

UNIVERSITY OF STRATHCLYDE
Department of Marketing

**Multiple channel integration process in CRM: Contribution to firm-customer
relationships: Case study of a UK retail bank**

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**A THESIS SUBMITTED FOR THE DEGREE OF
DOCTOR OF PHILOSOPHY**

2006

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To Ma & Bapi

ACKNOWLEDGEMENTS

This research endeavour has been made possible by the support and encouragement of a number of people, and I am immensely grateful to everyone.

My first thanks are to my supervisor, Prof. Susan Hart, who has been a constant source of guidance and motivation. She has helped me throughout the PhD process in innumerable ways and provided encouragement through difficult times.

I also acknowledge the contribution and support of my second supervisor, Dr. Eleanor Shaw for her insightful comments and guidance during the initial stages of the research study.

I am deeply indebted to the Department of Marketing, University of Strathclyde for the departmental research assistantship and teaching assistantship, without which, this course of study would not have been possible.

Thanks are also due to the staff members and doctoral research colleagues at the Department of Marketing, University of Strathclyde for their support and encouragement. I also thank the administrative and secretarial staff for all the help they provided to me as a doctoral researcher.

To the Carnegie Trust for Universities in Scotland, I express my gratitude for providing two research grants to cover the research fieldwork expenses.

As a Lecturer at the School of Entrepreneurship & Business, University of Essex, I am thankful for sponsoring conference participation to present research papers developed from the thesis at the EIASM workshop on Relationship Marketing, Brussels October 2005; European Marketing Academy Conference (EMAC), Athens May 2006; Academy of Marketing, London July 2006.

To Dr. Emmanuella Plakoyiannaki, I am deeply thankful for her valuable advice on the research process and insightful comments on the drafts of the thesis.

I also thank the anonymous reviewers for their feedback on the conference papers developed out of the thesis, enabling me to refine my work.

To all my respondents, I owe sincere thanks for taking interest in my research and participating in it, giving their time to share insights and experiences.

To all my friends, thank you ever so much for your humour, enthusiasm and support through the PhD process. Especially to Aarti, Barbara, Christian and Parimal, I am thankful for their help during my time in Glasgow and cherish the friendship.

To my family, I owe my deepest gratitude for their unconditional love and belief in me, which is my source of inspiration.

The errors remain all my own.

ABSTRACT

This thesis investigates the role and contribution of multiple channel integration, as one of the five key processes of customer relationship management (CRM) in building and maintaining firm-customer relationships. The multiple channel integration process is the most dynamic of the five CRM processes because it facilitates firm-customer interaction (Payne and Frow, 2005; Knox et al., 2003). While practitioner work and anecdotal evidence about the importance of multiple channel integration continues to grow, there is, however, little academic published work on the topic – a fact acknowledged within the CRM and channel literatures (cf. Payne and Frow, 2004; Rheault and Sheridan, 2002). This thesis seeks to address this gap by exploring issues of multiple channel integration strategy, implementation and customer experience of service encounters with people and processes within and across channels. The research draws upon literature from relationship marketing and CRM, strategic marketing, multiple channels, services marketing and consumer psychology to develop the theoretical concepts and shape the research objectives.

This research study was undertaken in the context of the retail banking industry in the UK with three stakeholders in the channel integration process: a retail bank planning and undertaking channel integration, technology partner firms enabling channel integration implementation and customers of the retail bank experiencing multiple channel usage. A qualitative case study research approach was adopted, given the exploratory nature of the research issues. Data was collected over twenty months employing multiple sources of evidence such as documents, archival records, in-depth interviews and critical incident technique embedded in the interviews.

This research study uncovers evidence of customer contact management as a strategic need, the role of multiple channels in facilitating successful customer contact management and the importance of multiple channel integration to successfully deliver on the same. This research study has also across the three data sets found empirical evidence that multiple channels can contribute to firm-customer relationship strengthening or termination depending on the way events, activities and processes are structured within and across channels as part of the multiple channel integration process.

On that basis, channels and channel strategy become critical elements of the CRM process. Given the strategic role and contribution of multiple channels in maintaining and building relationships, this thesis argues that channels should not be considered merely as routes to markets for goods, services and information, rather as strategic resources to be deployed effectively to deliver on the tenets of CRM.

This study is one of the first attempts to empirically examine in depth one of the CRM processes - the multiple channel integration process. The exploratory findings from this research make a conceptual contribution by identifying and adding new dimensions to the extant literature. The empirical and methodological contributions rest in its attempt to provide a holistic picture of the research phenomenon emerging across three perspectives. In addition, the research findings identify strategy, implementation and customer experience issues with managerial implications for streamlining the multiple channel integration process in business practice. Future research can take these findings as a starting point and investigate them further to broaden our understanding of an emerging research phenomenon.

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CHAPTER 1: INTRODUCTION TO THE RESEARCH STUDY

1.0 Research background

This thesis is concerned with the role and contribution of multiple channel integration process in building and maintaining firm-customer relationships in the context of the retail banking industry.

The extant marketing literature argues that the customer relationship management (CRM) concept, its processes and activities enable better firm-customer relationships and deliver on the central tenets of relationship marketing (Ryals and Payne, 2001; Winer, 2000). Within the embryonic literature on CRM, multiple channel integration as a key CRM process is increasingly gaining recognition (cf. Payne and Frow, 2004). Literature asserts that technology developments have led to a multiple channel environment with complex two-way buyer-seller interaction and the need for consistent and seamless customer experience across channels for building and maintaining firm-customer relationships (Payne and Frow, 2005; Knox et al., 2003; Payne, 2001). Further, customer experience within and across channels determines service satisfaction, relationship continuation or termination (Payne and Frow, 2004; Bearden, Malhotra and Uscategui, 1998). Contemporary business practice driven by technological advancements and the need for newer business models to counter competition also provides impetus to the development of multiple channel integration as a CRM process. However, despite its importance, academic research on multiple channel integration process continues to remain scarce, a fact acknowledged within the literature (Payne and Frow, 2004).

Chapter 1 provides an introduction to the research study. This chapter is in *five* parts. *First*, the justification for the research study is outlined. *Second*, the research aims and objectives are delineated. *Third*, the research approach in terms of methodology and scope of the study is presented. *Fourth*, the research contribution of the thesis is outlined. The *fifth* section presents an overview of the thesis structure.

1.1 Research justification

The research study poses a number of questions and builds the justification on the basis of the research gaps emerging from the literature review.

1.1.1 Why study CRM?

The development of the academic literature on CRM has begun to gain momentum in the recent years, manifest in *special journal editions* (Industrial Marketing Management, 2004), *conference themes and tracks* (American Marketing Association special interest group conferences on Relationship Marketing and CRM, 2002, 2003; ICRM - international colloquiums on relationship marketing), *research priority themes* (Marketing Science Institute, 2003, 2004), *specialist research centres for research on CRM* (Teradata Centre at Duke University, USA; Centre for CRM research at Cranfield University, UK; CRM institute at Strathclyde University, UK).

The above mentioned research interest in CRM has led to the emergence of a body of academic work that explores and examines the concept of CRM as a business practice, and its feasibility in operationalising the tenets of relationship marketing. Specifically, this body of literature asserts:

“Customer relationship management builds on the philosophy of relationship marketing. This emphasis on relationships, as opposed to transactions, is redefining how companies are interacting with their customers (Sheth and Parvatiyar, 2000; Gummesson, 1999; Kotler, 1990)”

Payne and Frow (2004:528)

The extant literature on CRM conceptualises CRM as a business process (Srivastava, Shervani and Fahey, 1999), traces its roots within relationship marketing (Plakoyiannaki and Tzokas, 2002), acquaints us with the tenets of CRM (Zablah, Bellenger and Johnston, 2004), and identifies the facilitators and barriers to implementing the CRM concept in practice (Plakoyiannaki, 2005; Hart, Hogg and Banerjee, 2004; Bell et al., 2002; Wilson, Daniel and McDonald, 2002). While this body of work provides a foundation for research on CRM, however, a number of research needs can be identified from a review of this literature as well as research calls proposed by the authors themselves.

Where we now know that CRM is a business process comprising of specific sub-processes (Payne and Frow, 2005; Knox et al., 2003; Plakoyiannaki and Tzokas, 2000), the literature however, largely remains prescriptive. Further, in terms of

specifics, research has focused on technology issues (studies by Kapoulas, Ellis and Murphy, 2004; Wilson, Daniel and McDonald, 2002), profitability of customer relationships (Reinartz and Kumar, 2000), or CRM performance measure (Sin, Tse and Yim, 2005). There is, however, no reported empirical research examining each of these sub-processes and their contribution to the over-arching CRM concept. *Consequently, there is a need to study specific CRM processes and activities.*

Where we now know that CRM as a business concept helps firms to build better and long-term profitable customer relationships (Winer et al., 2001), much of the literature however, focuses on organisational issues to be addressed in order to reap the benefits of the CRM concept. Barring a few empirical studies that research the customer perspective (studies by Kapoulas, Ellis and Murphy, 2004; Lemon, White and Winer, 2002; Reinartz and Kumar, 2000; Colgate and Danaher, 2000), there is little attention to the customer issues or customer views on the concept of CRM, or customer expectations from an organisation in terms of the CRM related processes and activities. Given that customers form the other half of the buyer-seller relationship dyad and the purpose of CRM is to help in developing customer-centric approaches to deliver on the tenets of CRM, this absence of the customer perspective appears to be a critical gap in the literature. *Consequently, there is a need for research to focus on the customer perspective.*

Where we now know that relationships are governed by the dimension of time (Lemon, White and Winer, 2002), there is little by way of research capturing the temporal dimension of firm-customer relationships and the implications for CRM processes and activities. *Consequently there is a need for longitudinal studies.*

An extended discussion on the research gaps within CRM literature and the emergent research focus of this study is presented in chapter 2, sections 2.6 and 2.7.

1.1.2 Why study multiple channels and channel integration?

The multiple channel integration process is the most dynamic of the five CRM processes because it facilitates firm-customer interaction (Knox et al., 2003), and “takes the outputs of the business strategy and value creation processes and translates them into value-adding activities with customers” (Payne and Frow, 2005:172). Further, technological advancements are constantly evolving channels and their

capabilities. Where, on one hand, practitioner work and anecdotal evidence about the importance of multiple channel integration as a CRM process grows constantly, on the other hand, there is little academic published work on the topic – a fact acknowledged within the CRM literature (cf. Payne & Frow, 2004; Rheault & Sheridan, 2002).

Likewise, a review of the channel literature too uncovers conceptual and empirical research gaps. A chasm is evident between the literatures on channel structures. On one hand is the mature literature stream on vertical channel systems. On the other hand, the literature on multiple channel systems is fragmented and underdeveloped despite its growing importance in business practice (cf. McKinsey, 2000) and evolving academic interest manifest in *research priority themes* (Marketing Science Institute, 2004) and *workshop and conference track themes* (International Colloquium on Relationship Marketing ICRM, 2005; European Institute for Advanced Studies in Management EIASM, 2005). The literature is prescriptive in nature with little empirical validation of the proposed concepts. ***Consequently, there is a need for theory development.***

Further, there is a lack of consensus on conceptualising channel integration and diverse perspectives abound. Additionally, the discussion in the literature is primarily from the organisational perspective with little light on customer experience of multiple channel usage. To an extent, the services marketing literature sheds light on the concept of multiple channels from both organisational and customer perspective in terms of multiple channel as a distribution strategy as well as customer usage of the same. There too, some research gaps become evident. The focus of extant research has been on the provision and use of multiple channels for information search and purchase of products and services. The long term service maintenance role of channels though acknowledged in literature, remain empirically unexplored. Additionally, the organisation perspective on channel strategy and customer perspective on channel usage is captured in separate studies.

We now know from the extant literature the importance of multiple channels as a distribution strategy and channel integration as a key CRM process. However, whether organisations recognise the same as a strategic need, conceptualise and implement the same in business practice remains empirically unexplored. Likewise,

from the customer perspective, though we know that customers channel usage and preferences have been empirically explored, whether customers feel the need for organisations to offer channel integration or have experienced the usage of the same in some form remains unknown. *Consequently, there is a need to study shifts in channel usage, its outcomes and challenges for multi-channel integration.*

Table 1.1 presents illustrative quotes supporting the research justification. An extended discussion on the research gaps in multiple channels and multiple channel integration is presented in chapter 3, sections 3.3.3 and 3.4.6 and the resulting focus of the research study is outlined in section 3.5.

Table 1.1: Illustrative quotes: Why study multiple channels and channel integration?

<i>Source</i>	<i>Illustrative Quote</i>	<i>Research Needs</i>
Webb and Didow 1997:44 <i>Journal of Business-to-Business Marketing</i>	“The relative absence of published literature that pertains directly to hybrid distribution systems is indicative of the limited attention the topic has received thus far from the academic community”	➤ <i>Need for theory development</i>
Payne and Frow 2004:528 <i>Industrial Marketing Management</i>	“There is an increasing interest from academics and practitioners in the area of multi-channel integration. Whilst there is a huge literature on channels, there is relatively little published work dealing with issues relating to multi-channel integration in CRM or its predecessor, hybrid marketing systems (Moriarty and Moran, 1990)”	
Ryals and Payne 2001:24 <i>Journal of Strategic Marketing</i>	“The use of specific CRM applications such as campaign management, sales force automation and electronic and mobile commerce and the issues of channel integration could be investigated in more detail. In the future, multichannel integration is likely to increase in importance greatly: to date little research has been done in this area ”.	➤ <i>Need to understand specific aspects of CRM in detail, such as multi-channel integration</i>
Payne and Frow 2004:536 <i>Industrial Marketing Management</i>	“How is the nature of channel usage changing over time and what are the outcomes of shifts in channel usage amongst customers? What are the sector-specific challenges confronting organisations in multi-channel integration ?”	➤ <i>Need to study shifts in channel usage, its outcomes and challenges for multi-channel integration</i>
Mols et al. 1999:46 <i>International Journal of Retail &</i>	“Very little is known about the consequences of the electronic distribution channels because as a topic they do not receive much attention in mainstream	➤ <i>Need to study relationships between channels</i>

<i>Distribution Management</i>	service marketing and distribution channel research. It seems that <i>there is an important but neglected area for further research with analysis of the relationship between the electronic distribution channels, the structural changes in distribution channels and the firms' strategic distribution channel decisions.</i> "	
Black et al. 2002:172 <i>International Journal of Bank Marketing</i>	"It is anticipated that the current paper will help stimulate future research into the area of consumer choice of distribution channels. In particular, the <i>nature of the interrelationships between customer, product, channel and organizational characteristics, and their impact on consumer behaviour</i> are considered to be an important area for consideration"	➤ <i>Need to study inter-relationships between channels, consumers, products and organisational characteristics</i>

Source: Author, compiled from literature review

1.1.3 Why embody multiple aspects in a single study?

Past research on CRM and channels does not capture in a single study the organisation and customer view of a phenomenon. Research has focused on either of the perspectives captured in separate studies. Previous research evidence, however, acknowledges multiple stakeholders in the CRM process and indicates that multiple stakeholders have divergent opinions on CRM, its objectives, success and reasons for failure (cf. Hart, Hogg and Banerjee, 2002). Building on this understanding derived from the extant literature, this research study intends to explore multiple perspectives in a single study to uncover multiple facets of a single phenomenon.

