

Management of Customer Relationship in Business Media - The Case of the Financial Industry -

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Abstract

The development of the Digital Economy will have a fundamental impact on the structures and processes of economic systems. The paper therefore begins with outlining the general challenges arising in the context of the Digital Economy. It focuses on the relationship between suppliers and customers in the described context. After a more detailed explanation of this, we analyze the challenges for the financial industry arising from the general development of the Digital Economy. After that we will develop the outline of a new approach to the management of customer relationship focusing mainly on the building blocks. We will provide examples of applying these building blocks to the financial industry.

1 Introduction

1.1 General Challenges Arising from the Digital Economy

'A fundamental shift in the economics of information is under way - a shift that is less about any specific new technology than about the fact that a new behavior is reaching critical mass.' [13].

We consider an economy based on the digitization of information and the respective information and communication infrastructure as Digital Economy. This new type of economy entails not only technological, but also and mainly process-related and structural challenges and potentials. The way in which economic values are created will change fundamentally in the Digital Economy and thus transform the general structure of economies and societies.

The development of business supported by information and communication technologies (ICT) can be assessed from two different perspectives. Electronic Commerce, perceived as the utilization of the Net and its services for additional communication, marketing, and sales channels based on only very moderately changed business models, indicates an evolutionary path of development. However, beside the rather evolutionary development of Electronic Commerce – often referred to as 'channel enhancement' - there is also a more revolutionary element to be observed. The new information and communication infrastructures providing the basis for the current development in Electronic Commerce and

the applications and experience gathered so far from the development of Electronic Commerce will have a more extensive impact on value creation beyond channel enhancements.

When analyzing the current situation in the context of Electronic Commerce activities and their effects, we observe different developments: New industry structures emerging through dis- and reintermediation resulting in value webs and new intermediaries; reversed value creation processes applying more market-like coordination mechanisms such as auctions; emerging products, often (re-) configured from elements of decomposed traditional products; and the creation of new market services offered through new electronic marketplace platforms. We consider these briefly outlined developments as some of the major characteristics of the Digital Economy, but we will not analyze and prove that in this paper. Quite clearly, these developments will have a major impact on how business partners, e.g., suppliers and customers, will interact with each other. In this paper we will focus on this relationship.

After a more detailed explanation of this focus we will analyze the challenges for the financial industry arising from the general development of the Digital Economy. The analysis is based on the observation and analysis of actual developments that are also reflected in the literature on management.

After that we will develop the outline of a new approach to the management of customer relationship focusing mainly on the building blocks. The proposed concept is based on the assumption that traditional concepts are not adequate to meet future challenges in the context of the management of customer relationship. Then we will give examples of applying these building blocks to the financial industry.

1.2 Motivation for the 'Management the Customer Relationship' - Focus

Without any doubt, focusing business activities on the customer is one of the main marketing issues nowadays and it has been in recent years. Since the emergence of the World Wide Web and with it a wide range of Electronic Commerce applications the topic of customer focused business activities has attracted even more attention. Concepts from traditional marketing are applied

to Electronic Commerce applications. In this context the 'Customer Relationship Management' (CRM) receives significant attention of researchers, consultants, IT suppliers, and others (see, e.g., [2], [8], [17]). In the following we will analyze why a special emphasis is placed on the relationship between suppliers and customers.

As a matter of fact relationships between community members are a core element of the community itself. In the context of this paper we focus on the relationships between suppliers and their (potential and/ or existing) customers within a business community. Undeniably these relationships are changing over time and are changing today due to two major trends on either side of the relationship.

First, suppliers are utilizing ICT to create and offer new channels supporting their fundamental business goals. Typical examples are Electronic Commerce applications such as new communication and sales channels. We already summarized this as 'channel enhancement'.

Second, customers are changing their behavior in many respects. Due to general social developments particularly in western societies we observe a trend towards individualization in conjunction with more sophisticated demands and a generally decreasing loyalty. It is mainly in a business environment that these developments are intensified through the Web, e.g. through a (potentially) increased transparency of information, and due to the possibilities the Net offers to generate services that meet the needs such as individualization etc. The improvements in the field of information and communications technologies provide besides other factors an important basis for the outlined developments. These are intensified through forces such as new competitors and new products in various fields of business.

