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Towards consumer marketing in the new millennium

Individual Event Based Marketing – Applied 1:1 Marketing in the Financial Industry

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How can you deliver a service that has an emotional impact to the consumer? By increasing the focus on Speed, Timing & Relevance in your consumer communication!

The Consumer's power has increased due to consumers' awareness of their sophistication; and this sophistication is supported by tools.

You need to raise the bar and move orientation from cost-efficiency towards benefit orientation

Marketing is a concept that is more and more widely implemented in many industries, but would this work for banking – and, if so, how?

Individual event-based marketing is not new but, with today's technological possibilities in event detection, financial institution can restore – or at least protect – the existing power balance between consumers and banks.

1. Introduction

In my favourite Frank Capra[1] movie, "It's a Wonderful Life, " Bedford Falls Building & Loan manager Peter Bailey tells his son, George, "I feel in a small way we're doing something important. Satisfying a fundamental urge. It's deep in the race for a man to want his own roof and walls and fireplace. We're helping him get these things ... "

Later in this movie, the bank's customers show their gratitude by rescuing the Building & Loan from a takeover by Mr. Potter, the town's rich old miser. They were moved to act by the humane way Peter Bailey did business: that is, treating customers as individuals and believing that a financial institution exists to serve the customers – unlike Mr. Potter who had no compassion for, or interest in, anyone other than himself.

The reality of modern banking lies somewhere between these two approaches. Few financial institutions would exploit people the way Potter did. At the same time, while others might sympathise with Peter Bailey, they'd probably find his altruism impractical. After all, banking and insurance today is market-driven, competitive and increasingly global, and banks are entering non-traditional areas such as securities, insurance and financial planning. Who could pass up these opportunities for revenue growth? And who could afford to be sentimental about customer relationships in an environment of mergers, consolidations, takeovers and closures? You'll miss them when they're gone![2] However, unlike the retail industry, for the last three decades banks and insurance companies have not really shown interest in their customers. Maybe this explains why the new entrants in the financial industry are coming from a retail background.

> "Sooner or later, however, corporate performance will suffer, unless relationship marketing becomes what it is supposed to be, the epitome of customer orientation – ironically the very things that marketers do to build relationships with customers are often the things that destroy the relationship"
>
> Preventing the Premature Death of Relationships Marketing, HRB January 1998, Susan Fournier et al

"What are Consumers Interested in?"

Let's be honest about this: concepts like Relationship Management, Database Marketing, Dialogue Marketing – all those initiatives used by the financial industry – are *seldom really applied* towards their original purpose, which was *genuinely* to increase the social relationship with a customer or, at least, to increase consumer trust. No, for the most part these concepts are applied to decrease costs, increase profitability and ultimately to increase the net present value (NPV)[3] or life-time value (LTV)[4] of the customer-portfolio. What would be the benefit if we could keep prevent or delay the defection of customers and make the unprofitable customers more profitable; get a greater share of their wallet; and thus, therefore, increase the customer's LTV? Perhaps prices would go up, volume would go up. Margin would go up. Now, how important is cost reduction if increased costs could lead to increased margin?

Unfortunately, in all honesty, consumers are also not really interested in their banks or their bank's products. Just imagine yourself for a second as a consumer, and ask yourself: are you really interested in debit cards, credit cards, smart cards, all sorts of bank accounts – or do you just want products which cover your day-to-day activities? Are you really interested in pension products, mortgages or annuities? Or do you just want to make sure that you don't have to worry about getting older and retiring? Do consumers really, really care for shares, PEPS, offshore investments, or unit trusts? Or are these just names for what consumers call "their investments"? Car insurance, content insurance, buildings cover: do they really have to do with bank products, or do they have to do with the protection of the consumer's property? Consumers are not interested at all in your products! Unless the consumer is at that moment in their life where they need to fulfil their financial needs – or unless the financial institution approaches them directly after (or at) the specific event that happened to them, which makes them have a personal interest!

> "I don't know about the folks in Silicon Valley, but the direct marketing that slides under my door every morning seems to have a pretty good sense of my "personal taste and preferences". You could build an entire personality profile just by shuffling through a week's worth of my mail"
>
> Steven Johnson, Interface Culture, How new technology transforms the way we create and communicate

"Change towards more diversified life-cycle patterns"

Consumers were already getting increased bargaining power, but now they also are getting the tools and intelligent software that will make them able to *be* the power. The currently available software and hardware allow us safely to predict that, in the next millennium, everybody will have their own set of desktop-butlers or intelligent-PDA's (personal digital assistants); with these they will be armed with

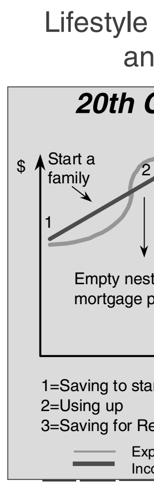


Figure 1. Source: Coopers & Lybrand – The World in 2005, february 1997

their set of “intelligent agents” that will surf the datasphere and find them the best deal, manage their risk or simply provide them with the information they require. “In an information-driven economy, power moves downstream toward the customer, so those who are closest to the consumer are best positioned to win.[5]”

It does not matter how good a particular bank or insurer is; how hard-working; how much they look at the long term; or how much they have spend on their product development. The life-cycle curves of the modern consumer shows many more incomparable irregularities than the traditional curves used to do (figure 1).

