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Customer Relationship Management:

The Case of a European Bank

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Abstract

Businesses across all sectors, it has been argued, will have to change their approach to marketing, which should now be carried out through relationships, networks, and interactions. This article is about customer relationship management (CRM), which seeks to establish closer relationships and interactions between a business and its most important customers. Our literature review shows that although the promises of how CRM can improve the performance of a business are many, the practical guidelines on how to design and implement CRM successfully are few, and that, as a result of this, practitioners have been struggling. The present article addresses the problem by way of discussing a CRM program that one European bank recently designed and implemented and, in doing so, the article adds empirical evidence to what constitutes good CRM practice. We employed the case study method since this research method is particularly useful for probing questions such as 'how' type questions. The CRM program is described in detail, and includes an implementation procedure consisting of 18 actions grouped in five large categories that each has an impact on the different business units and IT systems. Shortcomings of the CRM program are considered, and avenues for future research are suggested.

Keywords: Case study; Customer relationship management (CRM); Design of program; Good practice; Implementation of program.

Introduction

Over the past two decades, the literature has argued that businesses across all sectors will have to change their approach to marketing, which should now be carried out through relationships, networks, and interactions (e.g., Day 2000; Grönroos 2000a; Gummesson 1999; Hunt 2000; Peck *et al*. 1999; Webster 2000). Such a marketing approach is very different from the more traditional one of marketing through 4Ps transactions (i.e., product, price, place, and promotion). The customer market is one of the many different markets that businesses need to consider – with research suggesting that customer retention leads to increased market share and bigger profits (e.g., Buttle 1996; Fornell 1992; Hillier 1999; Rust, Zahorik, and Keiningham 1996).

Although the promises of how CRM can improve the performance of a business are many, the practical guidelines on how to design and implement CRM successfully are few, and practitioners have been struggling because of that. The role of the present research is to gain a greater understanding of CRM practices. This indicates the need for an in-depth examination of such practices within an industry where customer relationships are a notable part of developing a competitive advantage (Price and Arnould 1998; Yin 1994). Single-industry studies are also useful for identifying universal organizational patterns and processes (Baum, Locke, and Smith 2001). This article discusses the recent experiences of a major European bank that designed and implemented a CRM program.

The article is structured as follows. We first introduce the reader to CRM, which approaches marketing through relationships, networks, and interactions (e.g., Gummesson 1999; Parvatiyar and Sheth 2000). Often, this approach is supported by IT that allows for increased interactivity between a firm and its customers. We then discuss the need for more empirical studies into what constitutes good CRM practices before we continue by describing how the case study method was employed in the research to allow us to observe important contextual variables impinging on the behavior of interest, over time. The method is especially useful when, as in this research, the questions are of the 'how' and 'what' type.

Moving on, we examine in detail the CRM program that one European bank recently designed and implemented. For reasons of confidentiality the name of this European bank has been withhold. It will be referred to as First European Bank in the following. The program includes an implementation procedure consisting of 18 actions grouped in five large categories that each has an impact on the different business units and IT systems. In doing this, the article provides a greater understanding of what constitutes good CRM practices. Shortcomings of the CRM program are considered and include the challenge of evaluating the profitability of the program using proper financial indicators. We also consider limitations of the research conducted, and outline avenues for future research.

Pluralistic Approach to Marketing

Marketing's context is changing dramatically with regard to physical distance, time, markets, and competition, and this is leading to fundamental changes in the way that marketing is being practiced (Brookes, Brodie, and Lindgreen 2000; Sheth and Sisodia 1999). The 'contemporary marketing practice' (CMP) group is one of several research groups that have been examining this issue (e.g., Brodie *et al*. 1997; Brodie, Brookes, and Coviello 2000; Lindgreen *et al*. 2000).

One of the CMP group's findings has been that managers are placing a greater emphasis on managing their marketing relationships. Businesses traditionally employed transaction marketing, that is marketing through 4Ps transactions of product, price, promotion, and place (e.g., Borden 1965; Culliton 1948; Kotler 1997). However, over the past two decades, businesses across all sectors have increasingly moved toward relationships, networks, and interactions (e.g., Day 2000; Grönroos 2000a; Gummesson 1999; Hunt 2000; Peck *et al*. 1999; Webster 2000). The two different approaches to marketing have been compared and contrasted in Table 1. Another of the group's findings has been that in many businesses there is a pluralistic approach to marketing practice - with traditional 4Ps transactions being carried out in conjunction with relationships, networks, and interactions marketing (e.g., Brodie *et al*. 1997; Coviello, Milley, and Marcolin 2001; Lindgreen *et al*. 2000).

[Insert Table 1 around here]

In the following, we will first discuss the increased role of IT-based interactivity, as this is one of the factors that is causing a change in the nature of marketing practice. We will then move on to examine the promises of CRM, and the apparent need for more research into what constitutes good CRM practice.

