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# Click and Brick Marketing

For quite sometime there were a few banks (Citibank, HSBC, HDFC, and so on) which made services, such as viewing statements, operations on accounts and/or broking services, available to their clients. Discussions about marketing for services on the internet tended to be academic. However, a large number of banks, both large and medium sized, are providing these services or are preparing themselves to provide such services. Additionally, all these banks have adopted what could broadly be described as brick/click model. The reasons for having the provision of internet facilities are largely grounded in the banks' business requirements. The transaction costs are very high and levying service charges which compensate them for the services rendered is not a feasible proposition. In fact, the then Governor of the Reserve Bank of India frowned on the banks' costs and cautioned against such costs. Equally important is the realization that the younger generation is tech savvy and that they happen to be the wealthier clients whom the banks could ill afford to ignore. The competitive forces are too strong to be ignored; ignoring such groups could only be at the bank's own peril.

Having invested substantial amounts in technology upgradation banks have to ensure that their objectives are well achieved. It has to be asserted that successful strategies need to be built around customers. They have to evolve a framework that meets customer needs. Competing on prices and products would not be enough. The only tool available would be customer service, reliability and trust. We would, therefore, go into the theoretical aspects and then conclude with a few illustrations drawn from the working of a few banks, which has achieved a degree of success.

A major stumbling block in persuading clients has been a lurking fear that these distribution channels are not secure. They are susceptible to crimes and that banks would try and pass the buck to the clients. Further, the crimes are not localized and that one faces great risks in using these services. It is important not to underestimate the dangers lurking in internet services. However, we must not exaggerate and avoid use. There are such dangers even in paper transactions. Frauds, misuse of bank funds, and so on, are somewhat inherent to the system. Banks must, therefore, educate not only their customers but even their staff members about the advantages of such use and educate the customers about the care that should to be taken while using these facilities. Merely having formal agreements which are primarily to safeguard the banks' or FIs' interests are of no avail. Marketing efforts in the initial stages will necessarily have to be concentrated on educating the customers. One is reminded of the days when rural customers had to be introduced to the banks and the services they offered.

Despite the wealth of evidence that information and information technology are rapidly transforming almost all phases of economic and business activity, relatively little formal attention has been paid to the effects of transformation on marketing theory and practice. Due to the dearth of academic empirical work in this area till date, most of what is known about the information environment and marketing comes from rapidly accumulating evidence and documenting corporate experience.

The speed with which information is transmitted, the amount of information that can be stored and the ease of creating patterns of organizing information, are giving rise to qualitative changes. The key variable is information itself. The value of information depends on facilitating exchange within the value-added chain, down stream, between the firm and the consumer; and upstream, between firm and supplier and within the firm itself. Conventional marketing activities are transformed because the World Wide Web presents fundamentally different activities than traditional media. The transformation takes place because traditional methods cannot be easily implemented. Non-verbal communication is deconstructed with the use of 'emoticons'. Once you include the consumer, the goal of marketing could move from satisfying customer needs to inclusion of an altruistic, cooperative goal of facilitating the development of the market itself.

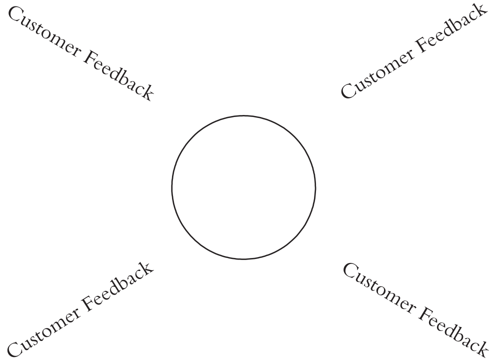
Traditionally, effectiveness of an advertisement campaign was judged by customer response. The same logic was applied to advertisements on the internet. The number of hits (accessed by internet users) was looked on as an indicator for judging the effectiveness. A number of 'theoretical' models were developed to forecast the possible outcomes of advertisements. These, however, proved to be elusive as the basic premise on which they were based was incorrect. Mere hit/click did not mean much. The one too many models used in theory and practice of marketing has only limited utility.