The changes in the consumer’s decision to buy your products in the 21^{st} century is not going to be based on the marketing principles with which we are familiar today. More than ever, consumers have recognised their bargaining power and their individuality[6]. So, the question is, what can you do about it? How can you ride the wave of increased bargaining power and grown sense of consumer individualism? For sure the consumer in the next millennium will demand to be treated as an individual – but only at the moment that he or she wants to do business! You don’t have to know all your customers personally, but you can find out how they want to be treated, and what the ‘right’ moment is for the right service, product or action.

> “..changing customer demand is one of the top strategic issues they (insurance companies) face, but fewer than 40 % are well prepared to address it”.
>
> Business Week, Prognosis 1998, Susan Jackson, January 12, 1998

2. So, what is individual event based marketing?

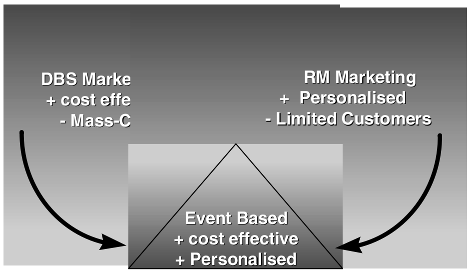
What is IEBM – Individual Event Based Marketing – or, as some refer to it, trigger driven marketing? Well, first it is about *a different trigger* for *individual* consumer communication. Most marketing communication is still based on information from the dialogue, instead of the recognition of triggers in the personal life of the consumer. Second, it is about *timing and speed* of the reaction by the bank to the consumers’ needs (triggers) – that is extremely important. Third, is about *optimising the operational constraints* of your organisation. Knowing how, where and what to communicate to the consumer so the institution can optimise what it can handle in, for example, its mail printing and logistics). Fourth, and most important, is the *ability* of a financial institution to notice *a significant event* for the individual consumer *in a timely manner*, *delivered* in such a way that the emotional *impact* delivers an improvement in the *relationship* (and the *LTV*) with the consumer. Assuming, of course, that the ultimate goal of every marketer is to produce products and services that satisfy consumer needs.

Traditionally, banks and insurers have been seen to be very slow when it comes to using some of the basic techniques of consumer-oriented marketing. Mostly they have improved their product marketing, using database marketing to get a high efficiency of targeting for the products the company was *selling*, which were the products that companies could *make*. The problem is that it's no longer about finding the right consumers for the bank's current product marketing offerings, but about identifying the right time to respond to an individual, with the right actions. Of course, event based marketing is not something new! However, only *recently* have the *possibilities* of information technology – and the service *attitude* in some organisations – been able to "raise the bar", and to show us that these concepts are now applicable in a mass market.

"What did we observe"

The first thing that we observed in event based marketing was that, as the first step towards real one-to-one marketing, companies started to focus much more on the analysis of individual patterns – "things" that happened in relation towards "things" that happened before with that *individual*. This meant letting go of the thought that all customers will be contacted via the more traditional, cost effective Mass Customized Database marketing (or via target marketing). On the other hand,

Figure2. Best of Both World Combined towards 1:1.



it also meant that companies accepted that very personal relationship management programmes, or intensive dialogue-based 1:1 programmes, were very costly and could only reach a very limited number of customers (see also figure 2). Combining the best of both worlds seemed for them a logical step. And so, these financial institutions started *making what they could sell* instead of selling what they where making! The trigger for selling shifted from the campaign moment, decided

> Consider the individual, made redundant from an executive position. He gets a significant redundancy payment. The company car has gone, so the client wants a loan to fund a car between jobs.
>
> When he applies for a loan, he is refused. Why? – Because the bank employee notes the client has no income and, according to the standardized approval process, the bank should not extend a loan.
>
> The same bank has not noted some other events happening at the same time, e.g. the regular salary payment stopped one month ago, the client is a long standing customer without ever crossing the 'red ink' line, is currently heavily in credit, with a recent large deposit, recent a large expansion of the pension reserves and without ever having any outstanding loan.
>
> What do you think the impact on his retention was?

by the institution, towards the moment of need or "event-happening" at the individual consumer.

Event detection and event based marketing therefore have to be *individual opportunity* driven, and therefore not mass-campaign campaign driven.

