to reflect the nature of rapidly changing market conditions.

Deregulation has forced UK banks to change from being somewhat traditional, slow-moving entities into organizations exhibiting a much stronger market orientation capable of adopting new approaches for more effectively meeting consumer needs (Harris, 2002). One of the earliest areas of change was to learn from their counterparts in the American banking industry and to utilize market segmentation as the basis for acquiring a more detailed understanding of the heterogeneous nature of service markets (Meadows & Dibb, 1998). Enhanced market understanding which accompanied segmentation permitted advances to be made in the more effective management of service quality. More recently, a significant area of ongoing improvement in marketing programmes has been the utilization of sophisticated computer-based analysis tools to analyze data on consumer behavior as the basis for developing more effective approaches to CRM (Ferguson & Hlavinka, 2007).

The success with which UK banks have adopted new approaches to managing consumer market opportunities in recent years provides the basis for the following hypothesis:

H2: The level of strategic flexibility within UK banks will permit these organizations to successfully exploit the opportunities which exist in the marketing of services to older consumers.

Organizational Capability

Hamal & Prahalad (1996) were among the early proponents of the managerial philosophy concerning market success based upon exploiting superior internal capability. The concept is known as the resource-based view of the firm (RBV). Exploiting the philosophy offers two strategic options. First, a company may develop the capability to develop and launch improved existing products (e.g., Toyota's excellence in product development leading to the launch of Prius, its electric hybrid vehicle) or enter new market sectors (e.g., Honda's excellence in engineering capability to support entry into the marine outboard engine market). Alternatively, a firm may be able to initiate price-based competition by passing on to

the customer savings achieved through the exploitation of superior operational technologies and processes. The U.S. retailer Wal-Mart, which has exploited excellence in logistics and distribution to significantly reduce operating costs in comparison with other major retailers, provides an example of this latter strategy.

A characteristic of service markets is the difficulty in offering a product proposition which is physically different from that of the competition. As a consequence, the internal competences of service firms are often critical in achieving perceived service superiority over other firms operating in the same market sector (Matthews, 2003). Merely exhibiting an entrepreneurial orientation based upon recognizing new opportunities ahead of competition will be of limited benefit unless the organization has the internal capabilities to provide the product or service capable of satisfying customer needs. Teece (1986) described this internal ability as an "integrative competence" and demonstrated that those firms which possess this capability will outperform their competitors who have more limited internal competences. Kodama (2004) has subsequently identified integrative competence as critical in relation to the successful management of innovation. Wang & Lo (2003), in commenting upon the nature of important internal integrative competences in service markets, suggested these are service quality, cost optimization, and overall performance. In their view, all of these dimensions are critical antecedents in delivering superior customer satisfaction.

Fornell (1992) posited that higher satisfaction leads to the benefits of lower new customer attraction costs, increased customer loyalty, and reduced customer price sensitivity. Barney (1986) had earlier concluded that in terms of critical internal competences, the greater interest in RBV theory in manufacturing firms has tended to result in technology being perceived as a critical competence. In his view, in the case of service sector firms, there is a need to accept that a much broader range of internal competences is likely to influence delivery of customer satisfaction. In more recent research, Choudhury (2008) has specifically validated this view in relation to the banking industry.

In the context of satisfying the needs of older consumers in service markets, a critical issue is the capabilities of the employees interfacing directly with customers. Available evidence would suggest that people over 50 place greater importance on the communication, empathy, and interpersonal skills of employees in service organizations (Peterson, 2007). Hence, service firms need to have a very professional HRM operation to ensure staff appraisal and skills development programmes are of the highest standards (Ndubisi, Wah, & Ndubisi, 2007).

Older customers tend to be more sensitive to the quality of services being delivered by companies than younger people. Hence, companies focusing on the

provision of services to the 50-plus age group need to ensure their organizations are capable of being responsive to customers demanding high-quality products and services (Upton, Teal, & Felan, 2001). To achieve this goal, however, does require strong internal capabilities in areas such as measuring customer perceptions, identifying causes of customer dissatisfaction, diagnosing the cause of quality failures, and implementing appropriate changes in organizational processes (Chaston, 2009b).

Effective communication between customers and an organization when linked to the critical need to deliver higher levels of service to older consumers usually can only be achieved where staff have access to some form of marketing information system. Such systems are invaluable in the acquisition, storage, and dissemination of explicit information to employees (Tanabe & Watanabe, 2005). The recognized benefit of these systems is they are extremely useful in assisting employees make more informed decisions about actions designed to ensure the organization outperforms competition in the key areas of customer communication and service delivery.