The web, in course of time, would change consumers' role as receivers of marketing information and would allow them to be active participants.

The focus during the early stages of the electronic revolution has been squarely on technology. Discussions are centered around access devices, software vendors, hardware platforms and specific joint ventures or platforms. A critical component has been overlooked and that is the marketing of these products. Perhaps, it may be complacently assumed that the product would sell itself. This unfortunately may turn out to be wishful thinking. It should be mentioned that there is no consensus view concerning the most effective approaches for marketing electronic products and services. Most banks have hardly any experience (except perhaps ATMs).

The nature of the problem must first be identified. The biggest challenge here is to provide the customers the breadth of choice they demand. The customer is now in the driver's seat—refuse customer a loan today and he/she would find numerous others willing to provide the same. Charge them interest for being overdrawn and they would move to one that does not. The brick/click model requires a well-thought out marketing plan, which would satisfy both the internet customers and those wishing to avail of branch networks. In fact, quite a few customers could be in both the categories. Equally daunting is the task of ensuring a service level to which internet customers are accustomed. A mismatch between promises and practices or procedures, could have serious consequences. For the last few years, banks and financial institutions have been so preoccupied with their internal issues, that customer service received short shrift. The industry's propensity to raise fees to boost non-interest income has not helped either. It is time indeed that banks paid utmost attention to customer feedback (see Figure 7.1). The next bank or financial institute is only a click away!

**Figure 7.1 Customer Service**




*Source*: Prepared by the author.

## Marketing for Intangibles

Before proceeding further an examination of some of the fundamental changes that have occurred, with regard to 'intangible' products is important. In the 'new economy' exchange of information is not a by-product, but a central activity of financial markets. Information-driven dynamics of modern financial markets needs to be thoroughly understood. Perhaps one needs to modify Toffler's three waves and state them as under (see Toffler 1990–92a).

In the agricultural economy, there was a relationship between man and nature or natural products. In the industrial economy the focus shifted to man and machines and machine made products. The intangible economy is structured around relationships between man, ideas and symbols. We now live in a 'weightless economy'.

How does one comprehend the digital economy? The demand and supply sides need to be carefully considered. The demand for intangible artifacts and the supply of intangible assets such as brands, intellectual property and human capital could help in understanding the nature of these 'products'. These intangible products include, amongst other things, different forms of information and communication, audio and visual media entertainment and leisure, as well as finance.

Normally, these are joint products which are nondestructive or nonsubtractive. For instance, you might have recorded a song on a tape. Replication technology now makes it possible to have the same on CDs, DVDs, and so on. One can replicate and have as many tapes as one wants. Additionally, the same content may support a number of artifacts. Knowledge, as the ancient seers suggested, increases through imparting. The cost of sharing these is nil. The owner of an artifact cannot prevent/limit its consumption without paying for it. The earlier equation that purchases equal consumption is no longer valid. The number of free riders routinely exceeds that of paying consumers by a factor of three. Further, the consumers create their own combination of content.

The most important fallout is that conventional pricing and transaction mechanisms largely tend to be inadequate. Economics of scale are determined by consumption and not by production capacity. There is a further problem regarding information. Prof. Stiglitz calls it 'infinite regress' (Stiglitz 1985). It is impossible to determine if it is worthwhile obtaining a given piece of information without having this information.

Earlier, the pricing of intangibles was based on support. The price of a book was determined by printing quality and thickness. Now, content can be disassociated and priced separately. In financial services, equity research is bundled into brokerage commission. The range of pricing is getting broader and more complex. Further, depending on the supplier–consumer relationship, different pricing arrangements can exist. The internet is really a fascinating laboratory for selling, sharing and giving away. These vary from metred charges, fixed assessed charges or charges for ancillary services.