This directly changes the communication stream, as it has to become more focused, requiring a parallel communication strategy across multiple channels that can guarantee the consistency of the diverse messages. If not, the confusion that will be created by inconsistent communication will only increase the bargaining position of the consumer! Certainly anecdotal evidence, or gut-feel, will be not enough to manage any complex business. Banks and insurers will have to understand what *events* trigger *behaviour changes* and/or *purchase decisions*. Terms like 'financial security,' or 'a cushion against the future,' and so on, are the beginnings of a potential dialogue with your consumers and prospective consumers.[7]

As a bank or insurer, you cannot escape responding to the changes in the consumer-producer power balance. Of course companies are improving their database marketing but, although this is cost-effective, it is not consumer-friendly enough. Or, as Steven Johnson[8] puts it in his book, "Just because it is customized junk mail, it doesn't mean it isn't junk! " In addition, some players were already doing relationship marketing, but this proved not to be cost-effective enough to do it for the non-VIP customers, and so limited the number of consumers that could be served in that way. Now that banks and insurers want to get into one-to-one marketing, they need to go through a transition to reach a equilibrium between cost/efficiency and numbers of consumers reached. A financial institute might say 'we couldn't possibly have such individualised marketing campaigns to our millions of consumers'. But it's not about that. It's about a smaller number of precise individual responses to consumers' actions and needs. After three years of silent (though effective) experimenting by some of the industry's thought leaders, the results clearly show that a modern approach of individual event based marketing can play an important role in restoring the industry's power-balance.

3. What should be done?

"What happened?" "Why did it happen?" "Something happened." "How is this 'happening' compared to the 'regular' pattern of this individual?" "To which scenarios can we

The Student Gold Card

During a research project done by NCR with a major Northern European bank, we discovered that at substantial proportion of their male student account holders had a gold card. The majority of attributes to the card were not of interest to them. They only used their gold cards for simple transactions in entertainment venues, mostly on Fridays and Saturdays.

The purpose of this card are obvious: first, a status symbol and impressing friends. Second, the easiest way to get a short term loan, the type of flexible credit that you probably never would get as a student, anyway. So, price and functionality were not the reasons why the students had purchased the "golden card", so why not offer more students a stripped down gold card with 80 % less functionality at a 50 % lower price?

And the way the offer was made – to students who visited those similar entertainment venues on Friday and Saturday nights, having enough regular cash-inflow and/or a financial parent-background and/or study combination that guaranteed the financial solvency, offered at the channel of their preference, at the moment that they concluded that they were in need for some short-term way to pay without cash. Placement went fast, and successfully.

"Market Research reveals that delivery system preferences differ significantly by segment and geography. As a result, bankers must develop a detailed understanding of their existing customer base and the markets in which the operate...

A bank cannot afford to be either too far ahead or behind its customers´ preferences...

Coupling customer behaviour forecasts with already anticipated shifts in marketplace domographics, significant change is ahead".

John McCoy, Chairman and CEO, Banc One

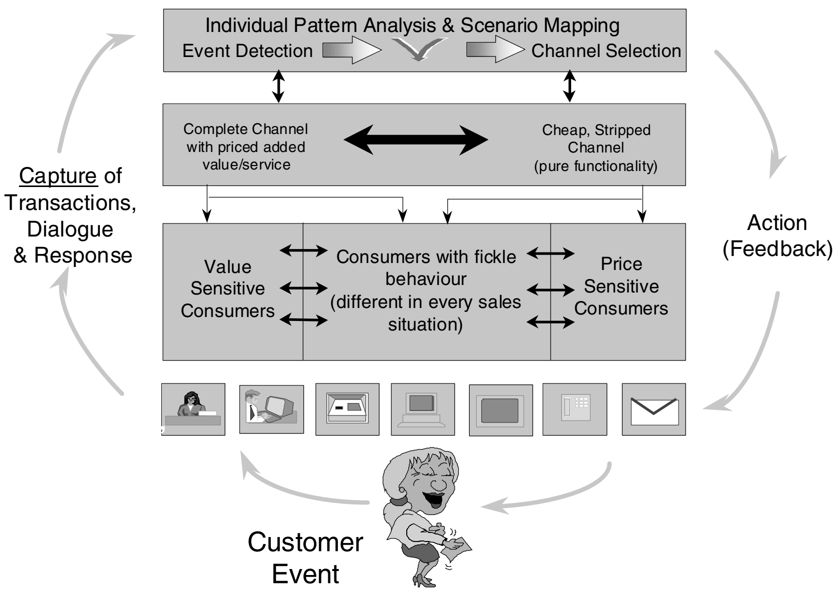
apply that?" "With which patterns can we compare the patterns of the scenarios of what happened?" "What are the probability rates for the actions that we want to take?" "And which channel should we use?" "And, do our marketers understand how customers' trust and intimacy factor into the connections they are trying to forge?"