Increased Role of IT-based Interactivity

The research from the CMP group has identified a number of factors that are causing the change in the nature of marketing practice (Brodie, Brookes, and Coviello 2000):

- The increasing emphasis on services and service aspects of products;
- The focus on financial accountability, loyalty and value management;
- The transformation of organizations;
- The shifts in power and control within marketing systems; and
- The increased role of IT-based interactivity.

These changes are highly interrelated, but IT is an underlying force behind many of them because it changes the nature of products, services, structures, functions, processes, and communications (Brookes, Brodie, and Lindgreen 2000). Since the 1980s, IT has moved to the front end in almost all industries (Cecil and Hall 1988) and now links businesses and their suppliers, distributors, resellers, and customers into 'seamless' networks of relationships and interactions throughout an industry' entire value system (Figure 1).

[Insert Figure 1 around here]

For example, mass customization of goods and services, which often is achieved through the direct collaboration between the manufacturer and customer, has been facilitated by developments in IT (e.g., Brown 2001; Snehota and Söderlund 1998; Söderlund and Johansson 1997; Toffler 1980). Cases in point include individually customized Levi's jeans, Anne Klein women's business clothing, children's books, greeting cards, and Buicks (Gordon 1998; Peppers and Rogers 1995; Pine, Peppers, and Rogers 1995; Rust, Zahorik, and Keiningham 1996). Another example is Dell that has almost completely eliminated the need of carrying inventories, and is now manufacturing products that are made according to customer specifications sent from the customers to Dell via e-mails. Dell also has developed strong relationships with its suppliers and depends on them for components (Andrews 2000; Dell and Fredman 1999).

CRM: Relationships and Interactions with Customers

With the new marketing approach it becomes an imperative for businesses to formulate their marketing activities to, and to build relationships, networks, and interactions with, a number of different, but often equally important markets:

- The customer market;
- The referral market: This market constitutes of customers who have been referred to the business by way of word-of-mouth.;
- The supplier market;
- The recruitment market;
- The influencer market: This market constitutes of individuals, organisations, or institutions that directly or, indirectly, impact on the business.; and
- The internal market: This market constitutes of the business' own employees.

In Figure 2, which depicts these markets, we can see that although all of the markets are important the customer market is the key market: only when a business creates superior customer value will it succeed in creating shareholder value.

[Insert Figure 2 around here]

The strong emphasis on this market is supported with the marketing literature (Levitt 1975; Peppers and Rogers 2000; the popular business literature includes Brown 1999; Drucker 1979; Griffin 1995; Heil, Parker, and Stephens 1999; Raphel and Raphel 1995; Rust, Zeithaml, and Lemon 2000). Several studies have thus examined at great depth the importance for a business of retaining its customers, with evidence suggesting that retention of customers leads to increased market share and eventually bigger profits (Buttle 1996; Fornell 1992; Hillier 1999; Rust, Zahorik, and Keiningham 1996). Marketing tools that businesses can employ for retaining customers may, therefore, provide for a competitive advantage. For example, tools may contribute to product and service differentiation, as well as to create barriers for customers switching to other products and services (Vanhamme and Lindgreen 2001).

One approach to marketing, which has gained much currency in recent years, is CRM that seeks to establish closer relationships and interactions between a business and its most important customers (e.g., Barnes 2001; Brown 2000; Foss and Stone 2001; Greenberg 2001; McKenzie 2001). Often using IT-based interactivity (Ryals and Payne 2001), CRM-oriented businesses market their products and services through relationships and interactions with multiple markets, most notably the customer market. This is why relationship marketing is termed 'customer relationship management' when it emphasizes the customer market in particular.

CRM frequently employs IT technology as a means to attract, develop, and retain customers. For example, the application of IT technology allows for IT-based interactivity that makes it possible for customers to have access to product and service information much faster than earlier. It also permits businesses to leverage information from their customer databases to achieve customer retention, and to cross-sell new products and services to existing customers (Falque 2000; Foss and Stone 2001; Ghodeswar 2000; Natarajan and Shekar 2000). It must be emphasized, though, that CRM does not necessarily involve IT technology. The following commonly referred to definition of CRM reflects this:

> “Customer Relationship Management is a comprehensive strategy and process of acquiring, retaining and partnering with selective customers to create superior value for the company and the customer.” (Parvatiyar and Sheth 2000: p. 6)

CRM, A New Paradigm in Marketing?