On the supply side, the greatest importance is attached to brand management. Apart from brands, there are intellectual property patents and trade-marks that are critical competitive weapons. Curiously enough, these are not seen on the balance sheets. Reuters acknowledges that its balance sheet does not include factors such as its neutrality, software, intellectual property, global database and skilled workforce.

Even successful products could be replaced or could coexist with otherwise what may be called the 'book store effect'. Reuters has 20,000 pages of data on financial services, though only four or five pages are used by most. Their value is determined from the total database.

In the industrial economy, excess capacity leads to inefficiency and increases costs. In the intangible economy, it is widespread, functional and inexpensive. It is inexpensive because the key flows are information. Providing additional information flows is different from that of handling physical goods. The long-term trend is for an exponential progression mode and a dramatic fall in unit processing and transmission.

The intangible economy undermines traditional frontiers and distinctions. Sectoral boundaries are crumbling—telecommunications, informatics, electronics are now overlapping. Time-honoured distinctions between work/pleasure, home/workplace, intermediate and financial goods are crumbling.

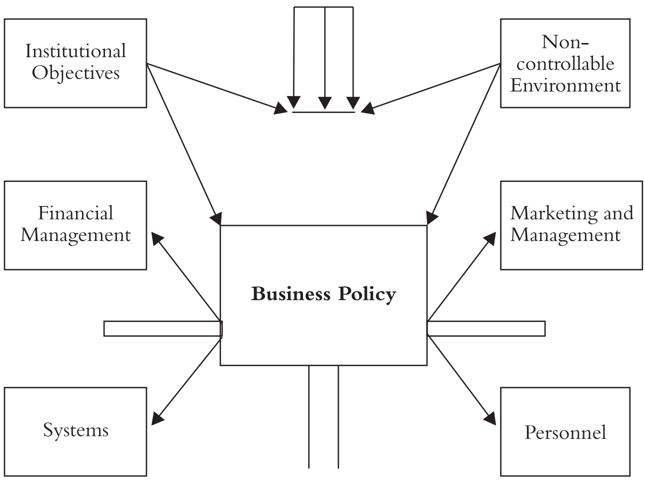
Finally, there is a momentous change in the relationship between suppliers and consumers. The end of information asymmetry has also come about because the customer now knows as much about the products as the supplier.

## Integrating Marketing with Business Planning

The traditional marketing approach largely derived its fundamentals from Professor Porter's (1985) thesis. He argued that for organizations to succeed in a competitive landscape, their strategies must fit their overall organizational objectives. Human resources, IT and finance functions must support the overall organizational strategy to reach the desired objective. Any functional strategy that is inconsistent with this would be doomed to failure. The thesis is far more relevant today than it was earlier.

Banks and financial institutions must make a beginning by involving the marketing departments right from the corporate plans stage to its final execution. It would be difficult to conceive how they could otherwise meet the customer expectations. 'Marketing' departments must be closely integrated with the total working of a financial institution. The old rule that 'make business responsible for marketing and marketing responsible for business', is more relevant than ever before (see Figure 7.2).

**Figure 7.2 Marketing Plan in Corporate Plans**




*Source*: Prepared by the author.

Now is the time to get everything inside the company lined up to serve the customers outside your company. The role of marketing is undergoing a change and it is for the top management of financial institutions to ensure that the creative juices flow and the grey cells work in the productive environment. This should not be looked at as a platitudinous objective to be chanted from time to time in customer meets or executive conferences. The organization has to strain every nerve to achieve the given end.

This would necessitate operational efficiency in the organization. A call centre operative who is not trained properly to handle queries, or an email which is not answered in a given timeframe (maximum 4 hours), could mean the loss of a customer. Financial institutions cannot afford to forget that retaining a customer is far more expensive than acquiring a new one. The ultimate aim has to be customer retention and more cost-effective marketing. Instead of advertising to a broad segment of customers, many of whom would not find scattered shot sales pitches interesting, financial institutions have to target specific customers who are deemed most likely to respond.