1.1.4 Why study the retail banking industry?

The focus of this research study on the retail banking industry is primarily underpinned by indications from two main aspects:

- The use of multiple channels in the retail banking sector, and
- The adoption of CRM in the financial services industry sectors such as retail banking

The financial services sector has undergone enormous transformation due to regulatory changes and competitive pressures and one of the consequences of these changes has been the migration of the sector to multiple channel usage (Sarel and Marmorstein, 2002). Additionally, the characteristics of the financial services

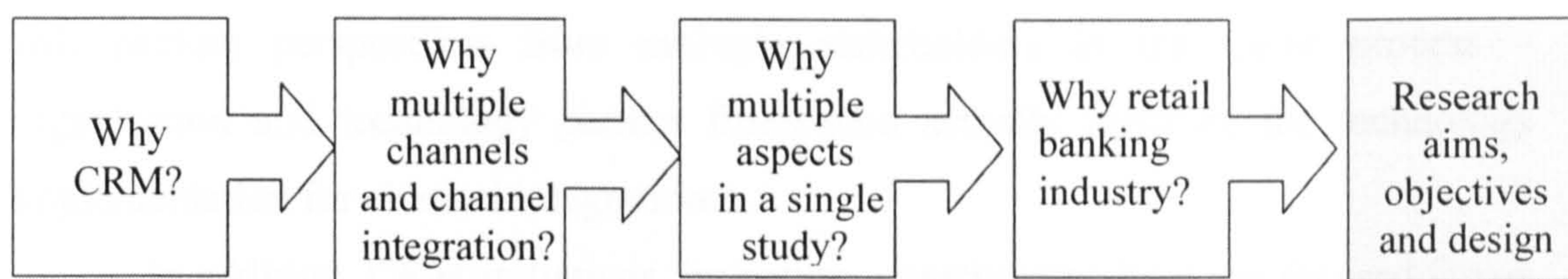
industry lend themselves to multiple channel usage because there is no 'physical' product to deliver, which is a significant advantage and the industry has traditionally had the infrastructure and capabilities (human resource and technological) necessary for multiple channel adoption (Kimber, 2001). These industry trends and characteristics have led to an interest in multiple channels and generated a body of academic work. This literature base provides a useful foundation for further enhancing the understanding of the evolving multiple channel structure particularly since the multiple channel literature by itself is in nascent stages. A detailed discussion of the financial services characteristics and their influence on multiple channel usage can be found in chapter 3, section 3.2.1.

From the CRM perspective too, the financial services industry driven by its characteristics, industry situation and technology usage has been one of the major industries investing in CRM technology initiatives (Herschel et al., 2004; Datamonitor, 2002). However, despite the interest and investment in CRM in retail banking, the desired results have not been achieved (Stone et al., 2003). As part of a renewed focus on re-conceptualising CRM more as a business philosophy and less of a technology implementation program, the role of multiple channel integration in building customer relationships has been put forward in the industry (Datamonitor 2003; Saunders, 2001). Barring anecdotal mentions and isolated discussions such as the multiple channel initiative of Abbey National Bank reported by Siebel – the technology solutions firm on its website, www.siebel.com, there is little systematic empirical evidence from the industry on the strategy and implementation of multiple channel integration in the retail banking industry. Much of what is discussed in the public domain is prescriptive in nature. An extended discussion of CRM in the retail banking industry can be found in chapter 4.

1.2 Research aims and objectives

The preceding section has highlighted the research gaps and led to the development of the research aims and objectives. Figure 1a illustrates the path followed by the researcher in developing the research focus.

Figure 1a: Developing the research focus



Source: Author

The overarching research aim for this study is:

To explore the contribution of multi-channel integration in building and maintaining firm-customer relationships, in order to inform the development of the CRM process and its activities

In order to achieve the research aim, the following research objectives are set for the study:

- ***Research Objective # 1: To explore the conceptualisation and implementation of multi-channel integration (MCI) in order to identify***
 - *Strategic and tactical issues of importance*
 - *Similarities and/or differences among firms and technology partners in their opinions and views on the phenomenon and the resulting implications*

Extant literature has called for widening the scope of research on CRM to address its specific processes and activities (cf. Reinartz, Krafft and Hoyer, 2004; Ryals and Payne, 2001). To that end, the first research objective aims to explore the multiple channel integration process. Given the lack of consensus in literature on conceptualising channel integration and the absence of empirical work in this area, this research study will seek to clarify the notion of multiple channel integration in practice (conceptualisation and implementation) and identify the strategic and tactical issues of importance. In doing so, the thesis will contribute towards an understanding of the multiple channel integration process that emerges from an empirical validation of the concepts proposed in the literature.

Further, previous research by Hart, Hogg and Banerjee (2004, 2002) has identified firms and their customers, together with consultants and software vendors as primary stakeholders in the CRM process. This research has also highlighted the differences in the perception of CRM objectives, measures of success and reasons for failure among firms, consultants and software vendors. Therefore, instead of limiting

the research insights to only from the organisation perspective, this research study will capture perspectives from multiple stakeholders in the CRM process – organisation and technology partner firms who actually facilitate the technology implementation for channel integration.

In addition, CRM initiatives, by nature, constitute technology focused issues and non technology focused issues. The technology focussed issues include aspects pertaining to operations, decision analytics, facilitating information and customer contact management across the organisation, to mention some (cf. Furness, 2001; Shoemaker, 2001). The non technology focused issues include aspects such as the organisational strategic approach, organisation wide change management and employee engagement (cf. Payne and Frow, 2006; Boulding et al., 2005). Together, both technology and non-technology focused issues contribute collectively to the success or failure of the CRM initiative. In the context of multiple channel integration, the developments in technology and the role of technology in facilitating the integration of data, information and customer interface within and across channels is a critical one (Payne and Frow, 2004; Foss and Stone, 2003; Gartner Research 2001a). Therefore, for the purpose of this research study, it becomes worthy of research examination. Consequently, it can be argued that the technology partner firms are a key stakeholder in the multiple channel integration process and the resulting need to capture the perspective of this stakeholder group.

By incorporating multiple perspectives, the research study aims to capture the similarities and/or differences among firms and technology partners in their opinions and views on the phenomenon and thereafter analyse the implications resulting from the similarities and/or differences.

➤ ***Research Objective # 2: To study customers' experience of multi-channel usage in order to understand***

➤ ***The implications for multi-channel integration strategy and implementation***

As mentioned in section 1.1.1 and 1.1.2, there is limited research capturing the customer perspective on CRM issues, despite the customers of a firm being primary stakeholders in the CRM process and the management of firm-customer relationships as the underlying reason of the CRM process. With regards to the multiple channels,

customer perspective has been empirically researched to understand consumer channel choice and preference. The long term service maintenance role of channels remains unexplored. Further, where explored, customer experience has been studied for service encounter essentially with service employees. Despite the introduction of technologically driven channels, there is limited research on customer experience with technology and its service outcomes (cf. Jamal, 2004; Meuter et al., 2000).

In order to address this deficiency in literature, this research study intends to study the customers' experience of multi-channel usage and analyse the implications for multi-channel integration strategy and implementation. Specifically, the research intends to contribute to our understanding of multiple channel integration process by first exploring the organisational conceptualisation of the phenomenon and then contrasting it with the customer experience. By capturing multiple perspectives of stakeholders associated with a single phenomenon, the research aims to explore facets of the single phenomenon.

➤ *Research Objective # 3: To explore the contribution of multi-channel integration in building and maintaining firm-customer relationships, in order to inform*

➤ *The development of CRM as a process and its activities*

The central tenet of CRM is to build long-term profitable customer relationships (Srivastava, Shervani and Fahey, 1999). To that end, the literature implicitly states that the CRM processes and activities should deliver to fulfil the central tenet of CRM. Despite literature acknowledging the centrality of firm-customer interface in channel research (cf. Frazier, 1999), there is a lack of empirical evidence on the same. Also, the need for theory development in the channel literature was established in the preceding section. This research study, therefore, intends gathering empirical evidence that would uncover the contribution of multi-channel integration as a CRM process in building and maintaining firm-customer relationships. Particularly where customers and customer relationships are conceptualised as resources (Gouthier and Schmid, 2003; Hunt, 1997), it is intended that the empirical findings from this study will contribute to the development of the CRM process and activities in order to successfully deliver on the tenets of relationship marketing.

1.3 Research approach

This research study has adopted the realism paradigm as its philosophical position, given the relevance of realism where the focus of research is on theory building, the phenomenon being studied has not been researched sufficiently to attempt generalisation and there is a single reality with multiple perspectives (Perry, Riege and Brown, 1999; Tsoukas, 1989). With regards to this research study, multiple channel integration is an emerging concept with little conceptual or empirical work, indicating a need for theory building. Further, this research study aims to explore the channel integration process from multiple perspectives – the retail bank, the banks' customers and technology partner firms.

The research study was developed as a qualitative case study with three units of analysis. The qualitative research method appeared suitable to meet the research need for theory building, explore the process nature of CRM and channel integration and study multiple perspectives (cf. Patton, 2003; Miles and Huberman, 1994). The case based research method facilitated an in-depth inquiry of the phenomenon, enabled the researcher to study in a natural setting, provide a holistic picture, study context specific influences and processes, isolate and define categories as precisely as possible and then to determine the relationship between them and facilitate theory-building (cf. Yin, 2003; Stake, 1995).

This case study was an exploratory, instrumental case study where the case is a secondary issue, and it is used for understanding the research phenomenon (cf. Stake, 2000). The channel integration process is the *main unit of analysis* because it is the issue being addressed by the research questions and the case has three *embedded units of analysis*: Bank X¹, its customers and technology partner firms. The data collection process used multiple sources of evidence – in-depth interviews, documentation, archival records, and principles of critical incident technique embedded in the interviews. Data was gathered from a number of bank documents made available to the researcher, discussions with the key informants and 39 interviews conducted across the three groups of respondents.

The data management and analysis approach paid attention to the characteristics of the multiple sources of evidence and adopted appropriate measures

¹ Pseudonym for a UK retail bank

for data management for documents, such as the use of QSR NUD*IST for indexing and retrieval of interview data, coding and sorting procedures for critical incidents. At an overall level, the thesis followed the inductive analysis framework proposed by Shaw (1999). Further, the quality of the thesis case research in terms of validity and methodological reliability was critiqued against the 12 themes of qualitative inquiry suggested by Patton (2003) and 6 criteria for judging the quality of case research within the realism paradigm proposed by Healy and Perry (2000).

1.4 Intended research contribution

Given that this research study is one of the first systematic attempts to empirically investigate the multiple channel integration process, the study aimed to empirically explore some of the conceptual discussions in the extant literature. The research study aimed to contribute *conceptually* towards theory building by gathering empirical support for concepts so far not researched and also identified and added new dimensions to the extant literature on CRM and multiple channels. *Empirically* and *methodologically*, since the research examined three perspectives, it explored the findings from each of the perspectives, and compared and contrasted them to determine any emergent patterns or themes and develop a holistic picture of the research phenomenon. In that sense, the study attempted to be ambitious in its endeavours trying to capture multiple perspectives in a single study which also becomes one of its key contributions. From a *managerial* perspective, the research study aimed to identify and isolate processes, events and acts pertaining to channel integration strategy, customer experience and implementation that can be improved upon and become part of the organisational decision-making process.

A detailed discussion of the research contribution of the findings for each of the three perspectives can be found in section 7.4, in chapter 7 and section 8.6 in chapter 8. The research contributions in light of the research gaps identified during the literature review are presented in section 9.3, Chapter 9.

1.5 Thesis structure

Chapter 1 has introduced the research study in terms of the research background, justification, research aims and objectives, methodological approach, intended

theoretical, methodological and managerial contributions. The remainder of the thesis is organised and presented as follows:

Chapter 2 reviews the literature on CRM by tracing the roots of CRM in relationship marketing and the notion of customer relationships from a strategic marketing perspective. Thereafter, the chapter reviews conceptual and empirical perspectives on CRM to determine the research gaps and situate the research study.

Chapter 3 presents the literature review for multiple channels in marketing, the conceptual and empirical perspectives on multiple channels in retail banking and multiple channel integration to further delineate research gaps and sharpen the research focus for this study.

Chapter 4 briefly analyses the retail banking industry sector in UK, the industry issues and trends pertaining to CRM and particularly multiple channel integration within the industry.

Chapter 5 presents the research methodology in terms of the research strategy, design and execution.

Chapter 6 presents the data analysis approaches and a critique of the chosen research strategy.

Chapter 7 discusses the empirical findings from the bank and technology partner firms' perspective, pertaining to the first research objective:

- To explore the conceptualisation and implementation of multi-channel integration (MCI) in order to identify
 - Strategic and tactical issues of importance
 - Similarities and/or differences among firms and technology partners in their opinions and views on the phenomenon and the resulting implications

Chapter 8 presents the empirical findings from the customer perspective, pertaining to the second research objective:

- To study customers' experience of multi-channel usage in order to understand
 - The implications for multi-channel integration strategy and implementation

Chapter 9 synthesises the empirical findings across the three perspectives and then answers the third research objective:

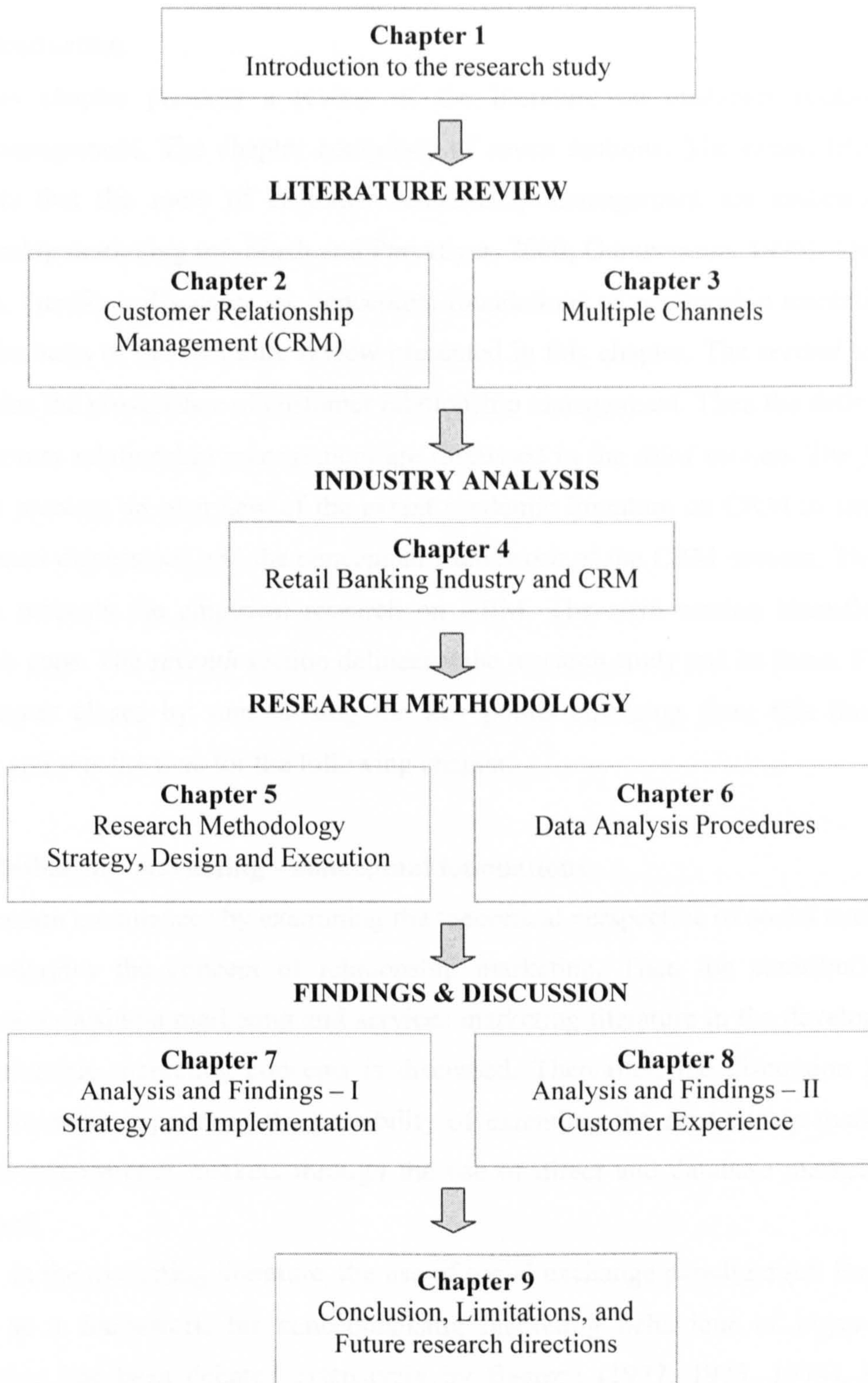
- To explore the role and contribution of multi-channel integration in building and maintaining firm-customer relationships, in order to inform

➤ The development of CRM as a process and its activities

Additionally the chapter presents the research limitations and theoretical, methodological and managerial contributions of the thesis and avenues for further research emerging from this study.