The concept of 'paradigm' has been defined as “a set of assumptions about the social world, and about what constitute proper techniques and topics for inquiry” (Punch 1998: 28). Much of the marketing literature has regarded CRM as representing a paradigm shift in marketing thought. Brown (2000) and Greenberg (2001), for example, both contend that CRM is reshaping the marketing landscape:

> “Customer Relationship Management has overtaken the market ... and it is revolutionizing marketing and reshaping entire business models.” (Brown 2000: p. xi)

> “We are on the verge of the most significant transformation in the business landscape ... Delivering pure Internet applications directly to browsers will empower a global workforce to know, to do, to measure, and to improve their jobs in support of a common, customer-oriented strategy. This is the promise of CRM.” (Greenberg 2001: p. 6)

There are reasons, however, to be cautious. It would seem that the discussion is much similar to the one in the 1990s on whether relationship marketing constituted a new paradigm or not. In this respect, relationship marketing is defined as being about “establishing, developing, and maintaining successful relational exchanges” (Morgan and Hunt 1994: p. 20). Exchanges would take place between the business and important markets, including the customer market (e.g., Christopher, Payne, and Ballantyne 1991). As already mentioned in the introduction, research by the CMP group suggests that there has been no paradigm shift with businesses having traded transaction marketing for relationship marketing. Rather the paradigm shift has been one of businesses employing transaction marketing in conjunction with various types of relationship marketing (e.g., Brodie *et al*. 1997).

One plausible explanation why the marketing literature is still at a loss whether or not CRM represents a paradigm shift in marketing is that CRM means different things to different people, for example the IMP perspective, the Nordic School perspective, and the UK perspective (Grönroos 2000b; Håkansson and Snehota 2000; Payne 2000). As a result, there is little consistent story of how CRM fits into the greater marketing landscape. One of the challenges to answering this question has been the lack of empirical investigations that aim at describing and exploring how to design and implement CRM programs (Donaldson and O'Toole 2002; Lindgreen 2001; Marketing Science Institute 1999; O'Malley and Tynan 2001). The present article reports on the first part of a larger research that investigates the design and implementation of CRM programs in real-life settings. The specific research questions of this research are (1) to describe how businesses have designed and implemented CRM programs and (2) to explore if practitioners have a well-developed comprehension of CRM or if, at the present moment, only differing and partial descriptions and theories of CRM exist. A well-developed comprehension of CRM could have been translated into a set of good CRM practices. Bearing this in mind, the first part of the research, therefore, becomes very much exploratory, with the case study method being most appropriate for addressing the research questions. As we shall see shortly, the research methodology for the exploratory part was initially almost fully grounded in its approach using a single case on a European bank.

Methodology

The objective of this part of the research was to gather evidence of how businesses have designed and implemented CRM programs practices. CRM is a contemporary phenomenon and has only recently being introduced in marketing. At this time, there is little consensus as to what it constitutes, with no accepted CRM constructs or guiding principles yet established. This makes it difficult to begin with a theory or a set of hypotheses. Because of this, the case study method was considered the most suitable research strategy for probing into the questions. Yin (1994: p.13) has defined the method as an empirical inquiry that "investigates a contemporary phenomenon within its real-life context, especially when the boundaries between phenomenon and context are clearly not evident, and in which multiple sources of evidence are used". In this research there was little prospect of simplifying matters by excluding some variables whilst controlling and manipulating others. For example, in order to design, implement, and deliver service that is of high quality to the customers it is not only necessary to have well-trained employees but the business also has to collaborate with its suppliers (e.g., Christopher, Payne, and Ballantyne 1991; Lindgreen and Crawford 1999). The case study method facilitates the exploration of such complex social processes, however, by taking a holistic perspective on real-life events with all of their potentially rich and meaningful characteristics intact. Uniquely, with this method there is no need to pre-select the context type variables to be included in the investigations. Rather the researcher observes the important contextual variables impinging on the behavior of interest, over time (Neuman 1997; Punch 1998; Yin 1994).

Consistent with Yin's (1994) three principal research approaches, the present research is exploratory in nature in that it aims to develop hypotheses for testing in subsequent parts of the research. The research is descriptive in nature in that it attempts to provide a detailed description of contemporary CRM practices within a specific context, namely the bank sector. In relation to the third approach, this research is not classically explanatory, as it does not attempt to test any causal relationships. Within the exploratory scope of the research, it may, however, uncover some potentially causal relationships that could be tested in future parts of the research.

With the case study method, cases are theoretically sampled. That is, a case should be chosen for theoretical reasons: to replicate previous cases, to extend emergent theory, to fill theoretical categories, or to provide examples of polar types. In the present research, the bank sector was believed to be an interesting setting to investigate the research questions. Much of the early work on relationship marketing originates from research on bank practices (e.g., Landberg 2001; Reichheld 1996; for a recent overview, see Storbacka 2000). According to one of the bank managers interviewed, the banking sector loses approximately eight per cent of its clients every year, which partically explains why many players in the sector are seeking to implement a CRM-based strategy.

To gain an initial understanding of CRM practices it was decided to select one single European bank. It is this bank's (First European Bank) CRM practices that we report on in the following. Most of the data for the case stems from in-depth interviews with senior people from First European Bank and the outside consulting company that was partly responsible for the design and implementation of the CRM program. In-depth interviews are considered to be the most valuable source of information when the aim is to investigate the underlying meaning of complex phenomena and processes (Lincoln and Guba 1985; Miles and Huberman 1994; Patton 1990). The interview protocol included questions that were standardized around topics such as a manager's perception of what CRM constitutes, the objectives of the CRM program, and the influence CRM has on the technological and organizational infrastructure of the business (Appendix 1). The questions were kept deliberately broad to allow respondents as much freedom in their answers as possible. On average each interview lasted between one and two hours. The researchers also consulted written reports that existed within First European Bank and the consulting company.