Donald Boudreace, Vice Chairman, Chase Manhattan Corporation, is of the view that customization technology is dynamic that is going to work. Thus, excitement must be tempered with a strong dose of reality. It is true that a 'market of one' is now within reach. Financial institutions can engage in electronic dialogues with online customers and formulate offers. A quick credit check, alerting customers regarding changes in interest or proposals to refinance when mortgage rates come down, are some of the ways in which a beginning could be made. These should not be left to marketing departments. In a 'brick and click' model, a very systematic approach has to be adopted. For a detailed analysis of the model see Joshi and Joshi (2009).

## Marketing Objectives

This is an obvious starting point for marketing policy. A new critical dimension, viz. need for 'retaining' the customers has already been discussed. Along with this, the other objectives are, of course, as relevant as before.

- Profitability.
- Providing high return on investment.
- Achieving certain market share/growth.
- Development of an image.

To this list has to be added a new dimension—customization technology and information infrastructure backed up by marketing strategy behind it. The challenge lies in delivering a customized message; something distinctive and compelling to offer to individual customers. The 'message' and not the medium would count.

Customization has to be viewed broadly. It has to be reviewed as one vital element in an overall customer value proposition and therefore, likely to meet with success. Obviously, such services have to be part of a package that includes other functionalities such as online alerts, easy access and personalization of web pages tailored to meet personal interests. These are some of the ways in which customization would be appreciated.

Decisions regarding marketing are usually taken on an ad hoc basis, for example, the launch of a credit card at a musical evening organized by a financial institute. It is preferable that such events are part of an overall plan.

Although this may be obvious to the marketing personnel, in the hierarchical structure prevailing in the financial institutes, one finds that objective analysis gives way to personal whims and fancies. In the cocoon of regulated environment, banks did not have to work too hard. The pressure to stand out is now growing and the turf is likely to be constantly under attack. There is a marked shift in emphasis. It is now individualized service that will matter. Such initiatives are helped by enormously expensive data warehouse initiatives.

Banks and financial institutions, which have taken initiatives in building robust customer information systems, may not find it difficult to build on them with the help of new technology. For example, after successfully tracking the book-buying habits of its customers, Amazon.com recommends other books that might be of interest to them. Financial institutions must follow the same model. Information collection has to be carried out on a continuous basis. Every click made by a customer either adds information or strengthens what is already available. A second or third visit might warrant a phone call and even a meeting with the customer.

Allowing customers to organize their web pages could allow financial institutions to reach out to the customers in a more personalized way. The results will start showing when financial institutions use the medium's interactivity, immediacy and automation capabilities to add value to their customer relationship.

Online surveys provide immediate feedback, but might annoy customers if they bear too much resemblance to the despised internet spam. The key in most cases is to weave queries into ordinary interactions between customers and the institution, so that feedback can be obtained with a minimum of distraction. Customers do not want to be bothered; therefore, contacts with them have to be better leveraged. Additionally, feedback is important when the matter is fresh in the customer's mind.

There is considerable scepticism with which these views are regarded. Nobody thinks that the Amazon.com model could ever serve a banker or broker. Thus, the idea of a bank suggesting a financial product by looking at a customer's profile is scoffed at. Further, it is also pointed out that barely 2 per cent of the web visitors can be converted into buyers—despite energies spent on simplifying navigation, accelerating the checkout, reducing initial buying risk and enhancing loyalty with incentives, many customers just kick the tires and leave.

This sort of criticism only strengthens the belief that banks and financial institutions need to redouble their efforts and ensure top-quality execution. The distinction between customers' planning their purchases through basic 'research' and their being guided to do so, cannot be glossed over. There is no rush to offer new products as the customer is probably looking for a calculator or aggregated information regarding a product.

It is now necessary to critically review the changing customer profile—skilled or otherwise. Nowadays, consumers can change their banks at the press of a button from the comfort of their homes. They have access to aggregator websites, which facilitate a comparison of terms and conditions. Further, new players like telecom companies are waiting in the wings with product offerings. Financial institutions would be committing *hara-kiri* if they rely on customer inertia, rather than allowing loyalty to stem from product features and excellence of service.