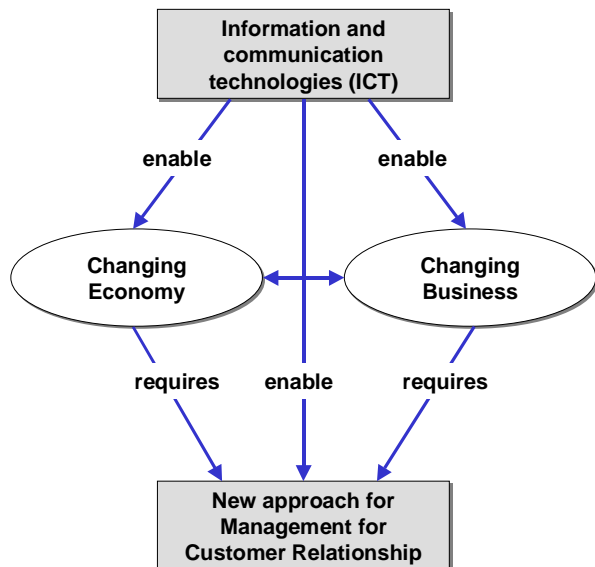


Figure 1: Relationship between ICT and Management of the Customer Relationship (MCR)

Considering only the ICT perspective we can summarize that on one hand, ICT has a clear impact on businesses and on the economic system as a whole. Logically the relationships between business partners and espe-

cially between suppliers and customers are changing as well and therefore new concepts for the management of the customer relationship have to be developed. On the other hand ICT creates a huge potential to manage the respective relationships (Figure 1).

In this paper we analyze the general challenges arising from the Digital Economy illustrated with the example of the financial industry. Therefore in the next chapter we will emphasize the developments in the financial industry.

2 Challenges for the Financial Industry

2.1 The Financial Industry in the Digital Economy

In analyzing the challenges for the financial industry within the Digital Economy we will focus on the following topics: (a) changing customer's demands, (b) increasing competition in the industry, and (c) new structures and business models of the industry. In the analysis we will focus mainly on the customer's perspective in the retail-banking sector especially in Europe. The various interrelated topics are the basis for a new understanding of the management of customer relationship.

Other interesting cases when analyzing this phenomenon are, for example, the music business or publishing companies where traditional products like newspapers or music CDs get increasingly de-composed into their basic elements, which then can be re-configured in a different context and marketed as new products or services.

2.2 Changed Customer Behavior

The customers' behavior in the financial industry is changing in a fundamental way. We will address the increasing demands and the readiness to change the existing relationship with a supplier. These issues are two of the major problems the financial industry is facing at least in Europe.

New Trends of Customer Needs. The general trends in customer service are well known, nevertheless we will mention them in order to give a complete overview. Some of the current and important major trends are:

- The demand for an ubiquitous availability of information and services at every time (24 hours a day / 7 days a week / 365 days a year'-service),
- the possibility of self-service for 'commodity' products,
- provision of individualized information, consulting, and problem solutions corresponding with individual needs (individualization of the relationship),
- provision of a set of alternative high quality communication channels, e.g., face to face, teller machines, Internet applications including features such as video conferencing, call centers, utilizing appliances such

as mobile or smart phones, etc. (individualization of communication).

In a nutshell, customers actively and increasingly formulate their individual problems and demands for solutions in a way that is comfortable for them. They want to decide which communication channels they want to use in order to interact with the financial institution. Compared to traditional supplier driven markets these customer driven markets describe a 'shift of power' towards the customer [17]. This subject itself makes it very obvious that the relationship between financial suppliers and their customers is reaching a new qualitative level.

Readiness to break up existing relationships. At least in the European retail banking industry the relationship between financial suppliers and customers was traditionally a long-term one and thus this relationship is an important base of the general business model in retail banking. Traditionally retail customers maintain a close relationship with their 'house bank' over their whole lifetime, changing the bank is rather unusual. Nowadays even retail customers act in a more opportunistic way and, as a result, maintain multiple relationships to banks. They no longer rely just on their traditional 'house bank' to satisfy their financial needs but are searching on the market in order to get the best solution from their personal perspective. This general development of course is supported by ICT means as outlined already above, for example, due to the increased market transparency. A reduced loyalty is also the result of the decision of the financial industry to encourage customers to use electronic channels like the ATM or Electronic Banking. In Germany for example, 17% of the retail customers changed their primary banking relationship in the period between 1993 and 1997; in Switzerland as much as 5-10% of the customers change their banking relationship in one year. [39]. A clear trend towards multiple banking relationships in the retail sector is to be observed. As we will show in section 2.4 this development presents a real threat to the business model in the European retail banking industry.