The above discussion is drawn together in figure 1b which illustrates the structure of the thesis.

Figure 1b: Thesis structure



Source: Author

CHAPTER 2: CUSTOMER RELATIONSHIP MANAGEMENT

2.0 Introduction

This chapter presents a review of the literature on customer relationship management. The chapter comprises of seven sections. The extant literature suggests that the roots of customer relationship management are embedded in relationship marketing (cf. Sheth and Parvatiyar, 2000; Gummesson, 1999). The *first* section, therefore, discusses the conceptual foundations of relationship marketing to form the basis of the literature review presented in this chapter. The *second* section ascertains the provenance of customer relationship management. Then the definitions of customer relationship management are discussed in the *third* section. The *fourth* section presents an overview of the extant academic literature on CRM in terms of conceptual discussions and the conceptual framework of the CRM process. The *fifth* section presents the empirical research on CRM. The *sixth* section identifies the research gaps. The *seventh* section delineates the research study and its focus. Finally the chapter closes by summarising the key points emerging from this literature review and sets the tone for the following chapter.

2.1 Relationship marketing – conceptual foundations

This section commences by examining the theoretical perspective of social exchange that underpins the concept of relationship marketing. Then the contribution of business-to-business marketing and services marketing literature in the development of relationship marketing concepts is discussed. Thereafter, the discussion in the extant literature supporting the possibility of extending the relationship marketing concept in consumer markets through the use of direct and database marketing is examined.

In the marketing literature, the use of social exchange paradigm (cf. Bagozzi, 1975) as a framework for conceptualising marketing behaviour of buyer-seller interaction has been debated extensively by Bagozzi (1977, 1975, 1974), Kotler (1972), Kotler and Levy (1969), Luck (1974, 1969). The basic premise of these discussions rests on the conceptualisation that all marketing relationships are a subset of social relationships (Bagozzi, 1974). Despite the extensive debate on the forms

and types of exchanges, the adoption of the exchange paradigm was significant in introducing the notion of a relationship between buyers and sellers. The focus, however, was exclusively on transactions as discrete, independent events. The relationship aspect of buyer-seller behaviour received attention much later during the 80s (cf. Dwyer, Schurr and Oh, 1987). The observation by Dwyer, Schurr and Oh (1987) and Levitt (1983) in their writings that buyer seller relationships *begin, not end after a sale* contributed to the further refinement of the buyer-seller relationship concept in the marketing literature.

Though the term 'relationship marketing' was formally introduced in the marketing literature by Berry (1983), Möller and Hallinen (2000:31) argue that "marketing relationships as phenomena have been examined for considerably longer than the current discussions suggest". Despite the varied definitions of relationship marketing in the literature (cf. Harker, 1999), authors such as Coviello et al. (1997), Mattsson (1997), Möller (1994), suggest that the disciplinary roots of relationship marketing can be traced to four research traditions: business-to-business marketing and marketing channels, services marketing, database marketing and direct marketing. Principally, these literature streams have shaped the conceptual foundations of relationship marketing. In addition, the extant literature has also debated the application of relationship marketing in consumer markets. The salient themes pertaining to relationship marketing from each of these literature streams (the root traditions of relationship marketing) are discussed next.

2.1.1 Business-to-business marketing

The earliest contributions to the conceptual foundations of relationship marketing were from the research of the industrial marketing and purchasing (IMP) group, which explored the impact of buyer-seller relationships in industrial markets. The IMP group research was initiated in the 1970s (Håkansson and Östberg, 1975; Håkansson and Wootz, 1975). Later, simultaneous but independent research was carried out in the industrial markets of *Scandinavia* (Anderson, 1995; Håkansson and Snehota, 1995; Anderson, Håkansson and Johansson, 1994; Anderson and Narus, 1990), *UK* (Payne, 1995; Palmer and Bejou, 1994; Christopher, Payne and Ballantyne, 1991; Cunningham, 1980) and *USA* (Morgan and Hunt, 1994; Sheth and

Parvatiyar, 1992; Webster, 1992; Wilson and Mummalaneni, 1986; Jackson, 1985). The IMP research was underpinned by the argument that the content of supplier-customer relationships is broader than simple economic exchanges and there are difficulties in using the analytical concepts of transactional marketing in interpreting the business phenomenon in industrial markets.

The conceptual and empirical significance of the IMP research was established in several ways:

- *First*, the IMP research highlighted the existence of buyer-seller relationships with technical, social and economic issues embedded in these relationships along with a temporal dimension.
- *Second*, customer retention rather than customer acquisition (Payne, 1995) was emphasised and the notion of buyer-seller relationship lifecycle was also introduced (Palmer and Bejou, 1994).
- *Third*, empirical research illuminated the complexity of relationship development which is not necessarily an orderly progression and is likely to pass through several states, such as initiation, establishment, development, dormant, maintenance and termination (Batonda, 1998).
- *Fourth*, the IMP research drew attention to the networks of organisations (Håkansson and Snehota, 2000) and their interdependencies (Holmlund and Törnroos, 1997). Further contributions to this body of literature are evident in the six-markets model (Christopher, Payne and Ballantyne, 1991), strategic alliances (Cravens and Cravens, 2000; Das and Teng, 2000; Day, 1995; Bucklin and Sengupta, 1993; Heide and John, 1990) and inter-firm relationships in distribution channels (Mentzer, 2000; Pelton, Strutton and Lumpkin, 1997; Frazier and Antia, 1995; Nevin, 1995; Weitz and Jap, 1995). The network element of organisation relationships is reflected in the definition of relationship marketing proposed by Morgan and Hunt (1994:22) that “relationship marketing refers to all marketing activities directed toward establishing, developing and maintaining successful relational exchanges”. Building on the works of Dwyer, Shurr and Oh (1987) that emphasises the relational nature of exchanges, Morgan and Hunt (1994) identify ten relational exchanges categorised as internal partnerships, supplier partnerships, lateral partnerships and buyer partnerships.

➤ *Fifth*, the notion of commitment and trust as the key mediating variables for successful relationship marketing is introduced by Morgan and Hunt (1994). The authors posit that the presence of both – *commitment* and *trust* and not just one or the other leads to cooperation between the actors to develop successful relationship marketing.

The above mentioned conceptual and empirical contributions of the IMP literature were significant in shaping the conceptual foundations of relationship marketing. The IMP literature was the first to argue that not all buyer-seller interactions in contemporary marketing practice can be viewed from the transactional exchange perspective. It is beyond the scope of this chapter to discuss these diverse themes in business-to-business marketing literature. However, the debate in the literature pertaining to the broadened concept of relationship marketing is briefly discussed here. It is relevant to pay attention to the debate on the broad concept of relationship marketing because this debate has emphasised the need for a better understanding of the buyer-seller exchange relationship.

The extension of the relationship concept beyond the buyer-seller dyad begins to blur boundaries between relationship marketing and network theory (cf. Mattsson, 1997). The constructs of the latter involve three or more actors, as suggested in the works of Aruajo and Easton (1996), Håkansson and Snehota (1995), Johanson and Mattsson (1985). This apparent lack of distinction about the number of actors in the buyer-seller dyad prompted researchers such as Healy et al. (2001:188) to delineate themes within the relationship marketing by using “context of relationship” and “number of participants in the exchange relationship” as discriminating factors. In their analysis, Healy et al. (2001:185-6) use the above-mentioned discriminating factors to distinguish the following theoretical positions:

- *Relationship marketing*: a dyadic buyer-seller relationship that tends to ignore the role of other elements in the distribution channel and the role of other stakeholders.
- *Neo-relationship marketing*: (relationship marketing plus stakeholders) the marketing relationship is still dyadic but goes beyond the buyer-seller relationship to include all marketing activities directed towards establishing, developing, and maintaining successful relational exchanges.

➤ *Network theory*: a more complex structure of networks involving three or more actors. The framework proposed by the authors is presented in table 2.1.

The framework of Healy et al. (2001) delineates the position of relationship marketing as it has emerged from the conceptual and empirical underpinnings of business-to-business marketing literature. Additionally, the framework attempts to clear the confusion that emerges at times in literature due to the diverse strands of business-to-business relationships discussed in the literature (cf. Rao and Perry, 2002). The extension of the relationship marketing concept beyond the buyer-seller dyad as suggested in the Morgan and Hunt (1994) definition and the confusion in literature resulting from the discussion of a multitude of relationships prompted a call from researchers such as Sheth (1996) to limit the domain of relationship marketing to collaborative marketing exchanges focussing on customer needs. Similar thoughts are echoed by Parvatiyar and Sheth (2000:8) in their suggestion that the study of firm-supplier/collaborator/competitor relationships is valid and within the domain of relationship marketing “as long as this study is conducted in the context of how relationship marketing enhances or facilitates customer relationships”.

While the contribution of business-to-business marketing literature in developing the conceptual foundation of relationship marketing is acknowledged in literature, the debate in literature regarding the domain of relationship marketing reflects the dynamic nature of relationship marketing. The next sub-section reviews the key themes pertaining to relationship marketing that emerge in the service marketing literature.

Table 2.1: Theory developments from relationship marketing to neo-relationship marketing and network theory

<i>Context of the relationship</i>	<i>Number of participants</i>	<i>Dyad</i>	<i>Strings of related dyads</i>	<i>Triads which are not a string of directly-related dyads within a distribution channel</i>	<i>Three or more actors</i>
Non-business relationship	A	—	B	C	<i>Social networks</i> Burt (1988), Wellman and Berkowitz (1988), Alba (1982), Cook and Emerson (1978)
Horizontal networks	D	<i>Strategic alliances</i> Jarillo (1988)			
Buyer-seller and other stakeholders not in the distribution chain	E	<i>Neo-relationship marketing</i>			
		Grönroos (1997) Grönroos (1996) Gummesson (1993) Morgan and Hunt (1994) Christopher <i>et al.</i> (1991)	F Moini (1995) Styles and Ambler (1994) Turnbull (1987)	G Havilla (1997)	H Araujo and Easton (1996) Blankenburg-Holm <i>et al.</i> (1996) Ford <i>et al.</i> (1995) Håkansson and Snehota (1995) Perry and Pyatt (1995) Wilkinson and Young (1994) Carson and McGowan (1993) Wilkinson and Mattsson (1993) Axelson and Easton (1992) Håkansson and Johansson (1992) Young and Wilkinson (1992) Håkansson (1989) Thorelli (1986) Mattsson (1986) Johansson and Mattsson (1984)
Buyer-seller	I	<i>Relationship marketing</i>			
		Wren and Simpson (1996) Berry (1995, 1983) Grönroos (1994) Levitt (1993), Perrien <i>et al.</i> (1993), Sheth (1993) Webster (1992), Berry and Parasuraman (1991) Ford (1980) Dwyer <i>et al.</i> (1987) IMP (1982), Håkansson (1982) Bonoma <i>et al.</i> (1977), Wilson (1976)	J Hogarth-Scott and Dapiran (1997) Pelton <i>et al.</i> (1997) Gassenheimer <i>et al.</i> (1996) Nevin (1995) Weitz and Jap (1995) Heide (1994)	K Havilla (1997)	

Source: Healy *et al.* (2001:185)

2.1.2 Services marketing

Research in services marketing by authors such as Berry (2002, 1995, 1983), Bendapuddi and Berry (1997), Bitner (1995), Gummesson (2002, 1999, 1996, 1994) and Grönroos (2000, 1996, 1995, 1994, 1991) has made significant contribution to the conceptual development of relationship marketing. Service marketing was perceived to be different from the marketing of goods, given the periodic interactions between buyers and sellers and customers' formation of relationships with people rather than goods (Berry, 1995). In addition, factors such as *special characteristics of services* (intangibility, inseparability, perish ability, customer involvement in the service process, uneven demand), *intensive competition in service intensive industries* (such as airlines, healthcare and financial services), *advances in technology* and *emphasis on service quality* contributed to the development of services marketing and its distinct identity (cf. Berry, 1995). Also, repeated contact between customers and service providers was perceived to be conducive to relationship marketing (Gummesson, 1999; Bendapuddi and Berry, 1997; Berry, 1995). Importantly, the service marketing literature, in its conceptualisation of relationship marketing, focuses on customer retention unlike the focus on customer acquisition in conventional marketing literature.

The focus on customer retention is also reflected in the definitions of relationship marketing within this body of literature. Berry (1983:25) defines relationship marketing as “attracting, maintaining, and in multi-service organizations - enhancing customer relationships”. Berry (1983) stresses that attracting new customers should be viewed only as an intermediate step in the marketing process. According to the Grönroos (2000) definition, the relationship marketing process moves from identifying potential customers to establishing a relationship with them, and then maintaining the relationship that has been established and enhancing it so that more business as well as good references and favourable word of mouth are generated.

Bitner (1995) further develops the conceptualisation of customer retention by highlighting the construct of ‘promises’ and its role in customer retention. In Bitner’s (1995:246-49) view, customer retention can be realised by “making realistic promises and enabling their delivery, keeping the promise on every service encounter

and going beyond promises by helping customers benefit from the service relationships”. Critically, Bitner (1995) draws attention to the temporal dimension of relationships, the contribution of several service encounters together in shaping customer perceptions and the resulting firm-customer relationship.