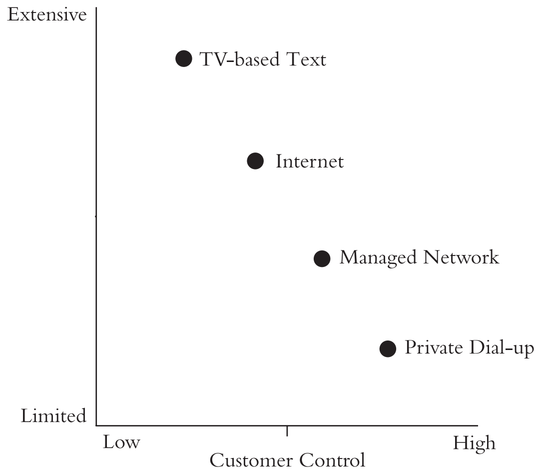
Here, it would be necessary to briefly make a detour and find out reasons for the customer resistance to making the change. The adoption of the internet for online banking has been hampered by concerns over security and the speed of access. New users of the internet have difficulty in navigating their way to the page that they want. Banks are not making any special efforts to attract customers to the internet facility.

There is a certain trade-off between the advantage of each system from the consumer's point of view and the point of view of the financial institutions. Consumers are concerned with the speed of access, reliability, security and user interface. These in a sense reflect the control customers have as managed networks, dial-up systems are what the customers prefer to have.

Although suppliers are concerned with these issues, there is the additional problem of how to reach a large number of potential customers. The broadcast medium offers a mass marketing reach, while a managed network can afford only a limited reach. The only logical solution would be to use multiple solutions. Figure 7.3 is a diagrammatic representation of the trade-off.

Financial institutions need to watch technological developments very carefully to see how the twin requirements of mass reach and security can be enmeshed. The other factor, which could tilt the scale from private to open networks, would be the need for different 'products' to be available. Additional services would also be in demand. The challenges before brick and click institutions emerging from 'costing' of services are going to be a major strategic problem. The 'marginal costs' of internet services are far too low to warrant comparison with similar services offered at the branches. Branch closures and staff retrenchment could help in reducing overall costs, but despite these measures, they will not reduce 'transaction' costs. The service charges currently levied appear to be arbitrary and at no time does one get satisfactory explanation for the charges from the branch staff.

**Figure 7.3 Supplier Reach**




*Source*: Prepared by the author.

The charges for an ATM transaction could be a few paise, while the same transaction at the branch premises could be several rupees. In one case customer would expect to receive benefits for the low cost of operations, while in the other customers will have to pay a hefty price for having the luxury of human interface. The hybrid marketing that would have to be resorted to can be demotivating for high service/high cost channels.

The need of the hour is for a channel for independent products and solutions. This would allow operations and systems complexity costs to be kept to a minimum. The same products can be offered through different channels to target different segments. Their need in terms of guidance, advice and support could be substantial. Those who do not need such support ought to be persuaded to move to a low-cost channel.

Future products will have to be distributed through multiple channels. It is necessary to stress once again that lower transaction cost will result in cost savings, if transactions can be migrated from higher cost services channels in such a way that it allows for cost reduction. Needless to say, the development setup and marketing costs must be under check. Rhetorical questions like, 'Do ATMs make money?' may win points in debates but do not lend strength to the balance sheet.

Customers who use mobile phones, however, are in the habit of paying charges for the services required and used. Thus there is a hope that they may not hold a grudge against such charges.

Another aspect that needs to be briefly discussed is at the branch level, that there is a direct contact and interaction between the bank manager and the customer.

But on the Internet, intermediaries are inevitable between the financial institution and the customer. Bank managements and the branch staff must realize that customers expect different things from electronic delivery of financial services. Customers want information, want to shop around, compare rates and obtain cheaper delivery. Banks want information on customer needs to increase their knowledge about relationships and increase their cross-sell ratios. The result could be a loss of proprietary delivery channels. Financial institutions and banks would soon have to develop intranets to shift information. They must see that corporate information stored individually is transferred to a central place.