2.3 Increasing Competition

A further important aspect the financial industry has to cope with is the increasing competition. In countries like Germany and Switzerland, which are assessed as 'overbanked', banks today face stiffer competition. For a brief analysis of the current situation we will apply the Porter's 'Competitive Forces' - model [29] (Figure 2).

- Within this industry the traditional players are struggling to keep their customers. For example, banks, which were not present on a certain geographical market have the opportunity today to enter those markets through electronic means without establishing physical infrastructures. Typical examples are the German saving banks ('Sparkassen') or the Swiss 'Cantonal Banks' ('Kantonalbanken'), which had regionally restricted markets due to tradition and also partly imposed by regulation. Financial service com-

panies from other countries too are now entering new geographical markets through electronic means.

- **New suppliers:** New intermediaries are emerging as competitors in the financial industry. Typical examples are (a) 'near banks' like some of the big retailing chains setting up own financial services for their customers or (b) 'virtual banks' which emerge nowadays as described in [40]. From the 'Management of Customer Relationship' point of view these activities and especially the latter ones focus on the satisfaction of the individual customer's needs.
- **Product substitutes:** With the emergence of the Web-based Electronic Commerce especially new payment mechanisms like digital money or electronic purses came into being. In Europe credit card based electronic payment systems also began to replace more traditional payment systems like the giro system. Since the checking account with its payment functions plays a crucial role in the traditional business model of the industry, the banks must follow the emergence of new payment mechanisms very carefully. As a reaction we can see that some banks are trying to control the new systems in as much as they offer the systems themselves. A further aspect to be mentioned is that especially payment systems are increasingly being treated as a commodity that can be directly integrated in business transactions and thus are no longer a product themselves.

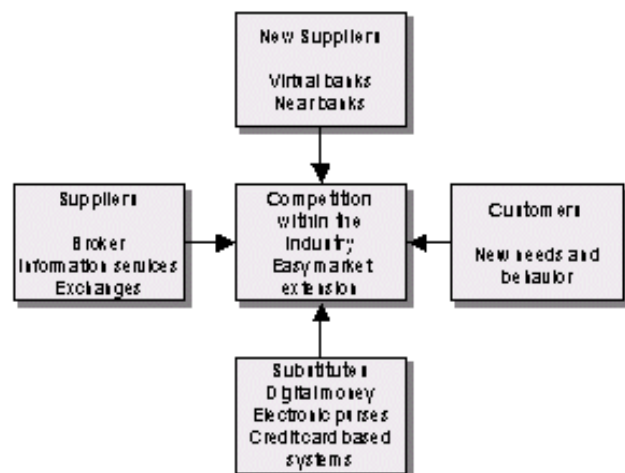


Figure 2: Competitive forces in the financial industry

- **Suppliers:** Thank to the opportunities of the Net certain suppliers today are able to market their services which within the traditional market structures could only be accessed through a bank directly to the interested customers. Examples are financial information providers like Reuters or the access to exchanges either directly or through a Web-based broker.
- **Customers:** As outlined above customers show an increasing readiness to change their banking relationship and an overall decreasing loyalty to their house bank. Thus their willingness to buy different finan-

cial services from different suppliers also intensifies the competition.

To sum up, companies in the financial industry often operating in saturated markets, generally face an increased competition caused by all relevant market forces. This has quite obviously a major impact on the relationship to customers.

2.4 New Industry Structures and Business Models

The financial industry as we know it today is global and totally determined and shaped by ICT means concerning its processes, structures, products, and channels of interaction. Especially in information intensive industries like the financial industry, the fundamental changes of the basic business models can be described very clearly and convincingly [13]. Based on the developments outlined above and the analysis summarized in [40] in the financial industry one can observe (a) a disintermediation of traditional value chains, (b) at the same time a re-intermediation, resulting in (c) emerging new intermediaries as important elements of (d) emerging value webs and (e) a shift towards customer oriented service bundling as well.

Obviously, in these changed environments new business models can be developed and are required. Within future business communities at least three basic roles can be identified besides the customer that are necessary to create economic values: (1) the intermediary owning and managing the customer relationship, (2) the product provider ('product factory') to produce the goods and services which satisfy the needs, and (3) the infrastructure provider to provide a technical platform enabling business transaction utilizing information and telecommunication infrastructures.