From a strategic perspective, two key issues emerge in the service marketing literature regarding the management of firm-customer relationships:

➤ *Firstly*, Berry (1995) and Berry and Parasuraman (1991) introduce the concept of multiple levels of relationship marketing that can be practiced in the firm-customer relationship. Elaborating on the multiple levels, Berry (1995:240) argues that level one relationship marketing relies on price incentives to build customer loyalty and this is the most basic level. Level two relies on creating social bonds with customers and level three relies on developing solutions to customers’ problems and embedding the same in the service delivery system. Berry (1995) argues that higher the level at which relationship marketing is practiced; greater will be the ability of the firm to build its competitive advantage.

➤ *Secondly*, Berry (1995) suggests the use of dual strategies, i.e. transactional as well as relational approaches for different market segments based on the argument that not all customers are profitable and neither do all customers want relationships with their service providers.

The service marketing literature also discusses the role of information technology in operationalising the relationship marketing strategies. On one hand, researchers such as Grönroos (1996) identify the development of a customer database as a tactical element of relationship marketing strategy. Berry (1995:238) also asserts that “information technology enables tracking customer purchase patterns, customizing and personalising services, coordinating and integrating delivery and enabling two-way communication”. On the other hand, Gummesson (2002) not only supports the role of information technology in implementing relationship marketing strategies but also calls for striking a balance between the use of technology and people, i.e. employees in building firm-customer relationships.

The implementation of a relationship marketing strategy is also conceptualised at a broader level in the service marketing literature. By highlighting the role of internal, external and interactive marketing in successfully delivering on

the construct of 'promises', Bitner (1995) extends the relationship marketing concept beyond the buyer-seller dyad to include other parties such as employees. The discussion of 30 marketing relationships identified by Gummesson (1994) lays the foundation for three classic relationships of marketing, i.e. *dyad* – relationship between a customer and a supplier, *triad* – relationship between the customer, his or her present supplier and competitors and *network* – concerning all members in the distribution chain. Further, Gummesson's (1999:3) definition of relationship marketing as "marketing based on interaction within a network of relationships" echoes the theme of neo-relationship marketing by Healy *et al.* (2001) (see section 2.1.1).

The service marketing literature has contributed immensely to the conceptual foundations of relationship marketing in the following ways:

- *First*, the notion of customer retention is introduced.
- *Second*, the temporal dimension of relationships is established.
- *Third*, the contribution of every service encounter in enhancing or disrupting the overall firm-customer relationship is highlighted.
- *Fourth*, the notion of multiple levels of relationships along with the likelihood of transactional and relational exchanges within a firm-customer relationship is suggested.
- *Fifth*, the role of technology in building and maintaining relationships is mentioned. *Finally*, the relationship marketing concept is extended beyond the buyer-seller dyad to include other parties to denote the width and breadth of the application of relationship marketing.
- *Further*, emergent discussions in the literature propose a "service dominant logic of marketing" (Vargo and Lusch, 2004a,b) which call for a shift from the goods and manufacturing dominant view of marketing. Additional support for the views of Vargo and Lusch (2004a,b) is also found in the work of Lovelock and Gummesson (2004) who argue that given the emergent changes in technology development, business models and the service sector, the four characteristics underpinning services (intangibility, heterogeneity, inseparability and perishability) are no longer relevant in the current context of services and not applicable to all services. With regards to relationship marketing, this body of work purports a stronger need for recognising

the customer involvement and co-creation of services (Edvardsson, Gustafsson and Roos, 2005) and argues that “relationship building with customers becomes intrinsic not only to marketing but to the enterprise as a whole” (Vargo and Lusch, 2004a:14).

In addition to the developments in business-to-business marketing and service marketing literature, the database and direct marketing literature too contributes to the conceptual foundation of relationship marketing.

2.1.3 Database and direct marketing

The literature on direct marketing and database marketing discusses ways of operationalising the concept of relationship marketing. Sargeant and West (2001:5) argue that direct marketing ‘focuses the organizational attention on the customer’ in contrast to the classical 4P approach which ‘focuses the organizational effort on the nature of the product’. Building on this argument, the authors’ further purport that direct marketing with its focus on the customer and the central role of the customer database in all direct marketing activity allows for fostering one-to-one relationships with the customers and thereby delivers on the tenets of relationship marketing. Authors such as Shaver (1996), Vavra (1993) and Bickert (1992) also discuss the importance of a customer database or customer information file (CIF) in implementing relationship marketing strategies. Shaver (1996) and Vavra (1993) suggest that a well constructed database allows direct marketing initiatives for targeting customers after matching customers to specific marketing programs. Further, Bejou (1997) argues that technology advancement such as data mining tools would help to identify prospects to be included in the mailing list. In doing so, the concept of niche-marketing and one-to-one marketing can be operationalised at a larger scale and thereby build customer relationships. This body of literature argues that the technology facilitated convergence between database marketing (such as the use of customer databases) and direct marketing (such as direct mail) enables relationship building in mass consumer markets.

Literature discusses the role and contribution of database marketing in building an organisation’s competitive advantage through improved market segmentation, better understanding of consumer needs through tracking purchase behaviour and using that information to tailor future marketing initiatives and build

customer relationships (cf. Shani and Chalasani, 1992; Stone and Shaw, 1987). Although conceptually such arguments appear to be significant, empirically however, there is limited evidence that firms actually employ database marketing effectively. Initially, disparities in information technology systems, inaccuracies in mailing list details and misconceptions of database marketing capabilities served as barriers to effective use of databases for direct marketing activities (Lewington, Chernatony and Brown, 1996) leading to wasted direct mailing campaigns (Shaver, 1996). More recent research in the UK context highlights that though firms capture the relevant customer information in the databases, however, the strategic use of the customer database for marketing activities focused on the customers remains under explored (cf. Hart et al., 2004a,b).

2.1.4 Relationship marketing and consumer products markets

The domain of relationship marketing has been extended by another stream of literature that has examined the role of relationship marketing in consumer product markets. The seminal work of Sheth and Parvatiyar (1995) linked diverse streams of literature, such as, consumer behaviour, relationship marketing, direct and database marketing, sociology and psychology to purport the application of relationship marketing in business-to-consumer relationships. The authors' main assertion was that consumer choice reduction is the basic tenet of relationship marketing, as "it is a form of commitment made by consumers to patronize selected products, services and marketers rather than exercise market choices" (Sheth and Parvatiyar, 1995:256). Further, the authors draw on consumer behaviour literature to establish the reasons for consumers' choice reduction behaviour.

The contribution of Sheth and Parvatiyar's (1995) work to the development of relationship marketing literature is threefold: a) it is the first attempt in examining the applicability of relationship marketing to consumer markets, which makes it distinct from the business-to-business and service literature, b) it brings together diverse streams of literature to provide a conceptual basis for understanding how relationship marketing can be applied to consumer markets and c) it draws attention to the role of information technology in business-to-consumer relationship formation, enhancement and termination.

The 'consumer choice reduction' argument of Sheth and Parvatiyar (1995), is however, challenged by Bagozzi (1995) and Peterson (1995). Bagozzi (1995:273) asserts that "little is known about when choice reduction is a motive and when it is an outcome of action" and suggests customers' decision to enter relationships is driven by goal fulfilment and the relationship evolves from the principle of reciprocity. Peterson (1995) argues that consumer choices don't reduce instead increase by participating in relationships with marketers. There is, however, little conceptual or empirical evidence in literature resolving the debate on consumer choice reduction or increase.

While, the works discussed above have initiated the notion of relationship marketing in consumer markets, authors such as Bhattacharya and Bolton (2000) further the conceptual discussion through two significant contributions. *First*, the authors suggest that conditions such as mass customisation, customer intimacy, two-way interactions and extended time intervals, are necessary for relationship marketing to be effective in mass markets. *Second*, inherent product characteristics, such as, product heterogeneity, perceived risk and switching costs can further influence customers' decision to "invest in, maintain or withdraw from relationships" (cf. Bhattacharya and Bolton, 2000:333). The authors contend that the higher the product heterogeneity, perceived risk and switching cost, the greater will be the tendency for customers to engage in relational behaviour.

Conceptually, the extant literature establishes the benefits of relationship marketing in consumer markets (Christy, Oliver and Penn, 1996; Sheth and Parvatiyar, 1995), conditions that can facilitate the development of buyer-seller relationships in the consumer market context (Bhattacharya and Bolton, 2000) and the role of technology in operationalising these relationships (Sisodia and Woolfe, 2000; Sheth and Parvatiyar, 1995; Glazer, 1991). Empirically, however, there is a lack of research examining relationship marketing in mass markets (De Wulf, Odekerken-Schröder and Iacobucci, 2001; Pels, 1999; Beatty et al., 1996). In addition, literature draws attention to a plethora of issues not yet conceptually clarified or well developed in the extant literature. These unresolved issues range from theoretical underpinnings explaining commercial exchange relationships to product categories/market situations (cf. O'Malley and Tynan, 2000) and the

corresponding marketing practices of firms; i.e. transactional or relational or elements of both (cf. Coviello et al., 2002). In addition, authors such as Fournier, Dobscha and Mick (1998) highlight the pitfalls of the implementation of relationship marketing in consumer markets. Drawing attention to consumer dissatisfaction and disappointment with loyalty programs, direct marketing initiatives and interaction for complaint handling, Fournier, Dobscha and Mick (1998) strike a cautionary note with regards to the implementation of relationship marketing in the context of consumer markets. In doing so, the authors also urge reflection upon the basic tenets of relationship marketing and weighing of options from a customers' perspective and not just the organisation perspective.

2.1.5 Section summary: Relationship marketing – conceptual foundations

This literature review has enabled an understanding of the domain and conceptual foundations of relationship marketing, as they emerge principally from the business-to-business marketing and service marketing literature. Both these streams of literature provide conceptual and empirical support for acknowledging the element of relationships in buyer-seller exchanges. Additionally, other streams of literature examine the possibility of extending the relationship marketing concept in consumer markets through the use of direct and database marketing initiatives. Together, the diverse literature streams not only establish the relationship element of buyer-seller exchanges but also the complexities in relationships, which formulate the domain of relationship marketing. The next step is to delineate the provenance of customer relationship management within the myriad of relationships proposed under the umbrella of relationship marketing.

2.2 Provenance of customer relationship management

This section is in two parts. *First*, it explores the provenance of customer relationships with respect to the buyer-seller dyad within the parameters of relationship marketing literature. *Second*, the section discusses the notion of customer relationships, as it emerges from a strategic marketing perspective.

2.2.1 Customer relationships and the buyer-seller dyad

The discussion in the preceding section illuminates that originally the term 'relationship marketing' was intended to focus on the buyer-seller dyad. Later, however, the conceptualisation was extended to other relationships, as suggested by Morgan and Hunt (1994). In response, authors such as Möller and Hallinen (2000) have argued on the basis of a comparative analysis of the root traditions of relationship marketing that it is misleading to talk about a single relationship marketing theory. Assertions appear in the literature (Parvatiyar and Sheth, 2000) regarding the issue of distinguishing between the specific buyer-seller dyad and the extension of relationships to include partner, collaborator, supplier and competitor relationships (see section 2.1.1).

Möller and Hallinen (2000) distinguish two basic types of relationship marketing theories. The first is *market based* relationship marketing, which deals with simple exchange relationships and assumes a market context. The second is *network based* relationship marketing examining complex relationships and presumes a network-like business environment. In Möller and Hallinen's (2000) view, the two distinct modes of relationship marketing, i.e. *network based* relationship marketing and *market based* relationship marketing present different sets of challenges in putting the concept into practice. These implications can be in the form of the strategic approach a firm adopts towards its business partners (*relationship marketing*) and/or end customers (*customer relationship marketing*) and the perceived benefits. On a similar note, Payne (2000) suggests the use of *customer relationship marketing* in reference to relationships with customers and *relationship marketing* in reference to the broader definition proposed by Morgan and Hunt (1994). More recently, Zablah, Bellenger and Johnston (2003:118) propose that "customer relationship management refers to the implementation of a relationship marketing philosophy that is limited in scope to partnerships with ultimate customers".

2.2.2 Customer relationships as resources

The marketing literature uses the resource-based view as a frame of reference for conceptualising customer relationships as resources.

The resource-based view of the firm (Petraf, 1993; Barney, 1991; Wernerfelt, 1984) aims to determine the types and characteristics of resources that can generate competitive advantage for firms. The resource-based perspective conceptualises a firm as a collection of resources and assumes that each firm has a set of resources unique to the firm (Wernerfelt, 1995). The central tenet of the resource based view is to focus on the identification and differentiation of organizational resources (assets and capabilities) and leveraging these for competitive advantage to create value in the marketplace (cf. Hooley et al., 2001). Authors such as Barney (1991) have argued for the following four conditions to be satisfied by a resource and its combination to offer competitive advantage to the firm:

- The resource has to be valuable: by contributing to the firm's efficiency and effectiveness and to be perceived by the firm's customers as valuable
- The resource should be rare: something deeply embedded in the company and not easily accessible to the competitors
- The resource should be difficult to imitate
- The resource should be difficult to substitute: through other resources or combinations of resources.

While the typology of resources has been debated in the literature, there appears to be a consensus that intangible resources are most likely to generate advantage than tangible resources (Amit and Schoemaker, 1993; Stalk, Evans and Schulman, 1992). In addition, the resource-based view (Petraf, 1993; Barney, 1991; Wernerfelt, 1984) has differed from the industrial-organisation view (Lado et al., 1992; Mahoney and Pandian, 1992) in conceptualising resources for competitive advantage. While the resource-based view has focused on factors within the firm and sources of competitive advantage, the industrial-organisation view emphasised on using sources available within the firm's operating context. Authors such as Conner (1991), however, emphasise the need to consider the resource-based view and the industrial-organisation view as complementary and not contradictory.

With relevance to marketing, the resource-based view as a frame of reference has been used only to a small extent for developing marketing concepts (Gauthier and Schmid, 2003; Srivastava, Fahey and Christiansen, 2001). However,

customers and customer relationships have been conceptualised as intangible resources from the resource based perspective for service firms (Gauthier and Schmid, 2003; Bhardwaj, Vardharajan and Fahey, 1993) and business-to-business relationships (Hogan and Armstrong, 2001).

Reflecting upon the four conditions suggested by Barney (1991) as necessary for a resource to deliver competitive advantage, Gauthier and Schmid (2003:127) argue in support of customer relationships meeting the four conditions. The authors indicate that:

- Customer relationships in service firms are valuable because customers are co-designers and co-producers of a service
- Customer relationships can be rare resources because regular customers are rare customers. In addition, through their service participation, customers are often lead users of a service and also motivate the service encounter staff
- Customer relationships in service firms can be difficult to imitate because service relationships involve multiple interactions which can foster trust and commitment between the firm and its customers
- Customer relationships can be difficult to substitute because customers are co-designers and purchasers of the service offered.

In addition, the resource of customer relationships has been also conceptualised as marketing assets by Hooley et al. (2001), Hunt and Morgan (1996). In Hooley et al.'s (2001:508) view, "marketing assets are the resource endowments the firm has acquired or built over time. Assets can be both tangible and intangible, but it is the intangible assets that are often the most difficult for competitors to imitate or copy". By highlighting the importance of intangible assets such as customer relationships, the authors echo the arguments of Amit and Schoemaker (1993) and Stalk, Evans and Schulman (1992).