Primarily, the answers to these questions arise from a change of focus towards *speed, relevance* (in feedback) and *timing*. To do that, you will first have to start with an analysis of transactions as they apply to consumer behaviour ("what happened" – also see the student gold card example). The transactional data used for this comes from two type of sources: either the *customer related transaction data* that comes out of the *distribution* channels (ATM, POS, branches, call centre etc., dialogues with the account manager), or the more *bank-business operation* based data which comes from within the bank's back-office and *financial performance management* (e.g. asset/liability or treasury) systems.

"To capture, analyse and feed back"

To enable an optimal use of this data either for market effectiveness or for profitability calculation, the basic information must continuously be *captured, analysed,* and the results

Figure 3. The consumer-franchise, and the capture, analyse and (relevant) feedback-loop.



fed back to generate financial results. And so, IEBM *integrates* the transaction front-office, the dialogue, towards the feedback loop (figure 3). And preferably as fast and as automated as necessary. Timing and speed vary, of course, from case to case. For example, offering to a pre-qualified customer a short-term $2000 loan at the ATM (when the account's maximum is reached) is a totally different scenario from suggesting to somebody an investment account for the new, extra income arising from a change of employer and salary. Such pre-defined scenarios are linked to different business objectives, demand different analysis, and will have different feedback variables or "value-to-be-delivered to the customer". In one line, it is all about information effectiveness: *to exploit* the knowledge that you derive from analysing individual transaction data and individual dialogue *to enhance* the actions you make towards the individual!

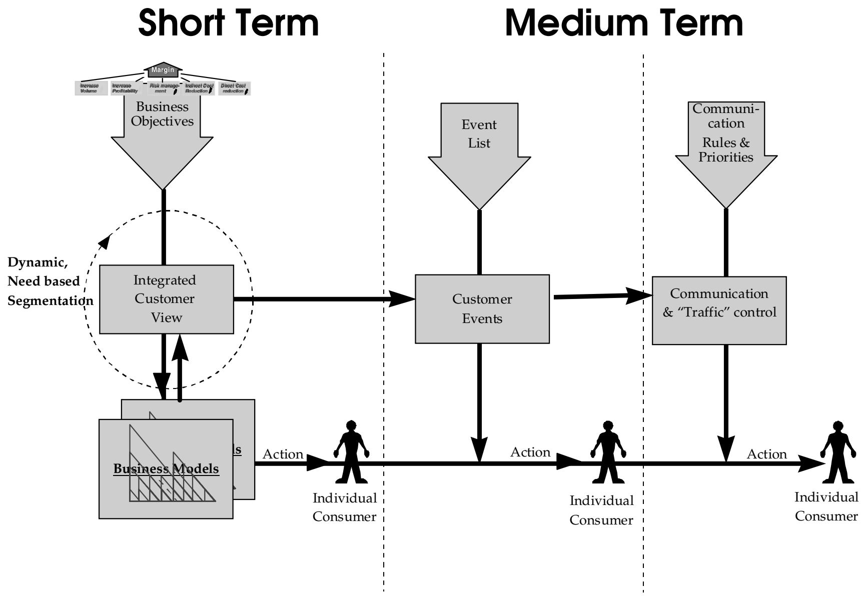
> Experimenting with their existing data warehouse capabilities, an US Bank ($25+ billion assets) tests IEBM; insttallment loan approval set off chain reactions of subsequent pre-approved credit card offers.
>
> They practice especially fuitful in market segments that are usually unattractive for them: indirect auto loan markets where "Trojan Horse" market participation serves as data intake channel.
>
> After a hard process of changing the incentive structure for the sales staff and retraining the way to give service, the average balance per account has increased with 21 % with an significant greater net present value per individual customer.
>
> From a consumer satisfaction (and thus loyalty) perspective, the increase in the emotional bonding is percived as "tremendous".

"Segmentation"

One of the hottest topics right now deals with advanced (dynamic) segmentation, as banks are fighting to keep deposits from moving into markets that are less traditional for them – such as mutual funds and money markets. They have a greater need than ever to understand who the customer is from a demographic standpoint, from a geographic standpoint, from a behavioural standpoint, and from a usage standpoint. However, as Frederick Reichfield already stated in his book, "Banks stand out as one of the weakest industries in effectively segmenting their customers". Unfortunately, *the base for successful IEBM is the segmentation process!* The segmentation process will enable the financial institute to create a "Rubik-like" cube with Channels, Products and Customers on the respective axes.

The interaction between the initial segmentation and supporting, so to speak, scoring models (e.g. behavioural scoring, individual risk scoring, profitability, propensity, attrition, or retention), will enrich the data to the level where predictions can be made for many customers (within a certain probability rate) about their forthcoming needs and their timing preference (figure 4). This knowledge will enable the institution to select the most self-evident consumer opportunities for those individuals on the moment of truth. To do that, we need not only to segment our customer: we also need to define which business objectives we want to serve, in terms of cost reduction or benefit increase. And what kinds of events are related to this. Consumers therefore should not be segmented on the basis of their current profitability, but rather on the level of potential profit they will generate if the marketers' efforts to win them over and to retain them are successful.