The intermediary owning and managing the customer relationship, e.g., the new financial intermediaries, will play an essential role in the Digital Economy. Product and platform providers will not have a direct relationship to customers within the business community and thus will not be able to offer adequate and individualized products and services on their own. In the traditional banking industry banks today comprise all three roles while the new intermediaries concentrate on one or two roles only. Very often, they take over the customer relationship from banks that are reduced to product providers. Therefore, banks have to decide on a strategic level which role(s) they wish to play in the Digital Economy. Based on this decision an adequate strategy has to be chosen, e.g., setting up a 'portal' or reducing its business to a product factory. Both extremes have a clear impact on the management of the customer relationship as well.

3 Management of Customer Relationship in Business Media (MCR-BM)

Based on the outlined developments we propose a new perspective on the management of the customer

relationship: The 'Management of Customer Relationship in Business Media' (MCR-BM) - concept. In our understanding Business Media (BM) are considered as platforms based on the media concept as described in [22] providing the environment for the creation and exchange of values like goods and services between independent agents. Typical Business Media are Electronic Markets (EM) in the sense of open platforms, for example based on the Internet [22]. This multidimensional approach focuses on the customer as an equal member within a certain (business) community rather than being the end-node of a value chain. The Business Media concept therefore offers a basic framework for the design of business models meeting the challenges arising from the Digital Economy.

3.1 Definition

We propose the following working definition of the MCR-BM – concept: *'The Management of Customer Relationship in Business Media comprises the design, development and application of holistic concepts in order to manage relationships to economically valuable current or future customers.'*

A strong emphasis is placed on the holistic aspect as an essential value added compared to existing tools and concepts. The holistic view takes into account, on one hand, the technological potentials of tools to interact with customers, but on the other hand it covers current development in business.

The term 'holistic' shall emphasize the fact that in order to manage the customer relationship the customer's needs are at the center of all activities (customer needs oriented) rather than the distinct channels (channel oriented). The current discussion about customer value and Electronic Commerce often emphasizes distinct sales- or communication channels [2], [11], [20].

The term 'Management of Customer Relationship in Business Media' shall deliberately differentiate itself from the commonly used marketing term 'Customer Relationship Management' (CRM) as it is understood today.

3.2 Goals of the MCR-BM concept

In this paragraph the goals, which are pursued with this new concept, are briefly described.

In order to be able to offer a structure for the multiplicity of the different targets, the goals are divided into two groups. On the one hand, there are targets, which directly affect the profit and on the other hand there are targets, which affect the profit indirectly. Goals, which influence the profit directly are: higher purchase volumes, increased purchase frequency, cross selling possibilities, cost savings due to more effective customer service and the additional possibility of higher prices by decreasing price elasticity [10]. Goals, which affect the profit indirectly, are the increase of customer involvement [38], increased customer satisfaction, open feedback due to the good relationship between the customer

and the supplier, increased confidence, having good references through positive experiences by customers, and the increase of the attractiveness of the provider in general.

Thus the MCR-BM concept covers, besides the maintenance of the customer relationship, also the successful establishment of a customer relationship.

3.3 Building Blocks of the MCR-Model

In the following section the measures of the MCR-BM concept will be developed. They are divided into seven different categories, which are described in the following. Figure 3 gives an overview of the different possibilities.

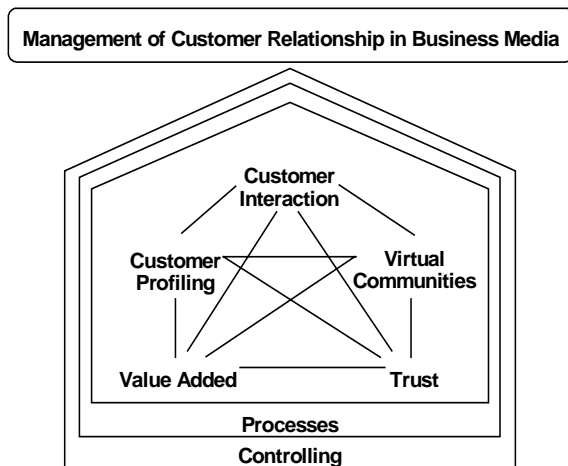


Figure 3: Measure Blocks of the Management of Customer Relationship in Business Media - concept

The measures developed are interrelated with each other. The two measure blocks 'Processes' and 'Controlling' are inherent in all other blocks and thus are represented as accompanying blocks. For example, within the block 'Virtual Communities' processes have to be defined and appropriate controlling has to be established. These two measures cover cross-sectional tasks for the other measures. However, they also fulfill further functions, which are described in the following.