The scope for intermediaries to come between the bank and the customer is indeed a cause of concern. We have already seen how aggregator gains access to websites by using customers' identification numbers. Some managers are confident that developing suitable alliances could solve the problem. If banks could form alliances with super markets and airlines, why could they not do so with others? One really needs to be on the lookout for opportunities.

For banks which are yet to get in to e-banking, it is suggested that a very high commitment at top management level is necessary before a coherent online strategy emerges. Following the 'max-e-marketing in the Net Future' the adoption of their following seven max-e-imperatives is suggested:

- Use what you know to drive what you do. Make everything you do to add to what you know. The most significant asset is the behavioural information gained through interaction with customers. The line between success and failure would depend on what you know, how you are organized to use it and to add more of what you need to know.
- Erase the line between product and service. In the net future, financial institutions need to create tightly linked 'offerings' without any separation. In a commoditized market place, such offerings would differentiate your selling ideas.
- Make each relationship as different as each customer. The integration of sales, service and customer care applications from the e-business world with traditional CRM processes can make each customer relationship different.

- Do as little as possible yourself. Outsourcing of activities would be an important ingredient of success.
- Interactive processes should become the products—'The process is the message.'
- Factor future value into every move. Make the brand experience exceed the brand perception.
- Direct interaction with the user becomes the prevailing way of doing business. Today's brand experience will determine tomorrow's ranking. What you do to, for and with the customer that exceeds the brand perceptions builds brand equity and the future value of the relationship.
- Make business responsible for marketing and marketing responsible for business.

Marketing departments in financial institutions are all too familiar with the four Ps (product, price, promotion and place). No doubt these are basic considerations. To these can be added the other important elements, which are:

- Addressability—How does one identify such customers?
- Accountability—How easy is it to reach results?
- Affordability—How easy is it to interact with the customer?
- Accessibility—Are your customers ready, willing and able to receive your message?

Going in the reverse order, banks not only need to undertake surveys of customer needs, but also undertake a massive programme for customer education. Second, unless decisions are backed by data and findings, it would be futile merely to launch products because others are doing it. Thus, unless your customers genuinely need it, it is not advisable to enter into e-financial services. A check list for managers/staff members has been discussed in the next section.

## Managers' Check List

Banks and financial institutions are not yet reconciled to the idea that customers no longer have the loyalty as was expected in the past. This is because:

- Customers are more sophisticated and price conscious. Further, they prefer to make more informed decisions by comparing the available products.
- Customer groups are changing because of longer life span and urbanization.
- A more consultative relationship is expected. Technically savvy customers are bound to demand:
  - consistent and dependable performance;
  - professionalism, skills and standards of performance;
  - timeliness of service;
  - cordiality and honesty;
  - polite behaviour;
  - safety, security and confidentiality of staff and
  - effective and polite communication.

Thus, customers might shift from one financial institution to another due to a failure of any one of those factors listed above.

## Evaluation of Strategies

This section discusses the marketing strategy evaluation. The results of any marketing plan must be reflected in the balance sheet and the profit and loss account. One need not wait till the information becomes available at the end of a year or in an unaudited form every quarter. Attainment of specific results is necessary to evaluate a given activity. There is a tendency to substitute sincerity of efforts with results. Sincerity cannot be an excuse for not achieving results.

Some departments function under a mistaken notion that they are not amenable to objective evaluation or audit. It is essential to dispel such a notion and subject 'marketing' to a critical scrutiny not merely from an audit trail creation and adherence point of view but also from the following ones:

- Level of resources allotted. In case of Net marketing they could be a huge amount. For example, some British banks had to spend sums varying from £145 million to £200 million on advertisement; and a further £25 million to create awareness;
- Tactics and strategies used and
- Effectiveness and liaison with other departments.

Under such circumstances, it would be futile to be under the notion that these departments deal with 'intangibles' that are not amenable to evaluation.