The volume of interview data was condensed through coding and memoing (Miles and Huberman 1994) and in the activities of finding themes, clusters, and patterns, which consisted of summarizing data by pulling together themes and identifying patterns. Following this, an initial report was written and sent to the participants for their comments. This review process, and the use of multiple sources of evidence helped improve the validity of the data (Eisenhardt 1989; Yin 1994).

Discussion of Findings

First European Bank is part of a global financial group that is active in over 60 countries with more than 100,000 employees. Its aim of achieving stable growth and excellent profitability focused First European Bank's attention on the source of its international success: the individual client and not just the clients as a group. Without identifying which clients to focus on could, therefore, lead to failure. Two years after joining the group, First European Bank reinforced its position and diversified its activities to the insurance sector as well. The tough competition and the massive and rapid changes in media and communications technology guided the bank in offering a wider range of products and services through a better-designed communications and distributions network adapted to individual needs.

First European Bank's movement from a mass market to a CRM market har been illustrated in Figure 3.

[Insert Figure 3 around here]

The above figure exposes the shift First European Bank has carried out in order to better understand and retain their customers. Indeed, they have moved from a mass orientated vision, minimizing costs and maximizing revenues, to a consumer orientated vision developing and retaining customer relationships. The main activity has thus shifted from defining the products and segments to identifying the profitable clients in order to implement one to one marketing; the final aim being to provide them with personalized solutions and products.

The first two phases of the CRM program will be considered in the following (not the assessment phase, as the bank carried out very limited assessment at this time), but before doing that First European Bank's definition of CRM is described. The bank defines CRM as a marketing strategy that allows the bank to:

- focus on profitable clients through discriminated segmentation;
- understand different combinations of clients, products, and volumes. Indeed, information about 'who buys what and how much' enables the bank to have a commercial approach based on the client and no longer solely on the product;
- have a proactive approach, which consists in creating the demand – as a result of better information – instead of just experiencing it; and
- set up a mix of distribution channels with standardized or specialized services according to the individual client's importance for the bank.

The bank – via the consulting company – has adopted the Boston Consulting Group (BCG) and its approach to CRM, which rests on a five-pillar approach (Figure 4). Thes five pillars, which are segmentation, information network, algorithms, IT systems, and sales and client support, represent the basic issues that are to be tackled and managed by companies wanting to implement relationships with their clients.

[Insert Figure 4 around here]

In order to be efficient, the bank has set deadlines for each group of actions. As of today, the implementation of CRM program is efficiently dealing with the two first group of actions, the testing and foundation phases, which should be finished early 2002. As for the other three group of actions, they are expected to have been dealt with by the end of 2005. However, the bank is expecting its earliest profit due to the implementation by the end of 2002 or beginning 2003.

The Design Phase

In order to understand the design phase, please refer to Figure 5. First European Bank considered it key to develop a real-time database as a means to know and understand which types of clients it was dealing with. In fact, clients interact with the sales services and the client support services through the distribution network, which carries every possible channel to contact the bank (e.g., agencies, call centers, self banking, home banking, client service, etc.). The interactions between First European Bank and its clients should provide transparent information, which can then be used by the bank's back office for better marketing, peripheral services (e.g., the presence of a particular employee to serve a particular client because they always interact together), and cross selling.

[Insert Figure 5 around here]

The database enables First European Bank to segment its clients more efficiently, but also to better satisfy and thus retain them. In fact, since the appearance of databases and new IT technologies, the bank is able to segment its client base according to individual behavior and not solely on socio-demographics, as was the case before. In analyzing past client behaviors using the information collected and integrated in the database, the bank directs its offerings more effectively and efficiently, and anticipates the potential future needs of its clients. One case in point is the information on mortgage or financial investments that is sent to clients who are likely to be interested. Indeed, with people's financial behaviors being linked with their life cycle and cash availability, the bank is in possession of the required information in order to anticipate and propose 'fit-to-situation' products.

The identification of the clients' profiles also allows First European Bank, firstly, to identify the profitable and less profitable clients and, secondly, to direct the less profitable clients to the less costly distribution channel. Interestingly, the bank has experienced, however, that the less costly channel, which is the Internet, is preferred by the more profitable clients for its ease of use and its real-time access.

The Implementation Phase

The bank has established an implementation procedure consisting of 18 actions grouped in five large categorie (Figure 6). Every action has an impact on every business unit and, naturally, on the IT systems. Such a program will have to fit the company's mission and, therefore, be implemented at every level of action.