The degree and the intensity of the implementation of the mentioned measures can vary, depending upon the requirements of the respective companies. Nevertheless, it is crucial for the successful establishment and maintenance of a customer relationship that each measure block is taken into consideration. For example, what would be the benefit of an excellent interaction with the customer, if the delivery were three weeks late? To that extent, the interaction between the individual measures is involved in the success of the management of the customer relationship. This holistic approach represents a substantial distinguishing feature with regard to other concepts within this area (see e.g. [8]). The different possibilities are described in more detail in the following, but nevertheless, they cannot be covered very deeply due to the width of the concept.

Customer Interaction. The interaction with the customer has to be seen from two angles: (a) the contents of communication and (b) the offered communication channels. Contents of the communication refer to possibilities for the customization of these contents. The goal is to create added value for the customer by offering non-standard information. If the customer is satisfied with the information provided this might be a source of competitive advantage. There are two different concepts of providing information: pull or push mechanisms. The measures, where the customer selects and retrieves the information in which he is interested, can be described as pull mechanisms. The customer or the user retrieves the information according to his own interests. Furthermore, he decides at what time to use his individualized information supply, like a personalized Web Page, to search for information.

In contrast the push mechanisms are to be understood in such a way that companies send user-specific information, e.g. as e-mail in utilizing mailing lists. The provider informs existing customers about updates or other new information relevant for that customer. Offering value-added information for the customer is also a way of increasing the customer retention. In addition, potential customers can be informed about a new product, since perhaps the new product now covers the needs of the prospective customer. Thus a prospective customer can become a customer.

Besides the content of communication, the measure block 'Customer Interaction' also covers the selection and the organization of the offered communication channels. It is crucial that the customer can interact with the enterprise through the channel of his choice. The company has to guarantee that apart from classical communication channels (letter, fax, telephone) further means of communication are also offered. The trend within this area clearly goes towards integration of the different channels in a 'Communication Center' [7]. The customer should get consistent information no matter which channel he uses. The Communication Center thus represents a technological and organizational advancement to the well-known Call Center.

Beside the mentioned communication channels one further example is the setup of chat rooms in order to enable the communication between participants of the virtual community. It remains a basic fact that the type of communication and the interaction constitutes a substantial proportion of the organization of the customer relationship. As a result of the different technical developments, an enormous potential arises here, in particular the imperative of increasing the interactivity between providers and customers.

Added value for the customer. This measure block is also divided into two parts. On the one hand, the creation of the products is described and on the other hand measures for the implementation of an attractive price-performance-ratio are discussed. In order to be able to use the creation of the products as a measure of the Management of Customer Relationship, the offered

products or services must meet the expectations and desires of the customer to have a positive effect on the satisfaction of the customer. Concepts such as 'mass customization' or different strategies for individualization are also substantial elements of the MCR concept [14], [15], [27]. These new concepts match the customers' demand for individualization.

The quality of the product or service one offers has a major impact on the customer relationship. In order to convince the customer to stay with the company for a long time, it is absolutely essential that the customer finds a solution for his problem and one that fits his needs. The new trends in the behavior of the customers must be considered as well.

The second aspect of the measure block 'Added value for the customer' describes economic incentives, which should help to arrange successfully the relationship with the customer. The major goal of this point is to offer a convincing price-performance-ratio. This can be achieved through, e.g., an attractive bundling of different products, value added by relevant information, discount systems, and loyalty programs. The bundling of different products and services, for example, could increase the attractiveness of a company due to the fact that the customer is getting a solution from one entity. The effort to negotiate with a multiplicity of different suppliers is arranged by only one company thus the customer is spared this effort. This concept is called 'one-face-to-the-customer' [23]. Companies, which follow this concept, have better chances of retaining the customer. Likewise, discount systems also offer a good possibility to increase customer linkages since a repeated use for a product or service reduces the price for the good. 'Frequent Flyer Programs' are an example.