In recent years, banks have utilized market segmentation as the basis for achieving greater understanding of variation in customer need. This has led these institutions to place greater emphasis on the training of employees to respond more effectively to customer requests and to enhance service quality levels (Meadows & Dibb, 1998). Further understanding of effectively meeting consumer needs has also been created as the banks have used CRM as a path through which to build stronger customer loyalty (Soper, 2002). These identified gains in employee skills, service quality, and understanding of customer needs provide the basis for the following hypothesis:

H3: UK banks' existing capabilities in areas such as HRM, service quality, and information management will permit these organizations to effectively service the needs of older consumers.

Methodology

Most UK banks are constituted of a central marketing department and a number of regional managers who are responsible for supervising implementation of the bank's promotional strategy across the branches in a specific geographic area. The initial intention was to acquire data through one-on-one interviews with these managers at a national and regional level. Unfortunately, few individuals were prepared to participate in an interview. This is possibly because UK banks wish to avoid revealing any information that might contribute to further impacting their image with the British public following events such as the failure of Northern Rock and the need for the UK government to rescue RBS and HBOS ("Banking," 2008).

This unwillingness to participate in any interviews required a methodology redesign. The new methodology

involved mailing a survey to branch managers in the top six UK banks, requesting that the survey be completed by their consumer banking services advisors. A mail survey was selected as the most cost-effective and resource-efficient methodology. In order to maximize response rates, assurances were offered that neither the branch nor the actual bank could be identified from the data contained within the returned survey form.

Prior to the mailing of 1000 surveys, a small-scale pilot study involving gaining the response of 10 bank staff was conducted to identify areas where revisions would enhance the effectiveness of the survey tool. The pilot study revealed that bank staff were not willing to reveal any data concerning current financial performance of their branch or to provide a breakdown of business by different consumer age groups. This situation created the problem that the data generated on organizational capability could not be related to business performance or the percentage of revenue generated from customers who fall within the 50-plus age group. To overcome this obstacle, it was decided at the results analysis stage to use data which had been generated from an earlier, similar study of other sectors of the UK financial services industry such as insurance brokers, investment advisors, and pension consultants (Chaston, 2009b). The benefit of using this other data source was that respondents had been willing to provide information on the proportion of revenue generated by older customers.

To determine the level of entrepreneurial orientation exhibited by the respondents' respective banks, the survey used the scale developed by Covin and Slevin (1988). The attraction of this scale is that, as well as having been carefully validated, it has been widely used by entrepreneurship researchers, thereby permitting researchers to compare data from different sectors and sizes of business (Chaston, 2009a). Respondents are asked to indicate their views on a five-point scale ranging from *very strongly disagree* through to *very strongly agree*. This scale assumes that a conservative versus an entrepreneurial orientation exists as a continuum. Hence, the scale is not intended to measure absolute values. Instead, strength of entrepreneurial orientation is assessed in relation to whether a firm has a higher or lower score relative to the mean score for the entire sample.

Table 1 lists the five questions used to assess whether respondents were being directed by their bank to focus more of their marketing efforts towards the 50-plus consumer market. In relation to the issue of measuring the competences associated with strategic flexibility and the internal competences, it was decided to use the scales developed by Chaston & Mangles (1997) and recently revalidated by Chaston (2008). The scales were selected because they are based upon a very extensive analysis of data across firms in different sectors with data validation enhanced through efforts to achieve information triangulation by using both qualitative and quantitative information.

Strategic flexibility was measured using factors such as ability to identify new market niche opportunities and abilities in relation to the successful development and launch of new products (Hoyt, Huq, & Kreiser, 2007). Respondents were asked to indicate their views in relation to a series of questions on a five-point scale ranging from *very strongly disagree* through to *very strongly agree*. This scale is based on the assumption that strategic flexibility exists on a continuum ranging from low to high flexibility. The same perspective applies to organizational competences with each variable existing on a continuum ranging from a low to a high level of competence. Hence, none of these scales is intended to measure absolute values. Instead, degree of flexibility and level of organizational capabilities are assessed in relation to whether the mean score for all respondent firms falls above or below the midpoint on these scales.

Results

Response to the mailing generated 284 useable surveys, which represents a response rate of 28.4%. In order to make an assessment of the potential influence of nonresponse, a variance analysis was undertaken comparing the responses from the first 142 respondents with the 142 respondents whose forms were received later. There was no indication of significant variance between these two groups. This would suggest that nonresponse is not a cause for major concern in relation to the validity of the conclusions to be drawn from the data acquired.