[Insert Figure 6 around here]

The first group of actions, *testing*, concerns the marketing and sales procedures in a given environment, as well as the general fluidity of correct and up-to-date information within the bank. Therefore, First European Bank has focused its attention on two major affiliates each responsible for ten branches. The manager of each branch provided their head office with a list of their best clients. These clients prefer a 'face-to-face' interaction with their bank and have, as a result, been invited for a meeting with their bank to discuss their needs and determine their general satisfaction level. All the information collected is subsequently integrated into the affiliate's database and the back office responsible for the country as to make sure of the procedure's well-functioning.

The second group of actions, *founding*, consists of two major functions. The first one is the CRM program task force, which has the objective of defining the different job descriptions within the organization and recruiting the qualified people for them. The second one is getting the existing data clean and involves checking the existing data and completing it as far as possible.

The next group of actions, *building,* is set around three projects. As the bank wants to reach a clear knowledge of their clients, the first project is to build, with the IT department, a framework that will contain all the information the bank holds on individual clients. Essentially, this step is a software-designing phase. In the second project, which consists of the automatic distribution of integrated tasks, the bank builds a datamart that is similar to a data warehouse except being smaller and containing more detailed and precise information on the clients. This information helps First European Bank in their data mining process.

The fourth group of actions, *doing*, is composed of all the necessary factors required to correctly implement the CRM strategy. That is, to create client intelligence, which is a database enabling the bank to develop selection programs and client loyalty. This program helps distinguish the most profitable clients. This data available in the different departments provides the sales department with precious information for its campaign management in order to automate their selling forces. Further in the process, home banking and self-banking will be part of the CRM program. Finally, in order to completely satisfy and retain their clients, First European Bank intends to create a help service responsible for complaints handling or specific questions, which will deal with the clients much faster than the actual response time at this time. The bank will also pay particular attention to predictive leavers to try and retain them by further focusing on their needs.

The fifth group of actions deals with those tasks that must be performed during and after the CRM implementation phase. That is the constant update of the data, the change management to keep all units' focus on the new business, and a constant upgrade of the IT tools in order to manage more clients with constantly better information.

The rest of the article will examine in more depth the bank's segmenation, client systems information programs, IT system, sales support and client service, and change management.

Segmentation

This process is key, as it permits First European Bank to better understand the type of clients it is dealing with, and to better adapt its marketing communication. The bank has chosen to follow Mercer Management Consultant's method, which combines external and internal information in order to build an effective and efficient segmentation. The important elements to consider for a segmentation are the clients' attitude and needs; socio-demographic situation; actual and potential profitability; and behavior in terms of distribution channel use and products. An excellent segmentation will also enable the bank to find and focus on clients who will be considered as referrals by others. Their recommendations of the bank will be taken seriously, and the potential future client base widens. The bank has identified five groups according to their risk level, distribution use, revenues, interest in insurance, and socio-demographics (Table 2).

[Insert Table 2 around here]

The Client Systems Information Programs

These programs are primarily used to stock, extract, and analyze data in order to identify a behavior tendency and adapt marketing. Every time a client contacts the bank through any distribution channel, the operation and data collected are transferred to large central data warehouses where they are classified, treated, and submitted to sophisticated algorithms, which establish a general tendency and use correlation, causation, and regression calculations in order to predict the client's next move.

The IT System

The launch of the IT final architecture will be the last step in the implementation of the CRM strategy. Naturally, as mentioned in the above sections, this department has a clear and important role in all the other actions taken for an efficient implementation of the program. IT is playing a key role in creating the client database, but also in the of the selling process, in the development of home and self-banking, and in the elaboration of an easy to use complaint and question interface for the clients.

The Sales Support and Client Service

The sales support and the client service are important to the clients, as it makes possible for First European Bank to support and service its clients when they need it. Moreover, these client-bank interactions enable the bank to gather more information through questionnaires and feedback from the clients. The final aim of the CRM strategy, as a manager of the bank explained, is to create an interaction between all the distribution channels.

> All the channels are complementary. They all interact. That's the aim and challenge of CRM … The real aim is to create links between these communication channels. (Interview respondent with First European Bank)

There are seven distribution channels - contact points - with the organization:

- The agencies. The interactions with the client are conducted face to face. There are privileged sources of valuable information;
- The call centers. There are easy and fast access to products or advice from the bank without having to go to the agency;
- Self-bank. These are contact points between the client and the bank that can be reached through their bank card enabling the client to make payments, draw cash, etc., and eventually interact with the bank;
- Home banking. The client, through his PC, can reach these contact points;
- The technical support. It is composed of employees who can give technical advice and support regarding an eventual problem as well as giving technical support concerning the bank's products;
- Communication advertising. This department is responsible for the campaigns and client communication; and
- The client service. This service helps client understand complex products and provides them with after-sales service.

Even though all these channels have their particular attributes and importance in the general communication process, the call center has received special attention. Using IT, it enables a specific and immediate recognition of the clients and provides the employee with the right data straight away. This is a gain in time and prevents the clients from dealing with the wrong department before they can get the information they require. Depending on the language (French or Flemish) the clients speak, and on the importance they have to the bank, they will be directed within the institution. However, it is vital for the bank to quickly change the call center from a cost center to a profit center. Therefore, these call centers have to encourage clients to purchase new products, orientate them to the less expensive distribution channels, and help the bank cross-sell.