Customer Profiling. Measures for the collection and for the analysis of customer data and the development of appropriate activities are summarized under the measure block 'Customer Profiling'. The goal of these measures is to contact the right customer at the right time with the right arguments. The first step towards reaching that goal is the collection of the customer data, e.g., by asking the users to answer specific questions provided through a registration form. This is subject to certain restrictions, since the customers are only willing to reveal their data, if they receive an adequate value for it. Therefore it is crucial that the customer realizes that he receives a benefit from providing his data. A further opportunity to gain customer data is the playing of games, as was demonstrated by the company FreePC. By participating in the game and providing data about themselves, the participant had the chance to win a personal computer. Apart from this collection of data with an active involvement of the customer, data can also be collected passively, partly without knowledge of the customer. Examples are the technical use of Cookies and Website Tracking. The Privacy Policy in this context is of crucial importance. Therefore this topic is addressed in an extra measure block 'Trust'. The next step within 'Customer Profiling' is the analysis of the data in order to create customer pro-

files. The more transactions are carried out, the better the customer profile is going to be. This is called 'Customer Learning Relationship' by Peppers and Rogers [26]. There are several methods to create these profiles within the larger field of Data Mining. The last step in this measure block is to derive appropriate activities in order to offer the customer services that fit him best. This could be also of importance with regard to cross-selling opportunities. Finally, the customer profile and also customer ownership is of great value especially in new Business Media, because this can not be easily copied by one's competitors. In addition to this, the service that fits the customer's demands best is another step towards an increased customer linkage and therefore increasing profit.

Trust. 'Trust' is an important topic within Electronic Commerce. If a company wants to set up and maintain a relationship with customers, a trust base is indispensable, since for the customer each purchase situation is connected with uncertainty [30]. For the potential customer this uncertainty can be reduced, if the provider creates a trustworthy environment. Therefore this measure block covers three different possibilities to create trust.

Confidence is built along with the creation and the maintenance of a strong brand and the association of this brand with positive characteristics (e.g., high quality). In new Business Media – as well as in the traditional business environment – confidence in the business partner is a crucial prerequisite for doing business transactions. Brands are able to create this confidence [1].

As addressed above, the Privacy Policy is of crucial importance. Every time data from customers are to be collected and analyzed, the supplier must proceed sensitively. To that extent it is absolutely necessary to clearly indicate that, for example on the Web page, and also to indicate for what purpose the data are collected. In addition, it is important to clearly emphasize that the customer also gains an added value through better customer profiles based on collected data. A further aspect in order to create customer confidence is the technical arrangement of security precautions. In the financial industry as well as in other industries, where sensitive business transactions are performed, the secure handling of business transactions is a crucial criterion for trust [3]. Accepted security standards (e.g. SET for credit card based payment transactions) have to be implemented. Also in this case, security standards should be clearly communicated in order to increase the trust-creating effect.

Virtual Communities. The set up and the organization of a community is regarded as a measure block for the management of customer relationship. There are different types of communities [18], which will not be discussed further in this paper. In this paper we focus on communities with common interests. Apart from the technical and editorial effort, communities can possibly bring a multiplicity of advantages for the customers as well as for the suppliers [18]. Before the purchase itself, potential customers have the possibility to gain valuable

information regarding the product from already existing customers by joining the appropriate virtual community. Prospective customers can obtain a much broader impression of the characteristics of the desired product from the community without having to trust only the salesperson. To the extent that this occurs, it fosters a reduction of the uncertainty before the purchase.

A further advantage for the customers participating in such virtual communities lies in the exchange of information concerning their common sphere of interest. Tips and suggestions can be exchanged, thus a majority of the community can benefit. Companies are enabled to establish a certain community feeling for the company and the accompanying products [1]. Moreover, in terms of market research the company is able gain an assessment of a certain market through intensively pursuing the discussions and expectations about its products within the community. The community can also play an important role during the development phase of new products by evaluating demands and potential market acceptance [30]. Also traditional market research can be supplemented or even partly replaced by the set up and the maintenance of a community.

Processes. The development of appropriate processes is relevant for all measure blocks in order to make them operational. However, there are also processes, which need to be emphasized in context of the Management of Customer Relationship as a whole. The processes can be divided into internal and external processes. The internal processes refer to the handling of the processes in the company internally, whereas the external processes describe the interactions between suppliers and customers.

Internal processes mean those which are connected, in the broadest sense, with the satisfaction of the customer's request. For example, it is absolutely necessary for the management of the customer relationship that the interface between the back office and the communication center, the processes of the internal order processing, the organization of the service processes, and the process for the handling of complaints are well organized and integrated. A good possibility for the optimization of the process are reference processes. These reference processes could serve as a benchmark, along which the companies could model these processes.