Figure 4. The three steps to go from dynamic modelling towards applied rules of action and applied rulees of communication.



"Communication, and traffic control"

So, once you have your customer segmented according to the *action rules* and their *communication strategy* priority, the *"traffic control rules"* will make sure that different actions are prioritised, synchronised or even abandoned or overruled. The last thing that you would want is for a customer to "drown" in an overload of mail shots, outbound-calls and questions at the branch.

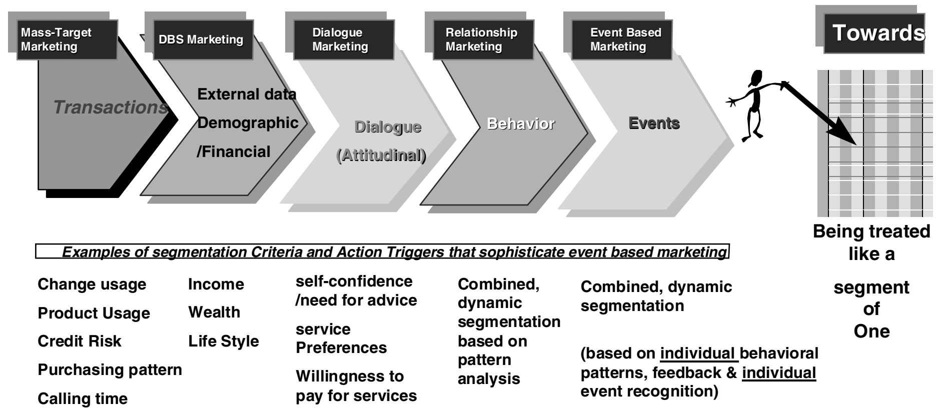
So the process of applying these communication rules is one of the most important critical success factors. When we take this statement to the different segmentation criteria and stages in figure 5, it also shows that financial institutions should not refine the same kind of segmentation for all their customers; furthermore, and more clearly still, that duration of the present customer relation should be taken in consideration (and of course the value that this customer represents for the institution).

> "The future of baniking depends on selling more products through Automated Tellers and the Internet. Even more crucial, technology will be key to how banks differentiate themselves to customer".
>
> Business Week, Prognosis 1998, Debra Sparks, January 12, 1998

Some customers might just be a customer for three months, and as a result we won't know enough about them to take sophisticated actions like IEBM.

For others, the value the customer represents means that we will at least be prepared to invest in some increased dialogue cost. *Not only should each customer's need and channel-preference be analysed, but also the kind of marketing, channel and communication strategy that will apply for them!* Some customers might be only cost effective (i.e. attractive) to serve via the standard mass-information mailing once every year. Others have not provided enough transactions or dialogue (and therefore information) to justify a letter.

Figure 5. The evolution of customer data towards the decrease of the segment size, derived from Consumerism, understanding the fickle behaviour of the individual consumer, Teerlink, Plagborg & Gragg, 1996.



IEBM is about timely, relevant and individualized dialogue!

But how would you turn this event into active action? How can you translate from analysis towards feedback? Because the questions that we will fire on our customer data are not only about behavioural analysis. There are also generic questions, which are NOT "who deposited $ 10.000?" but are like "who did a significant deposit more than 4 times their monthly income?". In other words, the analysis should not focus on the events themselves but on *what is significant behaviour at the customer level.* Now, some of you might say that some consumers do not have a regular pattern which makes it hard to recognize a significant deviation. This is true! For instance, professionals (lawyers, doctors etc.) have fluctuating income patterns. But, by knowing that, those customers who do have a regular patter get known! So the road towards the ability to combine the first four stages of the graph of figure 5, with stage 5 (IEBM), is also dependent upon channel integration and customised/personalised product offerings: how to win what service, without bothering those consumers with the incorrect mailings or confusing communication. So IEBM requires not only more dynamism in the segmentation of the customer base, but will also impact the models needed for defining the *rules for action and the rules of communication* – from a release time of weeks or days to the same moment, the same day or maybe (at the longest) the next day.

Dissatisfied with the returns from their mass-marketing campaigns, a US bank (US $50+ billion assets) initiates IEBM to target product offers based on "knowledge already at hand". The institution arms itself with analytical tool to be "first out door, first in mind of consumer" via the twin pillars of programmes – speed, narrowly focused marketing – in order to move the bank closer to addressing consumers´ immediate needs. The converted response rate increase in 18 months, between mass-traditional marketing and IEBM, was from 1 % towards 10 %, caused by a growth in "products booked" by 175% and an increase in "revenue generated by marketing programs" of 450 %. The necessary investments have quickly paid for themselves!