Regarding e-mails, these have to be dealt with through a powerful artificial intelligence system to enable the bank to send out standardized replies. It is important to send the right reply to a request, and therefore an individual answer should be provided to the client if there is any doubt. Indeed, if the artificial intelligence system does not have the capacity to reply to an e-mail, it is directed towards an employee who will be able to individualize the response the client requires.

Change Management

Last but not least, implementing the CRM strategy has not been an easy and fast procedure. Indeed, change management needs to be present at both the organizational and personnel level within the bank. Great importance has therefore been put on the human resources, and the general understanding of the organization's new mission. First European Bank has also built trust with their employees and clients, as well as with the investors. That is a long-term project and most probably the hardest one, as evidenced in the following text unit:

> People mustn't think that change management will be over and done with in a few major changes in one day. It is achieved by taking small steps one after the other. It is not an upheaval, but an evolution.

The major steps within change management will be taken as follows:

- Establish the needs for change;
- Create and communicate a clear vision of change;
- Acquire a solid engagement of the top management;
- Include the employees all along the change processes; and
- Establish performance measurement procedures.

This five-year long program is time and capital consuming. It is thus key that the bank succeeds. An evaluation of the implementation will be made using the so-called 'balanced scorecard' technique (Kaplan and Norton 1992, 1993). Moreover, financial tools will be used to calculate client value and other measures to try and evaluate client retention throughout the program thus achieving the final goals of more revenue, less costs, more retention, more efficient sales, and a multi-channel, well-integrated, distribution.

Conclusions

This case study reveals a certain number of key issues in order to implement good CRM within the banking sector. The idea of the implementation is to succeed in establishing a single identity card per client in order to fully serve, satisfy, and retain them. It is, therefore, essential to integrate information collected from all the distribution channels in a well-organized datamart. However, it makes little sense doing so if all the parties involved are not part of the evolution. That is why the bank is restructuring every single department with one thing in mind: the client. After having checked the fluidity of the information, built a framework, recruited the right people, and implemented the relationships, it is crucial for any organization – a bank in this case – to continuously upgrade the data and the IT tools, as well as train the human resources in constantly making efficient use of the precious information gathered.

The case revealed that First European Bank is faced with a number of challenges with its CRM program. One such challenge regards personalized messages: many of the bank's clients do not want to be disturbed by constant messaging. These clients do not consider buying a financial product as being an impulsive behavior. On the contrary, only when they decide to acquire a financial product will they require the bank's assistance. How should First European Bank then market its products to potential clients? Evidence from the case suggests that it is of major importance that the bank develops a relationship with its clients that is based upon trust. Only when such a relationship has been achieved will First European Bank be able to anticipate a client's need without looking as though they are desperate to cross sell.

Another challenge for the bank is to change some of its clients' behavior towards the least expensive distribution channel, namely the Internet. However, changing a behavior implies changing the client's underlying attitude, which is clearly not an easy task. The bank is thus facing major challenges for the years to come.

Future Research

Probably the most common measure of a business' success is a financial one, for example profit or return on assets. As described, First European Bank has not yet established a set of measures that will determine whether or not its CRM program has been a success. In that respect, our findings reflect the CRM literature which has suggested only few measurements (Shaw 1999). In the academic literature, for example, Schmittlein and colleagues

(Schmittlein, Morrison, and Colombo 1987; Schmittlein and Peterson 1987) have analyzed customer profitability, and Mulhern (1999) has described a conceptual and methodological foundation for measuring customer profitability by generalizing approaches to measuring customer lifetime value. In the popular literature, Gordon (1998) has suggested four types of measurements: cost, time, profit, and customer value. Anton (1996) has argued that CRM-oriented firms are driven by the desire to deliver high value (i.e., high quality/price ratio) to their customers, and that quality is determined by four major quality drivers: product usability, service strategy, service environment, and service delivery. The level of service strategy is dependent on business processes, customer-expected attributes, and internal metrics such as claim form inquiries, mistakes on forms, and paperwork complaints. Brown (2000) has suggested similar measurements. One possible avenue for future research would be to examine how businesses are measuring the success of their CRM programs. The value of this kind of research would have a real impact for both academics and practitioners.

A related issue is how businesses put 'hard' values on what may be considered 'soft' measures of success. For example, in trying to retain clients some organizations take measures to show the impact of employee satisfaction and loyalty on the 'value' of the products or services they make and deliver. This approach is based on the idea that higher customer satisfaction and loyalty scores might contribute to greater 'life-time value' results for the organization (Heskett *et al*. 1994) or greater 'customer relationship economics and customer profitability' (Storbacka, Strandvik, and Grönroos 1994). Another avenue could, therefore, be to study how businesses are balancing hard and soft measures.