How quickly the customer finds the desired product in the supply of the provider can be described as 'Ease of use', and falls here under the organization of the external processes. If the process is complicated and time-consuming for the order of a commodity for example, the customer is likely to contact another provider, where the actual process runs faster and without complications. Thus a main feature must be easy navigation and contact access. It is a particular challenge to arrange these interactions with the customer in an optimal manner due to low switching costs for the customer when choosing another supplier. Another critical point concerning the external processes is the integration of the customer in the value creation process. On the one hand, this has the advantage that the customers are able to serve them-

selves and thus the costs of the service could be reduced. On the other hand, the early integration of the customer is important, in order to increase market acceptance and thus the chances of success for a new product [25]. In particular for the processes, which have direct contact to customers, also the behavior of the person, contacting the customer, contributes enormously to the management of the customer relationship.

The optimization of the processes, both internal and external, represents a substantial success factor for the management of the customer relationship.

Controlling. Two relevant aspects arise in the context of the management of the customer relationship. On the one hand, for the measures described above measurement values have to be defined and monitored in order to take the necessary steps if the selected measures do not perform as planned. On the other hand, the controlling aspect must refer to the overall value of the customer. As already mentioned in the above definition, the relationship with economically valuable current or future customers has to be set up and maintained. The answer to the question, which customer a valuable customer, can be found by different means of the customer lifetime value calculation. The determination of value is frequently neglected, although it is substantial for selecting suitable measures for the management of customer relationship.

This measure block shows again the cross section function, which is our subject here. Just like the measure block 'processes', the controlling activities are involved in all other measure blocks.

It remains to be noted in recapitulation, that there is a large quantity of possibilities that are necessary to arrange the relationship with the customers successfully. Due to the number of measures in this new concept, the paper has focused on the concept in order to clarify the width of the holistic approach. The individual measures have therefore been described only briefly. Moreover, it has to be mentioned that the presented measures are complement each other both horizontally (between the measure blocks) and vertically (within the measure blocks). Similarly the outlined measures do not exclude the measures from conventional markets. Quite the opposite, a mutual meaningful complementation is the goal in order to obtain a connection between online-and offline activities.

4 Management of Customer Relationship in Business Media in the Financial Industry

In this section the developed measures will be applied specifically in the realm of the financial industry in order to give some examples for this industry. In addition to this, these more concrete possibilities to manage the customer relationship should help to understand the idea of this MCR-BM concept.

4.1 Customer Interaction

Customer interaction is a critical success factor for the management of the customer relationship also for the financial industry. The content of the communication should be personalized in order to create a personal atmosphere. Moreover, it is absolutely necessary that the information provided offers an added value. Especially for financial information relevance is important. For example, in the area of stock trading, new Business Media offer a lot of opportunities. A simple trade or the management of a portfolio could be handled by the customer itself. Because of the immateriality of financial products this industry is predestined for value-added actions like these. Furthermore, the self-service opportunities for the customer has to be mentioned, e.g., through using online calculators for loan conditions. Thus the customer has the opportunity to acquire a lot of information before contacting the supplier. This may lead to a more efficient face-to-face consulting due to the online preparation. Customers are enabled to achieve the same level of information as the consultant, which has a clear impact on the quality of the face-to-face consulting.

The mentioned actions require that the customer is really aware of his needs. The next step would be that financial companies offer online consulting to bridge the gap between a physical and a virtual bank. The solution to this challenge must be supported by the right choice of the communication channel mix. As outlined above, it is absolutely necessary that the customer is being contacted through the channel of his choice. The use of electronic channels offers the possibility to avoid switching media. The setup and the evaluation of this multichannel mix depend on the needs of the customer.

Nowadays it is clearly to observe that in order to meet the requirements concerning the trend towards online consulting financial institutions move from Call Centers to Communication Centers. This also refers to the measure block 'Customer Profiling' because all relevant information concerning the customer should be stored in the Communication Center. In addition, various technical developments allow the fulfillment of the need of consulting via electronic media. Some of these innovations are, for example, the 'Computer Telephony Integration' (CTI), the so-called 'Call-Me-Button' on a Web-page, or the 'IP-Telephony'. Most of these concepts try to implement a synchronous communication between a Communication Center agent and the customer. Other technical innovations, like 'Mobile-Banking', 'Video-Banking', and interactive TV are targeting the increase of convenience of banking transactions [35].

4.2 Added value for the Customer

To bind the customer successfully, it is important to provide him with appropriate solutions for his needs, e.g., based on profile information. In order to create added value typical measures are, for example:

- Provision of an personalized home-page for the customer based on a profile (e.g., like 'My Bank' by Credit Suisse; <http://www.credit-suisse.ch>),

- Provision of individualized information and product selection,
- Dynamic adjustments of an offer during, e.g., an online consulting session,
- Keeping the status of an online session for following sessions.