4. How should it be done?

Traditional target campaigns may be based on classical events that could be stored by a system. These campaign start on the initiative of the system. Events are triggered by the "things happening" in the consumer's life – amongst others by *personal life-cycle events* (birthdays, weddings, change of name, address), *professional life-cycle events* (graduation, change of job, change of salary, change of working location), external events (tax-rule change or changing legislation) and product-related activities like enquiries, applications and purchases. "We would like to keep all of our customers," says Biff Motley From Premier Bancorp. He points out that, in going only after the customers it assumes are the most profitable, the bank could miss opportunity. "We've gotten some feedback from our product and customer profitability area that belie popular myths, that only high-balance people are profitable", he says. "We find that some of our low-balance checking account customers are very profitable because of the fees we obtain from them."[9] Companies can only make such statements when they really can break down and differentiate their cost. The cost for the transactions per individual versus the income of fees. How?

"The output of one model is the input for the next!"

Once a process of continued transactional analysis is implemented, from which the output feeds models. These models by them-

Friendship – to make each other´s lives easier....

A Western European bancassurer only invests in advertising and follow-up marketing. They do not mail or contact on characteristics, they mail or contact after the consumer has initiated the contact. Their motto is to keep things very simple. For example, they do not mail car loans. And they wait until the (mostly existing) consumers have expressed the need for financing a large purchase, which could be a car. How?

Well, imagine this. You are driving in your car from home to work and suddenly the car in front of you brakes. You just decreased the length of your car by 12 inches. You use your mobile phone to call the direct accident line of your insurer. The first questions that they will ask are always related to your physical and emotional will being. Meanwhile, the cell number of your mobile has helped them to plot you on the map of the country you are in, so they can arrange a tow truck and a replacement car for you. In most cases, you continue your way to work within 20 minutes, with an appointment to go through the details of the case tomorrow night, at a time of your convenience, with them, by phone.

When they contact you (and again check you health – and in you answers you indirectly tell them the things about your domestic situation that they did not know yet), they gently help you understand why they can only refund the other party´s damage (i.e. in situations where you have a Third-Party-Only insurance). However, in case you are one of their pre-qualified consumers, they will NOT offer you a loan for a new car. No, they will offer you the opportunity to continue driving with your replacement car until you have ordered (with fleet owner discount) a new or used car at one of the car dealers with whom they have made a special 'deal'. The consumer gets the full fleet-owner discount. And the financing takes place at normal market rate. You never even see the money pass your account, as they pay the car dealer directly.

What are the marketing costs here? Limited – as the analysis, the pre-qualification of the size and terms of a loan (or even better a loan/insurance bundle), plus the operational cost of the call centre – but that was needed anyway to register and to handle damage claims. The results: 70 % of the pre-qualified consumers with a Third-Party-Only insurance who contact them after an accident takes a proposal, and 71 % of these take the loan/insurance bundle.

selves should be thought of like raw oil – which it is not of much use unless you do something with it! The output should deliver indicators of profitability, consumer scoring and support a process of dynamic, behavioural or need-based segmentation (again, see figure 4). Thus you have not only identified your customers and their needs, but you will have the raw material to apply the first models, for instance to re-use the "RFMP" formula (Recency, Frequency, Monetary and Product) to divide your customers into groups according to their segmentation strategy (again, see figure 5) and the chosen communication strategy. One of the most valuable activities that one can undertake in this process is the daily application of dynamic statistical models based on detail data, to feed the dynamic segmentation process that in turn is the input for event-based action models.

Targeting individual high-profit consumers (or, better, households) does not mean entirely abandoning conventional communication practices. It does, however, require balancing them with new kinds of programmes and activities that, in the aggregate, create a stronger, more productive, communication plan – productive from the viewpoint of putting greater loyalty-building communications pressure against high-profit consumers. The particular formula you will use will depend on your institution's situation. So be sure to include in your formula the products and channels (and the associated costs) your customers use. A key word for this is "potential".

"Do you know WHY you do things?"

Be sure that you know WHY you do things, what you want to measure (and in which terms), so you can later compare why you did things. For reasons of volume, for reasons of behaviour change. For reasons of margin. For reasons of prolonging the customer relationship. For reasons of fighting the competition.

> "I´d say that 90 % of what goes on in most big companies and industries is totally unnecessary rubbish."
>
> Tom Peters, Information Strategy, April 1998

"Which business objectives do you serve, measurably?"

The biggest mistake in measuring the effectiveness of marketing activities is mostly in the company's inability to register beforehand what they wanted to achieve and why they did this market action towards this consumer. The successes and failures of event-based market actions should therefore be expressed in their influence on the business objectives. Thus, requiring clear and measurable expressed business objectives and clear formulation of the data will be the input for that measurement. Figure 6 describes the logical steps, as touched upon in this and previous paragraph, that follow after the most important first step : the definition of business objectives to serve!