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Appendix 1. Interview protocol – with information on what was being discussed during the in-depth interviews

Research issue	Topics for discussion and/or probes
How do you define CRM?	• The product life cycle management focusing on the profitable clients, on a good volume-client-product combination, and a good distribution approach • Searching client value and loyalty • Client retention • Better knowledge of clients in order to cross-sell
What are the objectives of the bank's CRM program?	• Increase revenue and master costs • Focus on the right and best customers • Increase the efficiency and the effectiveness of the sales • Multi-channel approach
What are the activities in the bank's CRM program?	• Better information on the clients thanks to a 'single view' and profitable client identification • Differentiation through a client approach and thus better client segmentation
How, if at all, does the CRM program influence the different channels and products that are at the client's disposal?	• Better identification of the client's preferences regarding the distribution channels • Identification of the eventual incompatibility between the channels
How, if at all, does the CRM program influence the technological and organizational infrastructure of the bank business?	• Planning of CRM implementation through an 18 actions procedure • The global group will choice the final software for the CRM data support • Launching of a detailed program for change management
How would you characterize strong client-bank relationships?	• Client satisfaction

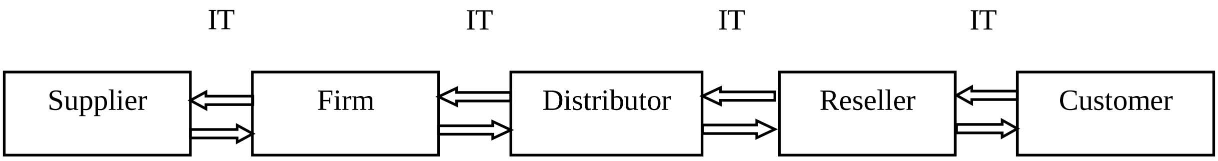

Figure 1. IT links businesses and their suppliers, distributors, resellers, and customers into networks of relationships and interactions

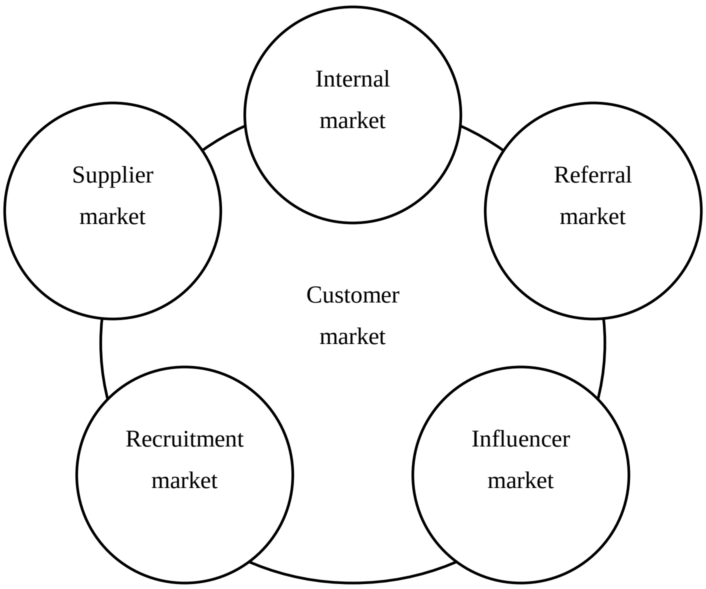

Figure 2. The multiple markets model

Source: Christopher, Payne, and Ballantyne (1991: p. 21)

	Differentiate	Identify	Define	Approach	Propose	
Top clients	Orientation is on one-to-one marketing	One-to-one relations	Speecific needs of the clients	Proactive and one-to-one direct contact	Personalized solution	**Keep**
	Orientation is on behavior	Client value and profitability	Client groups of behavior	Cause a reaction, identify it, and then individual approach	Personalized solution/product	**Develop**
Masss market	Orientation is on segments	Segments according to product types	Products that satisfy segment needs	Product-orientated campaigns for a segment	Segment-orientated product	**Maximize revenues**
	Orientation is on products	Mass market	Standardized products	Product-orientated campaigns for mass market	Mass product for all clients	**Minimize costs**