It becomes obvious that there are lot of overlaps between the measures of the communication content and the tailoring of a customer's solution. The addition of value for the customer in the financial industry mostly focuses on the individualization of the interactions and the provision of solutions satisfying the individual needs.

4.3 Customer Profiling

In the traditional banking industry the customer manager is the person dealing with the customers. In most cases this person knew the customers therefore an individualized service was nothing special [3]. Using the new Business Media to serve the customer, however, brings up the problem of how to collect and to manage all the data concerning the customer, because of the lack of this personal contact. Therefore, the process of collecting and analyzing data has to be transferred to this new medium in order to partly replace and to support the customer manager. This should allow the company to offer needs-oriented and individualized solutions. A basic requirement for that is the establishment and the maintenance of a customer database. All information acquired either from traditional banking transactions or from an online-banking transaction need to be captured in this database. Following the idea of a centralized database, this container of customer data would be considered as a data warehouse. The next step would be to use selected methods of data mining to generate customer profiles. Based on these profiles, the customer manager as well as the online applications should be provided with additional information of the customer in order to offer a personalized and individualized service.

4.4 Trust

Especially in the financial sector the topic of trust is of utmost importance because of the sensitivity of financial data. The customer must have a safe feeling while transferring money via the new media. It is essential that the suppliers use the most secure transfer protocols. In addition to this, as a prerequisite the customer has to be informed about these activities and to be aware about the risks entailed. A clear communication strategy concerning safety advice helps to avoid uncertainty. Furthermore, a Privacy Policy is necessary. Data protection is of essential importance especially in this content. The abuse of data will destroy the trust between the supplier and the customers.

Building a brand goes along with that. Especially for companies in the financial industry a strong brand needs to be addressed. The brand signals values, like trust and quality. The management of the brand is thus also involved in the management of the customer relationship

and helps the customer to orient himself in the marketplace. The brand points to the company in the jungle of information [1].

4.5 Virtual Communities

According to Hagel/ Amstrong there are five specific characteristics concerning virtual communities [18]: the common interest, the integration between content and communication, the involvement of the members, the presence of competitors in one community and the commercial oriented provider of the community.

Beside the common interest, an important aspect is the integration of communication and content. In former days a supplier was only able to broadcast information, but interaction with customers was hardly possible. Thus banks and insurance companies are able to spread information via these communities and offer an interactive communication at the same time. Since in these virtual communities there are also participants who are not yet customers, the measure could help attracting new customers by offering interesting information and discussions.

4.6 Processes

All these different measures presented so far need to be supported by appropriate processes. It is just as necessary for the financial industry as it is for other industries; internal and external processes must be well organized. The difference between the internal and the external processes was explained above and can be transferred from the general case to the financial industry without any changes. It needs to be mentioned that the trend of self-service can be observed also in the financial industry [7]. Therefore, the preparation of the adequate processes with the technical support is necessary. Also, the dependencies between measure blocks like the 'Customer Interaction' occur here. To match the demands of consulting in new media, processes for consulting need to be modeled and implemented. The definition of reference processes is helpful for these measures. Due to the fact that the organization of the processes in the financial industry does not differ very much from the already presented processes, this point will not be extended.

4.7 Controlling

According to the measure block 'Processes' the controlling function is related to all other measurements. It is as important for a company in the financial industry, as it is necessary for a company from another branch, to calculate the value of the customer in order to avoid an investment with no return. The setup and the maintenance of a relationship to a customer needs investments, therefore there should be positive expectations concerning the return on investment. The second aspect is the control of the various measures. The necessary ratio to assess the used instruments needs to be identified depending on the needs of the company. For this reason the

ratios are different. However, since the controlling activities in general do not differ very much from the common recommendations, which have already been discussed above, they will not be addressed further here.

5 Conclusions and Further Research

In the previous sections we have shown that the management of the relationship between customers and suppliers is one of the essential topics in the emerging Digital Economy. Getting, handling, analyzing, and utilizing customer data in a meaningful way is one of the key success factors in the developing Business Media. The proposed concept Management of Customer Relationship in Business Media (MCR-BM) offers seven different measure blocks, which help to manage the relationship successfully. A strong emphasis is placed on the holistic aspect as an essential value added compared to existing tools and concepts. The described challenges occur especially for the financial industry as an information-based industry, thus in this area the need of guidance seems to be very high.

In future research the model will be developed further and validated in selected industries in cooperation with business partners.

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