Particularly, with reference to relationship marketing, Hunt (1997) views customer relationships as resources. Drawing on the resource-based view, Hunt (1997) indicates relationships as a valuable resource of the firm, which becomes a resource through its contribution to the firm's efficiency or effectiveness. Further, in Hunt's (1997) view, organisations can develop positions of competitive advantage by building and strategically using relationship portfolios.

Finally, the third but equally relevant discussion of customer relationships in the marketing literature is from a marketing and finance interface perspective. The initial conceptualisation of customer relationships as assets has been extended to considering customers as market based assets in the marketing-finance interface literature by Srivastava, Fahey and Christiansen (2001) and (Srivastava, Shervani and Fahey, 1998).

Both these bodies of work distinguish between relational assets and intellectual assets. Relationships with customers are conceptualised as relational assets, which are intangible and hard to measure while intellectual assets are conceptualised as a firm's knowledge about its environment (Srivastava, Shervani and Fahey, 1998). In addition, Srivastava, Fahey and Christiansen (2001:779) argue that relational assets are often merely available to the firm and not owned. Srivastava, Fahey and Christiansen (2001) further establish the importance of relational assets from the relationship marketing perspective. The authors contend that factors such as trust and commitment, which are central to relationship marketing, can help develop relationships to a degree that these become rare and difficult to replicate by rival firms. The argument of Srivastava, Fahey and Christiansen (2001) is supported by (Srivastava, Shervani and Fahey, 1998) when the authors contend that relational assets must be cultivated by a firm to further its competitive advantage and leveraged to enhance cash flows.

It is evident from the literature that customer relationships enjoy an important position as an organisational resource to be developed and nurtured. Customer relationships, by themselves meet the conditions suggested by Barney (1991) for a resource to contribute towards competitive advantage. In addition, when this resource is further nurtured, it can contribute further by being a market-based asset for the organisation.

2.2.3 Section summary: Provenance of customer relationship management

This section has served an important purpose of delineating the provenance of CRM within the relationship marketing literature as well as establishing the theoretical underpinnings of customer relationships from the strategic marketing perspective. Specifically, this review has enabled to:

- Establish the parameters of customer relationship management as it emerges in the relationship marketing literature. *This research study, henceforth, aligns itself with the arguments of Möller and Hallinen (2000) and Payne (2000) in conceptualising CRM as the relationship between firms and their ultimate customers (section 2.2.1).*
- Determine the theoretical underpinnings of customer relationships as resources from the resource-based perspective. *Specifically, this research study, in line with the views of Gauthier and Schmid (2003), Hooley et al. (2001), Hunt (1997) and Hunt and Morgan (1995) conceptualises customer relationships as resources (section 2.2.2).*

The following section examines the diverse definitions of CRM.

2.3 Definitions of CRM

There appear to be variations in the approach to CRM and its definitions (cf. Buttle, 2002). Winer (2001:91) states that “for some, CRM means direct e-mails while for others, it is mass customization or developing products that fit individual customers’ needs”. For information technology consultants, CRM translates into complicated technical vocabulary relating to terms such as online analytical processing, data mining and decision modelling. A literature review of CRM definitions across academic and practitioner sources reveals different approaches to defining CRM, ranging from a technological approach emphasising the role of technology in implementing CRM, to a relational approach focussing on the buyer-seller relationship as well as a broader, holistic approach encompassing both technological and relationship aspects. These approaches to defining CRM are discussed in detail in this section.

2.3.1 The functional approach

The functional or operational approach appears to focus on a range of CRM aspects, namely, customer acquisition and retention, customer information, business strategy, role of technology and technology advancement as well as a contrasting view, which de-emphasises the role of technology. These definitions emerge to a large extent in the practitioner literature and to a smaller degree in the academic literature.

➤ ***Customer acquisition and retention:*** One set of definitions seem to lay emphasis on customer acquisition and retention leading to profitability from customers and their potential value to the firm. The practitioner perspective is reflected in the following two definitions. Accenture (2001:2) states that CRM is about “acquiring, developing and retaining satisfied loyal customers, achieving profitable growth and creating economic value in a company’s brand”. In another definition, Furness (2001:293) views CRM “as a process geared towards increasing the value of customers over their lifetime as customers. An essential part of this process is the application of decision analytics to understand and predict customer behaviour”.

➤ ***Information aspect of CRM:*** Other functional definitions focus on the information aspect of CRM. From the practitioner perspective, McKinsey (2001a:11) views CRM “as the use of customer and related information to enhance the customer experience and to improve business performance”. An academic viewpoint considers CRM as the “effective use of information and communication technology using integrated CRM software for changing business processes and building technology solutions that can enable businesses to acquire new customers, retain existing ones and maximise their lifetime value” (Balaraman, Donaldson and Tzokas, 2002:6). On a similar note, Hughes (2002) perceives two basic goals of CRM. The first is to build and maintain a relationship with prospects and customers based on knowing lots of relevant information about them, and using the information to guide marketing and sales strategy. The second goal is to use that information to make the right offer to the right customer at the right time, thereby increasing sales and pleasing the customers. Together, these definitions focus on information and its role in enabling CRM.

➤ ***Business strategy and processes:*** Another approach to defining CRM concentrates on business strategy and processes geared towards profitability, economic value, growth, and the corresponding business performance in financial terms. As defined by Peppers and Rogers (2001:3), “CRM is a business strategy, not just a technology. At the heart of the strategy are some rather simple tenets. One is that learning more about a customer’s needs and behaviours enables a firm to

develop stronger, more profitable relationships with that customer. The second premise is that stronger relationships will increase sales and promote better retention of key customers". Fletcher (2002:2) also highlights the strategy aspect while stating that "sophisticated CRM management is strategically oriented and integrated with a company's competitive strategy". A similar position is adopted in practitioner publications too, as reflected in the Gartner Research (2001a:1) definition that "achieving the long-term value of CRM requires a strategy involving the whole business and should be approached at an enterprise level". CRM is perceived neither as a concept nor a project. Instead, it is viewed as a business strategy aiming to understand, anticipate and manage the needs of an organization's current and potential customers (cf. Gartner Research, 2001a and Brown, 2000).

➤ *Role of technology:* Certain functional definitions of CRM focus heavily on the role of technology in CRM and emerge to a greater degree in the software vendor literature and to some extent in the consulting literature. Zenart (2001) argues that in order to realize the promise of one-to-one and loyalty marketing philosophies, companies must adopt an enterprise-wide process for consistently managing customer interactions. This process is enterprise customer relationship management which enables companies to integrate all customer contact points, while synchronizing previously independent customer management assets. These assets include: marketing databases, call centres (including the Web, e-mail, fax and phone contact points) and order management systems. The customer's view of the enterprise and brand becomes unified as does the company's view of each customer. This allows the enterprise to measure the value of each customer and reallocate resources to serve the customers providing the most profit, and those representing the greatest future potential. Another software vendor, Microstrategy (1999:1) suggests that "electronic-CRM derives from CRM techniques which leverage call centre and direct marketing technology to market mass-produced goods and services (e.g., credit cards) to small market sub-segments". Electronic-CRM expands on this technology by using next generation segmentation and analysis technologies, comprehensive customer interaction data, multi-channel communications and one-to-one interactions to market customized products and services to ever-more precise segments. Not only

the role of technology, but also the technological advancements are reflected in the evolving CRM terminology and certain definitions. An example of this is the Deloitte Consulting (2001a:2) definition, which states that “basic CRM generally involves automated call centres, sales force automation and integrated customer information systems. In contrast to traditional CRM, a next generation CRM strategy creates seamless integration from the customer to the network and back again, delivering superior performance across the full spectrum of customer engagement opportunities”.

➤ *De-emphasising the role of technology in CRM*: If there are definitions focussing on the function of technology in enabling CRM, then, contrasting views *de-emphasising the role of technology in CRM* also exist. In the academic literature, Hughes (2002:9) stresses that “CRM is probably best seen as an industry term for an approach covering the holistic management of the components of the interaction between the supplier and customer and what can be done to affect these components. In this technology may or may not have a role to play, depending on the circumstances”. Similarly, in the literature emerging from practitioners such as Andersen Consulting (2000a:5) it is argued that “CRM is about the effectiveness and profitability of customers. It is about understanding the value of customers to the organisation and how to retain the most important customers. It involves taking a longer-term view of the measures of success and financial performance. CRM is not about implementing technology though technology is an enabler. It is not about the efficiency of transactions though that can provide financial benefits”. Other practitioners also suggest that people and processes are more important to service delivery than technology (Andersen Consulting, 2000b,c; Boston Consulting Group, 2001a; Deloitte Consulting, 2001b).

These set of definitions indicate the existence of multiple points of focus within the functional approach to defining CRM. This emphasis on individual components of customer value, business profitability and technology differs significantly from the relationship approach to defining CRM, which is discussed next.

2.3.2 The relationship approach

In contrast to the functional approach, the relationship approach places the relationships between the firm and its customer *first* and the strategic processes required for facilitating and enhancing those relationships *second*. This posture is adopted by Buttle (2000a:1) in his definition that CRM is about the “development and maintenance of long-term mutually beneficial relationships with strategically significant customers. The focus is on creating value for the customer and the company over the longer term. The value perceptions of the customer serve as bonds, or exit barriers, which inhibit the search for alternative sources of supply”.

The emphasis on relationships is also found in the practitioner definitions of CRM. An example of this is found in the Ernst and Young (1999:4) definition, which states that “CRM is a term which describes a spectrum of relationship types”. The consultancy firm identifies three basic varieties of relationships along this continuum:

- The transaction based relationship
- The relationship which includes technical advice as well as transactions; and
- The relationship which includes transactions and technical advice but is delivered in a full partnership based upon extensive knowledge of the customer, i.e. a long-term advisory role attuned to the customer’s life goals.

Ernst and Young (1999:4) further discuss that “each type of relationship implies a corresponding type of product offering, where a transaction-based relationship normally involves a single product; technical advisory relationships tend to revolve around product and service ‘bundles’ and partnerships involve a theme-based array of products and services which change according to the customer’s stage of life”. The notion of placing the relationship first is also echoed by Electronic Data Systems (2001:3), who stress that CRM is a “means of managing relationships across the spectrum of customer interaction points. Holistic CRM is a comprehensive solution for optimizing customer relationships through the customer lifecycle. It provides enterprises with complete solutions to successfully acquire, retain and grow profitable customer centric relationships, complete integration of key CRM business processes and complete front-office to back-office integration of CRM and technology”.

The relationship approach to defining CRM acknowledges the focus on customer acquisition and retention, business strategy and technology but within the overall context of the firm and customer relationship. Further, it appears to pave the way towards a holistic approach to CRM which is discussed next.

2.3.3 The holistic approach

The holistic approach perceives an integration of business strategy and customer relationships and views CRM from the business philosophy perspective and is evident to some extent within the practitioner literature and to a greater degree in the academic literature.

The management-consulting firm, AT Kearney (2001b:2) argues that “companies at the forefront of CRM think of it as an integrated business strategy that places the customer at the centre of a business’s consciousness. CRM provides a holistic view of the customer across all of an organization’s products and channels”. Within the academic literature, Bansal (2001) argues that managers need to understand that CRM is not a technology or a product that can be bought; it is a philosophy about people and processes. This holistic perspective is also evident in the research of Srivastava, Shervani and Fahey (1999), whereby the authors name CRM as one of the three core business processes along with product development process and supply chain management process; critical to achieving an organization’s goals. CRM is viewed as a business process that “addresses all aspects of identifying customers, creating customer knowledge, building customer relationships and shaping their perceptions of the organization and its products” (Srivastava, Shervani and Fahey, 1999:169). Similar views are put forth by Grabner-Krauter and Moedritscher (2002:1) when they state that CRM is a “customer-oriented business philosophy that involves analysing, planning and controlling customer relationships by means of modern information and communication technologies”. Plakoyiannaki and Tzokas (2002, 2000) synthesise the diverse perspectives on CRM by viewing CRM as a new business philosophy. The authors state that CRM is an ‘IT enhanced value process, which identifies, develops, integrates and focuses the various competencies of the firm to the ‘voice’ of the customers in order to deliver long-term superior customer value, at a profit, to well

identified existing and potential customer segments. Implicit within this definition lie three core precepts of CRM namely, market orientation, information technology and integration” (Plakoyiannaki and Tzokas, 2002:229). More recently, Payne and Frow (2005:168) present CRM as a “strategic approach that is concerned with creating improved shareholder value through the development of appropriate relationships with key customers and customer segments. CRM unites the potential of relationship marketing strategies and IT to create profitable, long-term relationships with customers and other key stakeholders”. The authors present a set of five interrelated cross functional strategic processes to facilitate the CRM process - strategic development process, value creation process, multi-channel integration process, information management process and performance assessment process.

2.3.4 Section summary: Definitions of CRM

Three different approaches to defining CRM and their areas of focus have been identified in the academic and practitioner literature, discussed in this section and summarised in table 2.2.

Table 2.2: Approaches to defining CRM

<i>Approach</i>	<i>Focus of the definition</i>	<i>Academic and practitioner source</i>
Functional Approach	Customer retention and acquisition	Accenture (2001) Furness (2001)
	Customer information centric	Balaraman, Donaldson and Tzokas (2002) Hughes (2002) McKinsey (2001)
	Business strategy and processes	Fletcher (2002) Peppers and Rogers (2001) Gartner Research (2001) Brown (2000)
	Role of technology	Zenart (2001) Deloitte Consulting (2001) Microstrategy (1999)
	De-emphasising the role of technology	Hughes (2002) Boston Consulting Group (2001) Deloitte Consulting (2001) Andersen Consulting (2000)
Relationship Approach	Firm-customer relationship	Buttle (2000) EDS (2001) Ernst and Young (1999)
Holistic Approach	CRM as a business philosophy	Payne and Frow (2005) Grabner-Kraueter and Moedritscher (2002) Plakoyiannaki and Tzokas (2002, 2001, 2000)

		AT Kearney (2001) Bansal (2001) Srivastava, Shervani and Fahey (1999)
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Source: Author

A review of the diverse definitions reflects that there is little consensus within the literature regarding a definition of CRM. However, the functional and relational approaches to defining CRM are reflected in the CRM definitions emerging from the holistic approach. The holistic approach presents a comprehensive view of CRM and establishes not only the importance of CRM as a business process but also the tasks needed to put the process into practice. More recently, Boulding et al. (2005:157) argue the need for going beyond the wording of definitions and focus on the ‘basic elements constituting the definition’. Boulding et al. (2005:157) capture the essence of diverse definitions of CRM and what they all purport as “CRM relates to strategy, the management of the dual creation of value, the intelligent use of data and technology, the acquisition of customer knowledge and the diffusion of this knowledge to the appropriate stakeholders, the development of appropriate (long-term) relationships with specific customers and/or customer groups and the integration of processes across the many areas of the firm and across the network of firms that collaborate to generate customer value”. The definitions presenting the holistic approach to defining CRM come closest to reflecting the view on CRM presented by Boulding et al. (2005).

This review of the CRM definitions has been important because it has enabled to:

➤ Establish the CRM definition to be adopted for the purpose of this research study. *Specifically, this research study accepts and adopts the holistic approach to defining CRM, manifest in the definitions of CRM provided by Payne and Frow (2005), Plakoyiannaki and Tzokas (2002), Srivastava, Shervani and Fahey (1999) and the tasks encapsulating the role of CRM captured in the views of Boulding et al. (2005).*

After establishing a definition of CRM, the following section discusses the extant academic literature on CRM in terms of conceptual themes and conceptual frameworks.