Responses were received from branches of all six banks. Although a visual inspection of the data indicated some differences between these six banks, an analysis of variance was not significant at $p < 0.05$. Hence, it was decided that no statistically significant variation existed in entrepreneurial orientation and organizational competences of different banks, suggesting that it would not be productive to analyze the data other than at a total sample level.

The responses of consumer service advisors to the questions within the Covin and Slevin scale generated a calculated mean value for entrepreneurial orientation for all banks of 1.75. The mean value for entrepreneurial orientation in the earlier study (Chaston, 2009b) for other financial service sector firms with more than 50% of their revenue being generated by customers over 50 years of age was 3.36. A t test of this entrepreneurial orientation mean versus that calculated for that reported by bank employees was significant at $p < 0.05$. This result would appear to indicate at branch level that, relative to other financial services providers, bank employees perceive their employers as being more conventional, nonentrepreneurial organizations.

Responses to the questions concerning the marketing and promotional activities of the banks are summarized in

Table 1. The results shown in Table 1 indicate that 34% of banks reported having promotional material targeting the over-50 age group and 27% having specific products for this target market. Nevertheless, only 21% of the consumer customer advisers have been made aware of the growing importance of this 50-plus age group and even fewer, 14%, have been directed to focus their promotional efforts on this target group.

Table 1
Responses Concerning Current Emphasis Being Placed on the Marketing of Bank Services to the 50+ Age Group in UK Banks

Specific Activity	% Agree/ Strongly Agree
1. My bank has focused on making branch staff very aware of the growing importance of the 50+ age group as a key target market	21%
2. My bank has directed branch staff to focus their efforts on marketing services to the 50+ age group	14%
3. My bank has special promotional materials specifically targeted at the 50+ age group	34%
4. My bank has products/services specifically targeted at the 50+ age group	27%
5. My personal performance bonus scheme is weighted towards my success in the selling of products/services to the 50+ age group.	18%

Table 2 provides the mean values for strategic flexibility and the organizational competences of HRM practices, service quality, and information management. The 1.8 for strategic flexibility can be contrasted with the mean value for strategic flexibility of 3.28 in the earlier study of other financial service sector firms with more than 50% of their revenue being generated by customers aged over 50. A *t* test of this strategic flexibility mean versus that reported by bank employees was significant at $p < 0.05$. This result would suggest that, relative to other financial service providers, employees do not perceive the banks where they work as being particularly flexible in terms of evolving strategies for responding to changing market conditions.

The mean values for bank employees' perception of HRM practices, service quality, and information management are 3.2, 4.0, and 3.8 respectively. Mean values for the same variables in the earlier study of financial service sector firms with more than 50% of their revenue being generated by customers over 50 were 3.3, 3.9, and 4.0 respectively. A *t* test of these mean values versus those reported by bank employees was not significant at $p < 0.05$.

Table 2
Overall Mean Sample Scores for Strategic Flexibility and Organizational Competence in UK Banks.

Organizational Variable	Overall Mean Score
1. Strategic flexibility	1.8
2. HRM practices	3.2
3. Service quality	4.0
4. Information management	3.8

Conclusions

Some years ago, Leventhal (1997) concluded many large consumer goods firms in the UK had yet to adapt their marketing strategy to the changes which are occurring in income and wealth distribution as a result of an ageing population. Coleman et al. (2005) subsequently reached a similar conclusion concerning the service firms in the UK. In this latter study, the researchers determined that only a minority of service firms have recognized the critical importance of beginning to develop and implement marketing campaigns specifically designed to exploit the opportunities available with the over-50 age group market.

It is probable that the total wealth of virtually all consumers in the developed nations has been reduced following the problems originating in the U.S. subprime mortgage market which, when combined with the banks' high risk lending policies, has acted as a trigger for the onset of a global financial crisis (Cooper, 2008). To date in the UK, however, only limited government data have been published concerning the impact of the current recession on the disposable income and wealth of different age groups within the population. It would appear that stock market declines have reduced the overall value of UK pensions by approximately 30%. However, as people over 50 in the public sector and many private sector employees are enrolled in final salary pension schemes, the economic downturn will have least impact on this age group (Ross, 2009). Additionally, most consumers over 50 have either paid off their mortgage or have a very small outstanding unpaid balance. Hence, unlike those in the 18-49 age group, most older UK consumers have not fallen into the negative equity trap that now faces many of their younger counterparts ("Fixing finance," 2009). Additionally, younger consumers, apparently influenced by rapidly rising house prices in recent years, have used this "paper-based" gain to significantly increase their level of total borrowing. As a consequence, the Governor of the Bank of England has warned that this could be the first recession that "hits the younger people, a group that usually survives tough times, because salaries are

lower than expenditure” (Armstrong, 2008). Under these circumstances, even in a deepening recession, it would seem reasonable to conclude that the age group over 50 remains an increasingly important target for companies marketing products and services to older people (Miles, 2008).