Figure 3. First European Bank's move from a mass market to a CRM market

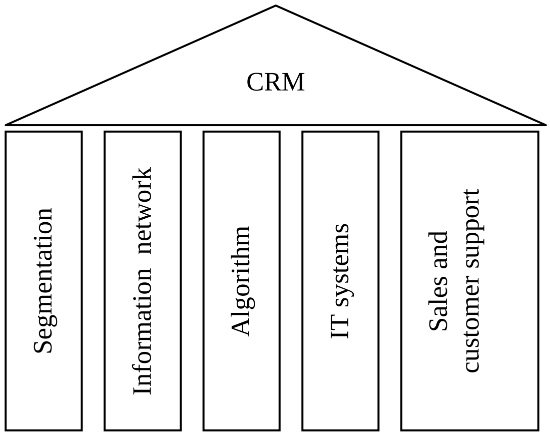

Figure 4. The BCG's five pillars supporting CRM implementation

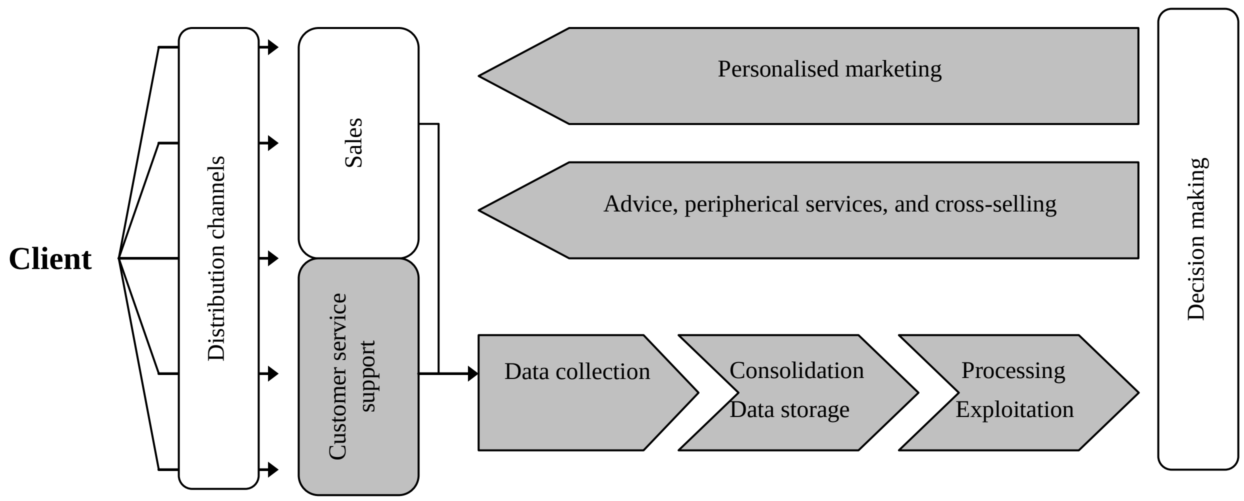

Figure 5. Client information and business flows

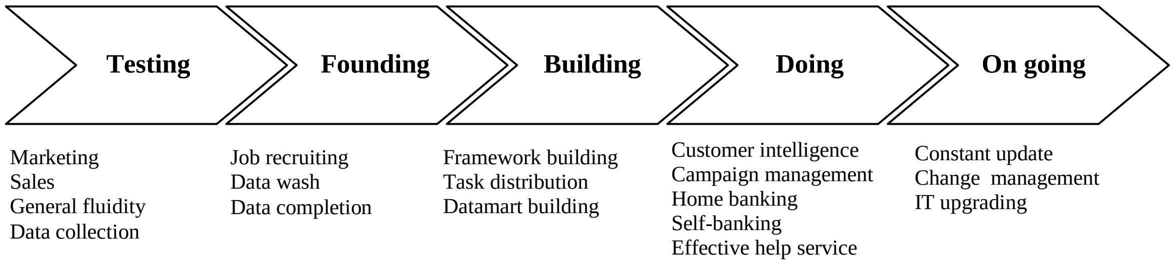

Figure 6. Implementation procedure

Table 1. Attributes of marketing exchanges

Attribute	Marketing through 4Ps transactions	Marketing through relationships, networks, and interactions
Actors	The buyer has a generic need, and the seller has a generic offer	The buyer has a particular need, and the seller has a unique offer
Nature of marketing exchange	The products or services are standardized	The products or services are customized
Interaction between actors	The interaction between actors are characterized in terms of, for example, power, conflict, and control	The interaction between actors are characterized in terms of, for example, trust, commitment, and co-operation
Duration of marketing exchange	The duration of marketing exchanges is independent and discrete	The duration of marketing exchanges is on-going
Structural attributes of market place	The structural attributes of market place is characterized as an anonymous and efficient market	The structural attributes of market place is characterized in terms of numerous networks to a network approach
Marketing approach	The marketing approach is the 4Ps or the marketing mix	The marketing approach is marketing through relationships, networks, and interactions

Table 2. First European Bank: segmentation

Segment	Important criteria to adapt CRM relationships
First segment (18 per cent)	• Enjoy high risk levels • Frequent use of self-banking, telephone, e-mail, etc. • Keen to buy insurance with their bank
Second segment (18 per cent)	• Enjoy low risk levels • Most frequent use of self-banking, telephone, e-mail, fax, etc • Not keen on buying insurance with their bank
Third segment (23 per cent)	• Enjoy low risk levels • Frequent agency visitors; no telephone, etc.; seldom use of self-banking • Do not consider bank as good insurance providers
Fourth segment (32 per cent)	• Enjoy low risk levels • Most frequent agency visitors; no telephone, etc.; very seldomly use self-banking • Not opposed to buying insurance with their bank
Fifth segment (9 per cent)	• Enjoy medium risk levels • Frequent agency visitors and frequent use of self-banking; no telephone or e-mail, etc. • Particularly opposed to buying insurance with their bank