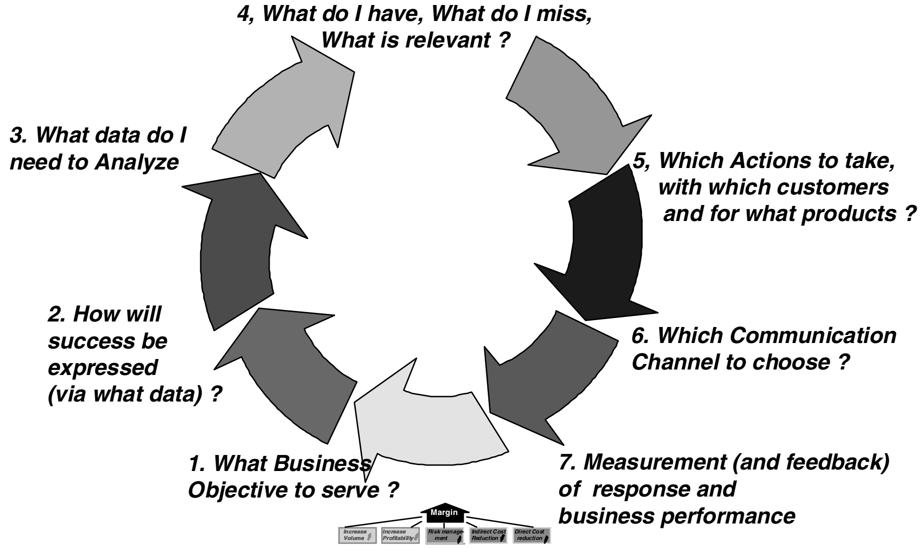
Now, in addition, other relationship-intensifying actions can be taken. Not only on the customer's birthday, on the anniversary of his starting to work with you, but also on *more significant events* that you can identify; you can also send the customer an unexpected message that does not try to sell anything.

He will be surprised, pleased and more loyal[10]. Which should contribute in a measurable way to retention-related business objectives.

5. The hard part – People, Culture and Processes

"In the age of electronic mail and digital everything, private banking by Republican is still a matter of personal relationships. We believe, and have always believed, that our number one job is to build close, enduring relationships with each private banking client" says Republican National Bank of New York's

Figure 6. The Continuos Process of Managing IEBM-effectiveness



in their advertisement in the March 1998-issue of Newsweek. You're probably saying that you can do a lot of this today, or at least that you already know this. The answer is intuitive but it seems that the problem is in taking action. "We have a lot of learning to do." "Change takes time". "We have to wait for the next "generation" of employees to flush out the culture". These are excuses that the market leaders don't make and that your competitors won't wait for. Financial Institutions must install a sense of urgency into the organisation. For instance, the current existing semi-cartelised market in the retail banking arena in North-Western Europe shows how many banks together keep the marketplace stable, slowing down innovation, not anticipating any new entrant, and therefore largely unprepared for the impact that this could have[11].

> "Managers are getting the message that performacne is goin to be challenging, and the way we did business yeas ago won´t cut it for the future."
>
> Lon A. Smith, CEO of Hartford life Insurance Co. Business Week, January 12, 1998

This is really about survival and not about the continuation of a social club. Companies must kill complacency and the excuses that freeze action. Even companies that are successful today need to be thinking about tomorrow and how to sustain their position. This must become part of the company culture. Leading companies have been able to drive a customer service mentality internally and have therefore been able to implement IEBM! How can the people on the front lines think about customer service when all of the people supporting them don't – when IT can't get the information they need? When HR can't seem to answer that payroll question? When the delivery organisation can't seem to get all of the parts there on time? It's like when the plane is filled with passengers but can't take off due to service problems!

> "These are Crazy times, and crazy times ask fo crazy organizations and every organization that wants to do some crazy things needs to have som eof those rare, crazy people."
>
> Tom Peters, The Tom Peters Seminar

"It won't be easy"

It sounds easy – but IEBM requires a significant balance of the involved People, Processes, IT and Culture. Although it can be done (and our research shows that some already are doing it), one should not underestimate the technological effort and needed knowledge of both business and technology. Education and training is crucial but it is not sufficient. You should select the best of your existing people, giving them a new role; appointing strong leaders (or hiring them) is important since enthusiasm and customer focus can be contagious. In the end, though, the executives must demonstrate *example behaviour* and probably have to change the incentive structure. The key first step is to define some project area, allow a great deal of autonomy, perhaps a different business unit or a loosely coupled organisation, pick the right people for the trial, give them with the right tools, incentives and authority and let them go. They should not be coupled to the old ways or the old technologies. Show that this is the way to be successful within your company. Although nobody will tell you that the process of organizational change will be easy, nobody probably dares to tell you that it will be that hard! And so, suddenly, the financial institute will face difficult consequences like:

- Decentralizing activities like acceptance or contract-creation to the point of contact to speed up processing time and catch the opportunity at the spot,
- Implementing a fast feedback loop between product development at the back office and the front office or expanding the consumer-behaviour analysis capabilities of product development (also see the Student Gold Card example)

While the decision to get these processes implemented, another important, continuous process (see again figure 6) of managing IEBM has to be implemented too. So, although information is the driver, personal involvement stays the catalyst!