These conclusions concerning the impact of the current recession on the disposable income and wealth position of consumers in the 50-plus age group would suggest that UK banks could benefit by focusing more of their marketing efforts towards this older age group. On basis of the mean value for entrepreneurial orientation reported by bank employees versus that in the earlier study of other financial services firms where over 50% of revenue comes from consumers aged over 50, it seems this study is unable to support the hypothesis *H1* that the entrepreneurial orientation within UK banks is sufficient to identify the opportunities available through the provision of innovative services to older consumers. Added support for this conclusion is provided by the data in Table 1. These data suggest that the UK banks have not yet revised their branch-level marketing activities to exploit new opportunities within the 50-plus consumer market. Nor have these organizations advised their staff at branch level of the opportunities which exist within this sector of the market.

The mean value for strategic flexibility reported by employees of UK banks of 1.8 is much lower than the measurement of 3.28 reported in the earlier study of other financial service organizations where over 50% of revenue is from customers in the over-50 age group. The scale of difference was found to be statistically significant at the level of $p < 0.05$. This observation leads to the conclusion that the results of this study are unable to support the hypothesis *H2* that the level of strategic flexibility within UK banks will permit these organizations to successfully exploit the opportunities which exist in the marketing of services to older consumers.

The research of La Vere and Kleiner (1997) and Patterson (2007) on building customer loyalty in service businesses, especially among older consumers, concluded that employees need to be well trained in the key area of delivering superior service quality and to have access to information that permits acquisition of detailed knowledge concerning the specific needs of customers. On the basis of the data in Table 2 and the associated statistical analysis, it appears UK banks have similar capabilities in the areas of HRM, service quality, and information management to those reported in the earlier study of other financial institutions which have over 50% of their revenue generated by customers over the age of 50. Hence these results would appear to be supportive of hypothesis *H3* that UK banks’ existing capabilities in areas such as HRM, service quality, and information management will permit these organizations to effectively service the needs of older consumers.

The overall findings in this study suggest that UK banks wishing to survive the current recession and to be in a position to exploit the subsequent economic upturn might wish to reexamine their current strategies with the aim of targeting more of their resources towards satisfying the needs of consumers over 50 years of age. This study would appear to support the perspective that currently UK banks are continuing to exhibit the same marketing policies previously observed by Harris (2002) prior to the onset of the current recession, namely, a strategic positioning of being monolithic brands offering exactly the same range of banking services to all age groups.

Further Research

The primary focus of this study involved a positivist approach to acquiring data. Future research is required concerning the motivations of the management within UK banks who have apparently yet to recognize the opportunities available by focusing greater emphasis on the provision of services to older people. Data on this issue will probably not be generated by using a purely quantitative research methodology. Hence, a broader-ranging, in-depth, qualitative methodology will probably be necessary in order to acquire a more insightful understanding of management attitudes. Specific areas of focus in such research would be managerial motivation and the level of understanding which exists about of the internal organizational capabilities required to adopt a more entrepreneurial, flexible strategic orientation.

The other limitation of this study is that it is restricted to banks in a single country with a developed nation economy. Hence, there is a need for further research on banks in other countries and also across nations with less developed economies. It is also necessary to point out that the data in this study were acquired in a period when the primary focus of UK banks was on attempting to defuse public anger over the level of management bonuses being awarded, whilst concurrently working with the UK government to increase sector financial liquidity through actions such as reducing the level of toxic debt and restructuring their organizations in order to reduce operating costs (Ritson, 2009). Under these circumstances, it could be the case that senior managers have yet to turn their attention to how redefining their marketing strategy in consumer financial markets could be of benefit in strengthening both their balance sheets and longer term market position. Hence, there is need for further research on UK bank marketing strategies in possibly 18-24 months’ time, when hopefully the current turmoil in the world’s financial markets will have subsided.

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