At this stage, it is necessary to refer to current research on marketing architecture and its impact on 'marketing', which have been briefly touched on earlier. Marketing executives and top managements must now ensure that they are attuned to perceive changes in these vital fields. Concepts such as 'exchanges', as pointed out earlier, are assuming altogether new dimensions and do not mean what they used to stand for. In fact, marketing and support departments will have to focus significantly on increasing the productivity of their departments. Companies, which have successfully implemented CRM solutions, do report significant operational improvements, including revenue increases per person. Technology has to be leveraged to optimize sales.

## Grievance Redressal

In today's systems, the redressal of simple complaints like an error in a statement, an unaccountable change in balance, regular installment or standing instructions being missed result in complicated messages, mails and irritating conversations.

In times to come, call centres would try and sort it out. Before the customer presses the button, technology would allow agents to retrieve all records instantaneously in screen-pops instead of submitting written requests and waiting for weeks for all the documents to be assembled. Integrated data warehousing, telephony and workflow technology should make this possible in a new and wired world.

## Market Turbulence

Customers need a human touch whenever markets are turbulent. The multi-channel strategy that has been advocated, would stand the financial institutions in good stead.

In conclusion, it can be said that 'e-CRM' would enable the banks and financial institutions to go to the heart of their customers' needs. These could help them to nurture loyal relationships, understand which customers and channels offer the greatest revenue potential and to cross-sell products more efficiently. It is the duty of these financial institutions to ensure that the relationships do not get completely depersonalized.

The main reason why these simple ideas are not translated into action seems to be that banks have not clearly entrusted the work to the branches. In a brick and click model the migration of customers to the internet has to be undertaken by the branches. In fact, it has to be a profit centre activity for them. Swedish banks have very successfully implemented such schemes and the results are very satisfactory.

The second difficulty is that banks are offering their customers more channels of communication, but very little choice. These channels, particularly after the inroads that mobiles have made, need to be well integrated. In this connection, a discussion on the way this problem was tackled by Cisco and Paribas is important. It also throws light on the way internet facilities can be put to use to develop effective customer relationship.

Cisco helped Paribas understand the business impact of the convergence of internet routing and telephony on our multi-channel model. Their team shared with them how Cisco had rethought their mission to integrate convergence into the enterprise. The initial work related to improving the call services (20 million calls a year). The click element did not have to wait long. The bank chose a high-level multimedia platform for real-time sharing. The next task was to improve the work stations. It opted to build a best-of-breed solution .With back-office updates underway the bank could launch its portal. With a single customer identification number to facilitate the migration, it became possible to share information regarding contents, fixing appointments, and so on. Real-time tracing of events and customer file management were enhanced by an event and contact database that recorded interactions across the channels.

The magnitude of the task can be understood when we note that this meant integrating the database of 6 million customers, with daily reporting of events and updating of profiles. This integration now has made it possible for the sales force to log in reminders of future intentions and make contacts positively at the right time. The bank is also able to develop a customer satisfaction scoring card. An electronic platform for bond dealing was the next to follow. Large bond dealing now gets done on the internet. BNP Paribas has rightly claimed that the integrated multi-channel framework has enabled them to manage almost 300 million contacts with their customers, who chose their preferred channel for interactions with the bank.

The next obvious question relates to business results. Customers have seen a sharp all round improvement in service. Each month telephone counters handle more than 2 million calls. Further planning for the sales team has become much easier. The customer relations service centre now plays a more proactive role. Client files are enriched and branch advisers are much better placed in handling matters. However, the most significant result is the realization by branch staff of their new proactive responsibilities for maintaining contact opportunities generated by the system. As managers embrace this focus customer satisfaction is becoming the key performance metric. Equally important is the fourfold growth in offering credit based solutions to blue-chip clients in 21 countries.

The way ahead is known. It is for banks to ensure that the new mobile penetration, on an almost unprecedented scale, is taken advantage of. Banks and finance companies would lose out if they fail to realize the long-term growth prospects.