6. Conclusions

So, coming back to Frank Capra's "It's a Wonderful Life", the so-called new ways of working – targeting and customer communications – individual event based marketing (IEBM) is not something new. Banks should be aware that their business is based on information, and that information can only be handled by the optimal mix of good people and flexible technology. In the electronic age of marketing, personal information is the new currency[12]. *The paradigm about communication will change – from passive targeting towards opportunity (event) driven, timely (today or the next day), relevant and individualized dialogue.*

It is *only* the potential of the information technology and of the enhanced service attitude in some organisations that have raised the bar, and have shown us that it is now applicable in a mass market, assuming that the ultimate goal of every marketer is to produce products and services that satisfy consumer needs, delivered in such a way that the emotional impact delivers an improvement in the relation (and the LTV) with the consumer.

> "Relationship Marketing can work, if it delivers on the principles on which it was founded. It´s startling how wrong we´ve been about what it takes to cultivate intimate relationships with customer. And it is alarming how quickly and thoughtlessly relationships can be destroyed through the muddled actions we often engage in. We´ve taken enough advantage of the words for long enough. It is time to think about – and act on."
>
> Preventing the Premature Death of Relationship Marketing, HBR, January 1998, Susan Fournier et al

IEBM is not meant as a new strategy that takes over mass marketing and database marketing. It is an add-on strategy that aims to combine the best of these combined with 1:1 principles, making use of the new media and possibilities of today's technology. Remember too that IEBM is not meant for all your customers : not all consumers are created equal, so the value and the existing relationship (and knowledge about that) will be the key factor to determine whether this consumer will be approached via IEBM or will just be kept aware of our existence via traditional DBS marketing tactics. In one line, it is all about information advantage: *to exploit* the knowledge that you derive from analysing individual transaction data and individual dialogue *to enhance* the actions you make towards the individual!

The successes and failures of event-based market actions should therefore be expressed in their influence on the business objectives. Thus, requiring clear and measurable expressed business objectives and clear formulation of the data will be the input for that measurement. Because, if you don't know what you want, how can you be master of your own faith and move in that direction? Or how can you stop yourself going "nowhere"?

In applying IEBM, the smart, dynamic and continuous use of your consumer data can show you what value you can get and will support you in taking those actions (fully automated if you want) to those consumers. But getting the ROI depends on the attitude of your people and on the flexibility of your information technology.

And so, the unlikely relationship between a coffee-pot purchaser and a credit card marketer is leading to a marketing brew that will result in new consumer marketing programmes, designed to retain and expand the portfolio of responsive and profitable customers. As the decade of the '90s gives way to new marketing strategies for the year 2000, the balancing act for consumer marketers will be to find and hold customers, while increasing profitability and customer loyalty.

The statement of last year's March issue of Business week: "In the electronic age of marketing, detailed personal information will become of higher time-value than money itself" – is becoming true for the next millennium. The real power of IEBM rests on a deep understanding of a dynamic individual customer's profile-potential in a transparent market.

Marketing may be the last branch of the financial industry to benefit from the transforming power of information technology, but that transformation – which is already well under way – will be among the most profound. And, thus, the first financial institution to fully utilise this individualised capability in her channels will draw back the curtains on their marketplace and own the customer relationships! Will yours be that institution?

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Before joining NCR, he spent 14 years as a banker, consultant in strategic management and as an acting interim manager. He has been involved in managing branch operations and departments within the bank, as well as in strategy definition and its implementation,. The international experience in different countries and industries has provided him with a broad view and a personal opinion on the choices companies can make in communication with their customers and how they can match their internal communication processes and internal effectiveness to their market performance – and therefore influence the rules of business.

Marc invites you to share opinions and to discuss the changing behaviour of the consumer and the benefits that can be provided from the enabling role of information technology and how your organisation can create your own sustainable advantage. Marc can be reached via your local NCR office you can contact him directly at:

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Notes

[1] American movie director 1897-1991, from Italian descent who made optimistic satires.

[2] Stephen J. Bartell, Bank Marketing, June 1993.

[3] The present value of future net cash inflows minus cash outflows.

[4] The sum of discounted cash-flows based on total wallet-share.

[5] Winning the Race for Value Sheehy, et al.

[6] Marc Teerlink, Lise Plagborg & Sam Gragg, Consumerism, understanding the fickle behaviour of the individual consumer.

[7] Understanding What Customers Value, Michael Meltzer.

[8] Author of Interface Culture, How new technology transforms the way we create and communicate.

[9] How do you catch a straying customer?, ABA Banking Journal, September 1993.

[10] The marketing manager's job is, above all, to make sure that the clients are satisfied, Henry Whitney, Direct Marketing, October 1997.

[11] Derived from Business Week, Prognosis 1998, January 12, 1998.

[12] Business Week, 14 October 1996.