2.4 Conceptual perspectives on CRM

The literature on CRM has emerged from diverse sources over the recent years as reflected in the definitions of CRM from diverse sources (see section 2.3). Broadly, this literature can be categorised in four major groups:

- Academic papers presented at conferences, in peer reviewed journals and books
- Management consulting writing in the form of white papers and books
- Software vendor rhetoric on technology and software issues and
- 'Light' articles in the popular press

The academic literature on CRM has emerged only in recent years and is still in a nascent stage whereas the bulk of CRM literature emerged in the business press. This phenomenon can perhaps be explained by the rapid technological developments and difficult economic situations requiring organisations to find new methods of business growth and revenue generation. CRM as a business concept was seized upon and written about extensively in the business press as an option to meet competition.

The academic interest in developing conceptual and empirical works on CRM issues is recent and growing. This growth in academic interest in CRM is reflected in the steady increase in journal articles, special journal editions, conference sessions and specialist conferences. There is, however, a paucity of published academic work on the domain of CRM and this dearth of literature has been highlighted by authors such as Wilson, Daniel and McDonald (2002) and Hart, Hogg and Banerjee (2002). The literature overview in this section limits itself to peer-reviewed journal publications and books from academic sources as it is beyond the scope of this chapter to review the burgeoning conference and working papers.

The CRM literature in the form of books such as Buttle (2004), Knox et al. (2003), Ryals, Knox and Maklan (2000), Brown (2000) predominantly takes a broad based view on CRM as a strategic approach and explicates the domain and constituents of CRM. More recently, context specific books have also begun to emerge, such as CRM as a strategic approach and its implementation in the financial services industry, namely, Foss and Stone (2003).

Among the journal publications, two main themes can be detected in the discussions on CRM. These are: (1) CRM as a business process, (2) Information

technology (IT) as an enabler of CRM. Each of the themes emerging in the conceptual discussions and empirical research is detailed next.

2.4.1 CRM as a business process

2.4.1.1 Srivastava, Shervani & Fahey (1999)

Evidence of early systematic academic writing on CRM can be traced to the work of Srivastava, Shervani & Fahey (1999:169) where the authors establish CRM as one of the three core business processes along with product development and supply chain management, which together “address fundamental but common business tasks that are critical to achievement of the organisation’s goals”. The authors illustrate a sample of the core business processes, which is illustrated in table 2.3.

Table 2.3: CRM as a core business process

<i>Product development process</i>	<i>Supply chain management process</i>	<i>Customer relationship management process</i>
Ascertaining new customer needs	Selecting and qualifying desired suppliers	Identifying potential new customers
Designing tentative new product solutions	Establishing and managing inbound logistics	Determining the needs of existing and potential new customers
Identifying and managing internal functional / departmental relationships	Designing and managing internal logistics	Learning about product usage and application
Developing and sustaining networks of linkages with external organisations	Designing work flow in product/solution assembly	Developing/executing advertising programs
Coordinating product design activities to speed up business processes	Running batch manufacturing	Developing/executing promotion programs
	Acquiring, installing and maintaining process technology	Developing/executing service programs
	Order processing, pricing, billing, rebates and terms	Developing/executing sales programs
	Managing (multiple) channels	Acquiring/leveraging information technology/system for customer contact
	Managing customer services such as installation and maintenance to enable product use	Managing customer site visit teams
		Enhancing trust and customer loyalty
		Cross-selling and up-selling of

Source: Srivastava, Shervani & Fahey (1999: 170)

This body of work draws upon Lehmann's (1997) work on business processes in identifying the three core business processes. From a CRM perspective, Srivastava, Shervani & Fahey's (1999) conceptualisation of CRM as a business process is an important contribution because it establishes the perimeters of CRM in relation to the discipline of marketing:

"Whether viewed as a discipline, function or set of specific activities, marketing scholars long have held that the core objective of marketing is to attract and retain customers... a customer relationship management process addresses all aspects of identifying customers, creating customer knowledge building customer relationships and shaping their perceptions of the organization and its products "

Srivastava, Shervani & Fahey's (1999:168-9)

As discussed in section 2.3.4, this research study adopts the Srivastava, Shervani & Fahey (1999) approach to defining CRM.

2.4.1.2 Peppard (2000)

Peppard (2000) also views CRM as a business process and extends the conceptualisation of CRM to the full enterprise / organisation to be customer-centric in order to deliver on the tenets of CRM. The discussion from Peppard (2000) is largely from the financial services industry perspective.

Citing research evidence from the financial services industry, which is however, not clarified in the paper in terms of research objectives, methodology and sample, Peppard (2000) states that the organisations have a rather narrow view of CRM and focus on specific aspects as opposed to the holistic approach. Further, the author mentions that within the financial services industry, failure of CRM investments can be attributed to issues such as conceptualising the CRM initiative purely from a technology aspect and focusing on software implementation or lack of definition and ownership of customer management processes across departments resulting in fragmented approaches to CRM.

Peppard (2000:314) proposes a framework for CRM comprising of four key concepts, namely:

➤ *E-business*: the integration of technology activities and processes external and internal to the organisation within a single integrated business model,

- *Channel management*: integrated and interactive channels of access and distribution whereby the delivery channels are matched to the task and the function that the customer wants the channel to perform,
- *Relationships*: establish firm-customer relationships that are built on service excellence, value and convenience,
- *Management of the total enterprise*: integrate customer-facing operations with back-office processes

2.4.1.3 Winer (2001)

Winer (2001) presents a conceptual framework of CRM with the following components: a) create a database, b) analysis, c) customer selection, d) customer targeting, e) relationship marketing, f) privacy issues and g) metrics. The author draws upon a host of anecdotal evidences to demonstrate the importance of each component of the conceptual framework. The conceptual discussion in this paper differs from the other writings on four issues:

- *First*, it throws open the debate on contentious issues of marketing versus profitability and dealing accordingly with customer selection: Indeed, as Winer (2001:95-6) states:

“The goal is to use the customer profitability analysis to separate customers that will provide the most long-term profits from those that are currently hurting profits. This allows the manager to “fire” (original emphasis) customers that are too costly to serve relative to the revenues being produced. While this may seem contrary to being customer-oriented, the basis of the time-honoured “marketing concept” (original emphasis), in fact, there is nothing that says that marketing and profits are contradictions in terms.....no matter what criterion is employed, de-selected customers need to be chosen with care.”

- *Second*, the discussion highlights the positive and negative issues regarding customer privacy with reference to the amount of customer information that can be collected from customers and used for “marketing communications and relationship building activities” (Winer, 2001:100).
- *Third*, the author postulates a change in future marketing organisational structures with the marketing manager’s job being split into two parts: for acquisition and retention. This suggestion is underpinned by the argument that distinctly different skill sets are required for acquisition and retention, with the former needing

experience in marketing communication and sales whereas the latter requires an understanding of the foundation of satisfaction and loyalty for the particular product category (Winer, 2001:103).

➤ *Fourth*, the discussion highlights the need for expanding the notion of customer satisfaction and changing it to customer experience management given the increasing number of customer contact points and the need to measure “customer reactions to these contacts and develop immediate responses to negative experiences” (Winer, 2001:104).

2.4.1.4 Plakoyiannaki & Tzokas (2002)

The conceptualisation of CRM as a holistic business process is also argued by Plakoyiannaki & Tzokas (2002) and in the authors’ view, CRM is grounded in market orientation, information technology and integration. Plakoyiannaki & Tzokas’ (2002) work contributes to the CRM literature in two ways. *First*, it highlights the gap in CRM theory and practice and the paucity of empirical research on CRM process issues and complexity. *Second*, it distinguishes between competencies and capabilities pertaining to CRM. Drawing on the extant strategic management literature (Marino, 1996; Stalk, Evans and Shulman, 1992; Mahoney and Pandian, 1992), the authors establish that “competencies are usually technology and knowledge based whereas capabilities reside in business processes and encompass the value chain” (Plakoyiannaki & Tzokas, 2002:229). The discussion on customer relationships as resources, underpinned in the strategic marketing perspectives, presented in this chapter in section 2.2.2 resonates with the views of Plakoyiannaki and Tzokas (2002). A conceptual framework of the CRM process is proposed by the authors followed by an identification of capabilities necessary for successful CRM implementation. The elements of the conceptual framework proposed by Plakoyiannaki and Tzokas (2002) are detailed in table 2.5. In addition, a detailed discussion on CRM process and conceptual frameworks is presented in section 2.4 further in this chapter.

2.4.1.5 Zablah, Bellenger and Johnston (2004)

Zablah, Bellenger and Johnston (2004) remark on the fragmentation of literature and lack of consensus in defining CRM. Zablah, Bellenger and Johnston (2004:480) define CRM as an “ongoing process that involves the development and leveraging of market intelligence for the purpose of building and maintaining a profit-maximizing portfolio of customer relationships”. In doing so, Zablah, Bellenger and Johnston (2004) align themselves with authors such as Plakoyiannaki and Tzokas (2002) and Srivastava, Shervani and Fahey (1999) in conceptualising CRM as a holistic business process. The authors further argue for the need for aligning the business strategy, processes and process roles and capabilities for achieving CRM success. Importantly, in their discussion, Zablah, Bellenger and Johnston (2004) draw attention to four issues of managerial importance pertaining to CRM:

- *First*, they argue for evaluating whether customers are really interested in being ‘managed’ (Zablah, Bellenger and Johnston, 2004: 486) before an organisation embarks upon a CRM venture.
- *Second*, the authors emphasise the need for a process-oriented culture in order to ensure CRM success. This argument is underpinned by the rationale that CRM success is dependent on several cross-functional activities and each involves numerous sub-processes.
- *Third*, the authors assert the need for developing human and technical capabilities required for managing customer knowledge and customer interaction processes.
- *Fourth*, in line with the issue of profit-maximisation from customer relationships, the authors suggest the need for change in behaviour or even relationship termination in line with the nature and profile of customers.

While the overall CRM strategic business process is the focus of discussion in the conceptual works presented so far, some other authors such as Shoemaker (2001), Ryals and Knox (2001) highlight the role of information technology (IT) in enabling the implementation of CRM.

2.4.2 Information technology (IT) as an enabler of CRM

2.4.2.1 Shoemaker (2001)

Shoemaker (2001:178) conceptualises CRM as business technology software and states that “CRM is the technology used to blend sales, marketing and service information systems to build partnerships with customers.” The thrust of Shoemaker’s (2001) work is on the technology support for multiple channels facilitating customer contact, such as sales force, telephone and call centres, web and fax. Essentially, CRM as a technology application and its contribution in enabling customer contact for long-term relationships is the premise of this body of work.

2.4.2.2 Ryals and Knox (2001)

Ryals and Knox (2001: 535) echo the position of Shoemaker (2001) about the role of IT as an enabler of the CRM process:

“..the philosophical bases of CRM are a relationship marketing orientation, customer retention and superior customer value created through process management. IT is the ‘glue’ that holds together and enables the whole to be operationalised.”

Where Shoemaker (2001) focuses solely on the benefit of CRM technology applications to different contact channels, Ryals and Knox (2001) go a step further in acquainting us with the factors important for successful CRM implementation. In doing so, the authors focus attention on the fact that the success or failure of technology as an enabler is contingent upon organisation-wide issues. Drawing on anecdotal evidences regarding CRM adoption by industry sectors and the success and failure of the same, the authors draw attention to three key cross-functional organisational issues that can either facilitate or hamper the adoption of CRM specifically in the services sector. These are: a) organisational issues of culture and communication, b) management metrics and c) cross functional integration between marketing and information technology departments.

2.4.2.3 Furness (2001)

Furness (2001) acquaints us with specific aspects of CRM implementation, such as customer modelling as a decision process analysis in CRM. The author also conceptualises CRM as a process and specifically focuses on the role and

contribution of decision analytics in the CRM process. Where much of the CRM literature focuses on the business strategy aspect of CRM and role of technology in enabling better customer relationships, Furness (2001:295) elaborates upon an aspect of CRM implementation - customer modelling, describing it as “analysing and understanding consumer behaviour, with a view to identifying needs and anticipating future behaviour”.

The literature review so far has established the conceptualisation of CRM as a strategic business process. The following section elaborates upon the sub-processes encompassing the overall CRM process.

2.4.3 The CRM process and conceptual framework

A variety of conceptual frameworks on the CRM process can be found in both academic and practitioner literature. Similar to the definitions of CRM (see section 2.3), it appears that proposed conceptual frameworks adopt three broad approaches: the functional/operational approach, the relational approach and the holistic approach, each focussing on a particular set of issues. Table 2.4 summarises the CRM conceptual frameworks that lay emphasis on two distinct elements:

- *First*, the role of technology in CRM process implementation (functional/operational approach)
- *Second*, the relationships of the customer to different groups that enable the CRM process (relational approach).

Table 2.5 presents the CRM conceptual frameworks with a holistic approach, whereby, the functional and relational issues form a part of the conceptual framework and are *not* the focus of the framework.

It was stated earlier in this chapter (section 2.3.4) that this research study accepts and adopts the holistic approach to defining CRM. In line with this argument, the conceptual underpinning for this research study is drawn from the CRM process conceptual frameworks adopting a holistic approach (see table 2.5). Particularly the framework proposed in Payne and Frow (2005) and previously published in (Knox et al., 2003) is adopted as a platform for this research study. The rationale for adopting this framework stems from the fact that much of the extant literature on CRM is new and emerging and largely conceptual in nature (see section 2.4). The framework

proposed in Payne and Frow (2005) and previously published in (Knox et al., 2003) not only provides conceptual clarity but has also been arrived at through empirical research (cf. Payne and Frow, 2005) and it is illustrated in figure 2a. The other conceptual frameworks illustrated in table 2.5 provide a good understanding of the CRM process but they are limited to a conceptual discussion. Using the framework proposed in Payne and Frow (2005) and previously published in (Knox et al., 2003) as a basis, five CRM processes can be identified in the literature: strategy development process, value creation process, multi-channel integration process, information management process and performance assessment process.

As illustrated in figure 2b, all the processes are closely aligned to each other and cross-functional in nature, “not linear but an iterative feedback-driven progression aimed at continually enhancing the benefits of CRM” (Knox et al., 2003:20). Each of the five processes is detailed next. The discussion of the five processes is structured by drawing upon:

- The framework proposed by Payne and Frow (2005)
- Supporting arguments from other academic literature
- Supporting arguments echoed in the practitioner literature conceptualising CRM as a strategic business process

Table 2.4: CRM conceptual frameworks: Functional and relational approaches

<i>Key Theme</i>	<i>Conceptual Framework Elements</i>	<i>Illustrative Source</i>
<i>The functional/operational approach</i>		
<i>1. The academic perspective</i>		
➤ CRM is the technology to build partnerships with customers. Five touch points in which the interaction between customers and the firm are affected by technology	Sales force, Partner, Telephone, Web and Fax-supported relationships	Shoemaker (2001)
➤ Takes the customer database as the foundation for any CRM activity.	Create a database → Analysis → Customer selection → Customer targeting → Relationship marketing → Privacy issues → Metrics	Winer, Sterman and Zeithaml (2001)
➤ The 'heart' of CRM architecture is the data warehousing and analysis systems.	Customers → Marketing, Sales/Front Office, Customer Service: Mining and analysis systems, Data warehousing	Ryals, Knox and Maklan (2000)
<i>2. The practitioner perspective</i>		
➤ Role of Data mining / Customer modelling – process and implementation.	Set business strategy → Develop products → Design treatments → Execute decision → Outcome → Evaluate outcome	Furness (2001)
➤ Installing a comprehensive software platform of five engines that together enable the e-CRM business process.	Customer centric information store → Analysis and segmentation engine → Personalisation engine → Broadcast engine → Transaction engine	Microstrategy (1999)
<i>The relational approach</i>		
➤ The SCOPE model of CRM for defining the scope of relationship management.	Customer is at the centre of the model. The other four constituents are: Suppliers, Owners, Partners and Employees	Buttle (2000a)

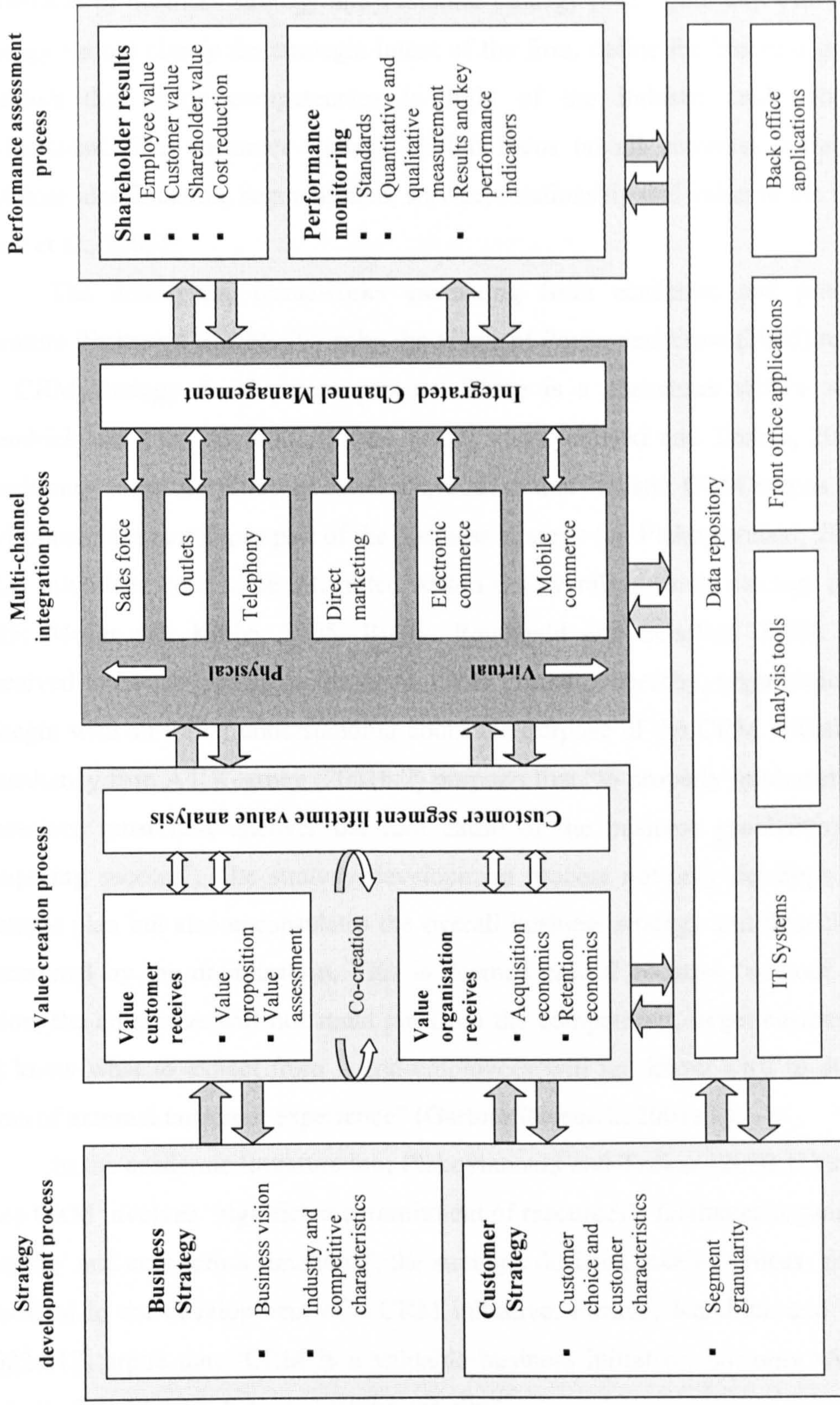
Source: Author, based on the literature review

Table 2.5: CRM Conceptual Frameworks – The holistic approach

<i>Key Theme</i>	<i>Conceptual Framework Elements</i>	<i>Illustrative Source</i>
The holistic approach		
<i>1. The academic perspective</i>		
➤ Synthesis of CRM and traditional marketing planning approaches with interactive marketing as the catalyst.	Business Objectives → Analysing existing and potential customer bases → Gap analysis → Planning and CRM objectives → Interactive marketing strategy → Interactive action plan → Milestones and monitoring	Kendrick and Fletcher (2002)
➤ The framework constitutes five key processes with many sub-processes embedded within each of them.	Strategy development process → Value creation process → Multi-channel integration process → Performance assessment process → Information management process	Payne and Frow (2005), Payne in Knox et al. (2003)
➤ The five elements required for an effective implementation of a CRM program.	Strategy → Segmentation → Technology → Process → Organisation	Brown (2000)
➤ A process driven approach with sub-processes and it is not postulated as a simple linear and sequential relationship.	Information processes, Customer value process, Performance measurement process	Plakoyiannaki and Tzokas (2000)
<i>2. The practitioner perspective</i>		
➤ Uncover the root cause of the business problems hampering success and then determine how customer management or integrated treatment of customers can help solve the problem.	Vision, goals and strategies → Organisation → Process → Metrics → Solution implementation, Information technology, Data application and infrastructure	AT Kearney (2001a,b)
➤ Business model approach for customer value optimisation in the customer economy	Aligning processes, capabilities and technologies for → information management, value management, customer experience management, collaborative partner management	McKinsey (2001a)
➤ CRM begins with strategy and not technology and focuses on customer economics and business objectives.	Audit and Strategy design → Program Design → Implementation	Boston Consulting Group (2001a)
➤ Basis of an assessment of the enterprise's existing and required CRM capabilities, to help understand its current position and future strategy.	Vision → Strategy → Valued customer experience → Organizational collaboration → Processes → Information → Technology → Metrics	Gartner Research (2001a)

Source: Author, based on the literature review

Figure 2a: Strategic framework for CRM



Source: Payne and Frow (2005:171)

Information management process

2.4.3.1 Strategy development process

Payne and Frow (2005) purport that the CRM strategy development process constitutes of business strategy and customer strategy (see figure 2a). The business strategy should clarify the strategic intent of the firm, define the business goals and establish the firm's competencies in light of the industry and competitive environment. The customer strategy should focus on all activities pertaining to customer identification, segmentation, service, relationship and value to the firm (cf. Knox et al., 2003).

The conceptual frameworks emanating from academic and practitioner literature illustrated in table 2.5 echo the views of Payne and Frow (2005) regarding the CRM strategy development process. There is a consensus within academic (Kendrick and Fletcher, 2002; Payne, 2001; Plakoyiannaki and Tzokas, 2000) and practitioner literature (Gartner Research, 2001a) that holistic CRM begins with an environmental scanning as part of the business strategy (cf. Plakoyiannaki, 2005) and CRM initiatives need to be integrated within the overall business strategy (cf. Jain, 2005; Meyer and Kolbe, 2005; Rigby, Reichheld and Scheffer, 2002). This is perceived to be the starting point in the CRM process, whereby, organisations have to begin with an initial understanding about the purpose of the CRM initiative. The consultancy firm AT Kearney (2001b:2) purports that "to properly implement CRM, executives must first uncover the root cause of the business problem(s) that is hampering success". The strategy development process not only develops a CRM strategic plan but also encapsulates the overall business strategy and financial goals determined by the organisation. This is deemed crucial because "without a CRM vision, the enterprise will not stand out from the competition, target customers will not know what to expect from it and employees will not know what to deliver in terms of external customer experience" (Gartner Research, 2001a:2).

In the academic literature too, Plakoyiannaki and Tzokas (2000:11) state that since CRM involves "significant commitment of resources", facilitates organisational learning' and cuts across functions", the strategic decision making process therefore, is critical to the development of a CRM initiative. Further, Kendrick and Fletcher (2002:217) argue that "CRM is a valuable business initiative, but only within the context of a wider marketing planning activity".

The development of a customer strategy along with business strategy is highlighted as relevant to the complete strategy development process. The practitioner literature argues that the central tenet of this business vision is the creation of a customer-centric organisation. In order to be customer-centric, an organisation has to focus on organising the business around the customer and defining ownership of the customer, and this requires a customer oriented culture and mindset (cf. AT Kearney, 2001b).

There appears to be a consensus within the academic and practitioner literature regarding the importance of a strategic vision and objective for initiating the CRM process. Additionally the literature draws attention to a bigger issue about the need to align the CRM purpose to the overall strategic objective of the firm. Further, such an objective needs to be bolstered with the appropriate organisation culture that reflects customer orientation and the necessary organisation capabilities and resources.

2.4.3.2 Value creation process

Payne and Frow (2005) state that customer value creation comprises of three elements:

- The value the customer receives – derived from the total experience received from the core and surrounding product;
- The value the company receives from its customers – the economics of customer acquisition and retention;
- Maximizing the life-time value of desirable customer segments.

In order to delineate the attributes of a customer-oriented culture within an organisation and to deliver value to the customer, a capability assessment of the tangible and intangible resources i.e. human resources, financial, logistical, marketing, administrative, technological resources available within the organisation is vital. Plakoyiannaki and Tzokas (2000) identify five capabilities, namely, learning/marketing orientation capabilities, integration capabilities, analytical capabilities, operational capabilities and direction capabilities necessary for the success of a CRM process. A gap analysis of existing and required resources for fulfilling a successful CRM initiative will need to be followed with an investment in

building customer focused capabilities. This gap analysis of resources needs to be aligned with a realistic assessment of an organisation's customer profile followed by customer segmentation. As highlighted by AT Kearney (2001a:3), "customers have different needs, expectations and behaviours and offer different value to a business. Treating them as equals by providing all customers with top tier service may delight them all, but in many cases, it may not be profitable". Elaborating on the firm's focus in responding to customer needs, (Boston Consulting Group, 2001b:4-5) states that it requires an understanding of "the needs of different segments and to provide tailored offerings that precisely meet those needs, while earning above-average returns".

Customer segmentation and managing the customer base as a portfolio are crucial to the strategy development and value creation processes because it helps to understand the type of customers - by value, or other factors - which help the business to set up a strategy (cf. Ryals, 2002; Furness, 2001; Gartner Research, 2001c). In addition, analysis also guides the development of products to meet the needs of the different types of customers. Further, it establishes the boundaries of the two way value creation process. In order to deliver the value to the different customer segments, there arises the need for the next CRM process – multi-channel integration process.

2.4.3.3 Multi-channel integration process

Payne and Frow (2005:172) purport that the multi-channel integration process decisions deals with the creation of channel combinations, positive customer experiences during channel usage and presentations of a single unified view of the customer across multiple channels. Highlighting the importance of multi-channel integration process, the authors state that "it takes the outputs of the business strategy and value creation processes and translates them into value adding activities with customers". The authors propose six broad categories of channels:

- *Sales force*, including field account management, service and personal representation
- *Outlets*, including retail branches, stores, depots and kiosks
- *Telephony*, including traditional telephone, facsimile, telex and call centre contact

- *Direct marketing*, including direct mail, radio and traditional television (but excluding e-commerce)
- *E-commerce*, including e-mail, the Internet, and interactive digital television
- *M-commerce*, including mobile telephony, short message service and text messaging, wireless application protocol and 3G mobile services

Knox et al. (2003) draw attention to two factors that should guide the decision making for channel and media integration:

- Channel and media suitability – assessing the usefulness of channels in delivering the benefits sought by customers and the cost effectiveness of doing so.
- Channel and media structure – developing channel and media structures in line with the business model and its need for direct and/or indirect channels. The choice of direct and/or indirect channels for the business model is determined by the current and future industry distribution structure.

In addition, the authors emphasise the need for assessing the competencies and capabilities of different channels, varying purchasing styles of customers and the contribution of channels towards a coherent brand experience for the customer.

Given the increasing amount of direct and indirect channels, a closely related issue is that of partner relationship management. Partner relationship management focuses on integrating communication and activities between the main firm and its channel participants or intermediaries such as wholesalers, retailers and value added resellers as well as channel options such as sales force, retail branches, call centres (Payne, 2006:169), and supplier partners (Mentzer, 2000). Additionally, discussions in the extant strategic alliance literature on affinity partnering (Swaminathan and Reddy, 2000) and horizontal strategic alliances (Cravens and Cravens, 2000; Cravens, Piercy and Shipp, 1996) also become relevant, given that increasingly firms participate as channel members in pursuit of a common strategic objective, or indulge in dual sales, promotion, co-branding activities as part of affinity partnering, and thereby offer customers multiple routes or channels of interacting with the channel member firms. The key drivers for firms to engage in channel partner relationships is to explore opportunities of reaching multiple customer bases through multiple channels, outsourcing of activities to channel partner members to reduce costs and take advantage of the strengths and competencies developed by a firm,

rather than investing time and resources in building them in-house. However, from a CRM and multiple channel integration perspective, the arguments of Swaminathan and Reddy (2000) are important that not only is the physical integration of channels critical but also the brand image and service quality experienced by the customer.

There is a growing body of academic and practitioner literature discussing the importance and role of multiple physical and virtual channels; also known as customer contact points; that facilitate the firm-customer contact. As stated by Walk and Kooge (2001), since contact initiatives lie with firms as well as customers, from the firms' perspective, managing, influencing and tailoring customer contacts has become increasingly difficult. This process is further complicated by the presence of multiple customer contact channels. Similar views are echoed by Woodcock and Starkey (2001:65) when they state that there are 'different roles for different channels for different customer segments at different stages of their customer lifecycle'. Therefore, defining the channel mix in itself is a complex task central to customer management. In addition, Fairhurst (2001) draws our attention to the fact that in contrast to one-to-one contacts, the remote nature of electronic channels is not conducive to creating intimacy with customers and building trust. This trust is essential for getting customers to share data central to effective CRM programs. Authors such as Spencer-Matthews and Lawley (2006) and Woodcock and Starkey (2001) are unanimous in their views about the positive impact of customer contact management on the CRM planning, proposition development, communication activities, competencies, choice of information, technology processes and analysis. The multi-channel integration process is closely aligned with the information management process and the discussion of the same follows next.

2.4.3.4 Information management process

Knox et al. (2003:30) propose the information management process to comprise of two main activities: "collecting and collating customer information from all customer contact points and using this information to construct complete and current customer profiles which can be used to enhance the quality of the customer experience". Payne and Frow (2005:173) propose four elements essential for the information management process:

- Data repository - to collect and hold customer information in databases
- Analytical tools - to integrate the customer information using analytical tools.
- IT systems - structures to integrate data across computing systems
- Front and back-office applications - such as sales force automation and call centre management (front-office), administrative activities, procurement, warehouse management, logistics software (back-office).

The construction of a customer database is perceived to be fundamental for effective CRM contact management (cf. Winer, 2001; Ryals, Knox and Maklan, 2000). The database is supposed to capture and store all customer related information gathered across channels. McKim and Hughes (2001:224) differentiate between database marketing and CRM by arguing that ‘CRM not only contains names, addresses, demographics, purchases, web history and promotion activity, but is also usually associated with a massive corporate data warehouse run by the information technology department’.

In addition to the customer database, call centres are also increasingly discussed in literature due to their changing role and impact on the dynamics of customer relationships. The rationale being call centres combine both technological and human enabling elements of operational CRM. This viewpoint is echoed by Calvert (2001:168) that ‘call centres are transforming into customer contact centres, i.e. central point of communication to truly manage customer relationships’. Similar arguments are put forth by Meltzer (2001:238) that the ‘evolution of the call centre and its integration with a data warehouse architecture will serve as a focal point for the customer centric approach to CRM’.

The literature highlights the complex nature of customer contact management due to the multiplicity of channels and the amount of customer information being captured through the channels. Therefore, managing a campaign effectively also brings with it the need for further data analytics for key decision areas. Customer interface, also known as customer experience management and multiple channels integration are perceived to be the two primary areas which have benefited from technological developments in successful CRM process implementation. The use of technology should be to not only meet customers’ expectations, but also to support the customer value proposition, provide competitive differentiation and contribute to

the desired customer experience (cf. Gartner Research, 2001a). Electronic Data Systems (2001) purports organisations wanting holistic CRM must focus on integrating existing channels (phone, faxes, e-mail) and expand channels with new technologies that offer a wide variety of options to match all types of customers. These include interactive voice response, speech recognition, Internet call-back functionality, voice-over Internet, live Internet chat and the web. Successful CRM requires a flow of customer information around the organisation and tight integration between operational and analytical systems (Gartner Research, 2001a,b). The understanding of the customer is translated into operational decision making at each customer touch point: marketing, sales, service, arrears management, collections and account closure (Furness, 2001). In addition, the decisions may apply to physical delivery channels, such as branch, ATM, telephone; supermarket as well as virtual delivery channels, namely the Internet and mobile services (cf. Payne, 2001).

This discussion is summarised in the viewpoint put forth by researchers such as Wiedman, Buxel and Walsh (2002), Abbott, Stone and Buttle (2001a,b) that the strategic usefulness of the data gathered across channels within a company is enhanced when ‘combined within a decision oriented data model’. This helps in implementing the observation, analysis and optimisation of the organisation’s market oriented activities across all areas of the organisation.

2.4.3.5 Performance assessment process

Payne and Frow (2005:173) argue in favour of a performance assessment process to ensure that “the organisation’s strategic aims in terms of CRM are being delivered to an appropriate and acceptable standard and that a basis for future improvement is established”. To that end, the authors propose shareholder results and performance monitoring issues as the key actions necessary for the performance assessment process.

Other authors in literature argue that CRM is said to have an impact on ‘both sides of the profit equation, i.e. revenue and costs (cf. Buttle, 2000b). Therefore, it is imperative to develop a structured measurement program by identifying the ‘metrics that matter the most to the organisation’ (cf. Electronic Data Systems, 2001) based on the reasons for choosing those metrics (cf. AT Kearney, 2001b,c). The literature

identifies strategic, operational and infrastructure input metrics as important for performance assessment (cf. CRM-Forum, 2002; Gartner Research, 2001a). These metrics are perceived to be internally and externally focused, linking operations and strategy to corporate financial benefits. While each firm will have a unique set of corporate, operational and infrastructure input metrics, the customer oriented metrics for assessing value and profitability will be common to all firms. The need to establish the purpose of the CRM program and fully understand the drivers that produce customer satisfaction and those that deliver customer value have been consistently echoed across literature (Starkey and Woodcock, 2002; McKinsey 2002a,b; AT Kearney, 2001b; Electronic Data Systems, 2001; Payne, 2001; Buttle, 2000b). While performance assessment metrics are developed within a firm, Boston Consulting Group (2001b) highlights the need to develop customer-defined performance measures and accordingly align the internally developed measures.

The ultimate goal of CRM is to build customer value resulting in profitability for the firm, the performance assessment leads towards gauging the return on investment from the CRM initiative. Return on investment is an emerging theme in academic and practitioner literature (Buttle, 2002; CRM-Forum, 2002; Grabner-Kreuter and Moedritscher, 2002; Parvatiyar and Sheth, 2002; Peppers and Rogers, 2001). While diverse perspectives are offered on the approach to measuring return on investment, Buttle (2002:6) identifies three issues on return on investment with likely impact areas:

- *What counts as an investment in CRM?* - Likely impact on customer strategic issues, infrastructure, operational and analytical issues
- *What counts as a return on that investment?* - Likely impact on corporate and financial goals
- *Over what time period that should be measured?* - likely impact on Investment gestation period, macro-environmental factors affecting the firm and industry

The three issues pertaining to return on investment not only encompass the details of CRM strategic planning and implementation but also draw attention to the possible business and industry environmental factors affecting the CRM process. The analysis of performance assessment leads back to the strategy development process.

2.4.4 Section summary: Conceptual perspectives on CRM

This section has presented the conceptual perspectives on CRM. The section began by highlighting the diverse sources of CRM literature ranging from academic articles to discussions in the popular press. Since this research study is academic in nature, the review of the literature here has focussed primarily on the academic literature. The conceptual perspectives in the extant academic literature particularly the published peer-reviewed journal articles were discussed next and a review of each paper was presented in terms of the key issue discussed and its contribution to our understanding of CRM. Two salient themes emerged – CRM as a business process and Information Technology (IT) as an enabler of CRM. Thereafter, the section presented a review of the literature emerging across academic and practitioner sources regarding CRM process and conceptual frameworks. The diversity in literature on the CRM process was again highlighted in the discussion. Essentially, the differences among the functional, relational and holistic approaches to the CRM process were illustrated in tables 2.4 and 2.5. This was followed by a discussion of the framework proposed by Payne and Frow (2005) and previously published in Knox et al. (2003) which suggests that the CRM process consists of five main processes. It was also emphasised that these processes are not linear, rather iterative feedback-driven. The rationale of adopting this framework as the basis for this research study was also established. Evidence from other CRM literature sources echoing the arguments put forth in support of the framework proposed by Payne and Frow (2005) were also incorporated in the discussion of the five CRM processes.

After a review of the conceptual perspectives on CRM, the following section discusses the extant empirical research on CRM.

2.5 Extant empirical research on CRM

In line with the themes of the conceptual writings on CRM, the empirical research has also emerged along similar lines. Given the nascent stage of the CRM literature and theory building, empirical research has been exploratory in nature and focussed on the broad issues of CRM as a business strategy process. These research studies are discussed here.

2.5.1 Colgate and Danaher (2000)

In a study of personal bankers in retail banking, Colgate and Danaher (2000) investigated the appropriateness of a relationship marketing strategy, its implementation and affect on customer satisfaction. The authors use a quantitative postal questionnaire survey among customers of five retail banks in New Zealand in a nationwide study.

The research findings revealed that an ‘excellent’ strategy implementation (such as the use of a personal banker) will raise customer satisfaction and loyalty. A strategy rated ‘poor’ (such as a poorly performing personal banker) will lower customer satisfaction and loyalty compared to those customers who are not engaged in such a strategy (such as not having a personal banker). The study also provides evidence of asymmetric effects with negative effects bigger in magnitude than positive effects where the negative effects of unsuccessful relationships are due to poor strategy implementation (such as the personal banker having to handle a large number of customers) and not due to an inappropriate strategy (such as providing a personal banker).

2.5.2 Reinartz and Kumar (2000)

Reinartz and Kumar (2000) focus on the customer lifetime value aspect of relationship marketing. The authors empirically test the strength of lifetime duration – profitability relationship, profitability pattern, and whether the cost of serving long life customers is less and do long life customers pay higher prices. The research was in the form of tracking purchase data of 4202 households obtained from a US catalogue retailer and covered a time period of three years.

Based on the research findings, the authors challenge the long-held view that lifetime customers are the most profitable. In a non-contractual setting such as the catalogue retail environment, the research findings indicate that the life-time value of the customer is driven by revenues and not by the duration of the customer’s tenure (Reinartz and Kumar, 2000). On the basis of their work, the authors assert the need for identifying long and short life customers, the need for customising the marketing strategy accordingly and developing ways to increase revenue by customer segments regardless of the customers’ tenure.

2.5.3 Abbott, Stone and Buttle (2001)

Abbott, Stone and Buttle (2001a,b) researched the extent to which companies collect, store and manipulate customer data in order to develop and implement more effective CRM strategies. The results of an email survey and qualitative interviews across industry sectors in the UK revealed that though customer data is considered critical to a successful CRM strategy, in reality, however, there is little or no understanding of customers from the customer data residing within the companies. Issues of data quality, data sharing across departments such as Marketing and IT, and technological support for data acquisition, analysis and deployment are yet to be addressed to improve effectiveness.

2.5.4 Ryals and Payne (2001)

Ryals and Payne (2002) explore the adoption of CRM in financial services and the use of data warehousing in supporting CRM. Specifically, the study aimed to determine:

- a) How respondents in these organizations defined CRM,
- b) The background to the process of adoption of CRM,
- c) Performance measures and analytical tools used in CRM,
- d) How CRM is managed within the organization,
- e) The main components of IT that impact on CRM,
- f) How IT capability was developed,
- g) The benefits of CRM and the barriers encountered by those companies that were successfully implementing CRM

The authors conducted a qualitative study using in-depth interviews with organisational members (Marketing and CRM) within UK financial services organization comprising of: a) banks and building societies, b) insurance and c) fund management firms. Based on the research findings, Ryals and Payne (2001:22) state that the importance of developing an appropriate data infrastructure is vital for the successful adoption and use of CRM in financial services. The use of data warehouses help in improving efficiency and effectiveness and the attitude towards information and managing and integrating marketing and IT are key issues for successful adoption of CRM.

2.5.5 Hart, Hogg and Banerjee (2004, 2002)

Hart, Hogg and Banerjee (2004, 2002) applied the stakeholder theory to develop stakeholder groups in CRM and explored the opinions of three primary stakeholders, namely, firms, consultants and software vendors' opinion on CRM for five aspects:

- a) CRM objectives
- b) Effectiveness of the CRM tasks
- c) Evaluation
- d) Success
- e) Failure of CRM tasks

Exploratory online survey across the three respondent groups revealed differences among the three stakeholder groups on the five aspects pertaining to CRM. This research contributes to improving an understanding of CRM in three major ways:

- *First*, it establishes the presence of different stakeholder groups and their influence on the CRM process.
- *Second*, it highlights the differences in opinion among the stakeholders regarding the five aspects of the CRM process.
- *Third*, empirical evidence is established that experience of individuals has an impact on organisational learning for CRM practice and the research findings reflect the stages of knowledge development among the three respondent groups.

The research findings have implications for the development of CRM as a business practice because the success of a CRM initiative requires a unified vision and approach from the stakeholders involved in the process (cf. Hart, Hogg and Banerjee, 2002:259).

2.5.6 Lemon, White & Winer (2002)

A study by Lemon, White & Winer (2002) focuses attention on the dynamic nature of CRM – the past, present and future considerations by customers for relationship continuation and termination and its implications for the firm-customer relationship. This study takes its point of departure from extant empirical work on customer retention that has primarily examined satisfaction as a key determinant in customers'

decision to keep or drop a product or service relationship. There are two key findings of this study:

- *First*, based on the findings of a quantitative questionnaire survey, the authors state that customers appear to use recent usage patterns and prior expectations as inputs into their current expectations of future use.
- *Second*, the findings of an experimental study draw attention to the influence of anticipated regret on keep/drop decision. The influence of regret appears to be stronger for ongoing services than transaction-based services.

2.5.7 Wilson, Daniel & McDonald (2002)

Evidence of empirical work on the application of IT in CRM is found in a study by Wilson, Daniel & McDonald (2002). The research focuses on determining success factors of CRM systems implementation. Previous literature on success factors is used as a basis to generate factors of success and test them against recent projects for three main areas pertaining to CRM - 'front-end' CRM at the customer-interface, 'back-end' CRM for analytical purposes and customer facing e-commerce applications linking with core customer databases. The analytic induction method was used to analyse data from five qualitative case studies.

The research findings resonate with previous research on factors influencing the success of IT systems for CRM generated such as *the need for an organisation champion, identifying business IT needs, organising around the customer, designing for flexibility, addressing organisational culture change, managing IT infrastructure*. In addition, the research uncovers the following factors that also impact the success of IT implementation, namely:

- Defining approval procedures which allow for uncertainty
- Gaining board awareness of strategic potential of IT
- Leverage models of best practice
- Rapid strategy/action loop to experiment & gain credibility
- Prototype new processes, not just IT

Importantly the research highlights the challenge of successfully combining aspects of a relatively mature discipline like marketing with emerging technological

advances and the role of the organisation in doing so, as in the case of CRM implementation.

2.5.8 Raman and Pashupati (2004)

A study by Raman and Pashupati (2004) examines the barriers to successful CRM implementation by focussing on two important aspects of a CRM system – data capture and technology use. Data capture refers to “the operational component of CRM resources where firms focus on capturing customer data so that they can have a 360 degree integrated view of the customer” (Raman and Pashupati, 2004 citing Greenberg, 2001). CRM technology use refers to “the technological component of an organisation’s efforts to manage its relationships with its customers” (Raman and Pashupati, 2004:10).

The authors use qualitative in-depth interviews among industry experts and a web based survey for data collection. The study identifies the following as barriers to successful data capture:

- Lack of information sharing across the organisation
- Insufficient end-user output at the time of planning and implementation

The lack of software flexibility and lack of end-users skills are identified as barrier to successful deployment of CRM technology.

2.5.9 Kapoulas, Ellis and Murphy (2004)

Kapoulas, Ellis and Murphy (2004) explore the impact of recent technological advances in the context of UK retail financial services and identify consumers’ attitudes towards their financial services institutions. Previous literature has identified elements of ‘cognitive and ‘affective’ trust as important for build loyal relationships between customers and their financial services institutions (cf. Kapoulas, Ellis and Murphy, 2004 citing Johnson and Grayson, 1998). This research focuses on exploring consumer perceptions of ‘affective’ trust needed for long-term relationships. In a study involving focus group discussions with e-banking customers and non e-banking customers, the research indicated differences between the two customer groups on:

- The willingness to be involved with the electronic medium

- The sense of control and empowerment felt by e-banking customers
- Not much differentiation between both groups with regards to trust and commitment.

Trust, if any, was more cognitive rather than affective in functional terms of the relationship for the e-customers, given the sense of control emanating from timing, ease and level of access to their accounts. The research findings appear to have implications from a CRM perspective because the relationships between the financial services institutions and their customers appear inequitable and this imbalance needs to be addressed if electronically mediated CRM is to benefit both organisations and their customers.

2.5.10 Dibb and Meadows (2004)

Dibb and Meadows (2004) use a single case study of a UK financial services company to explore the shift towards relationship marketing principles by describing the implementation of CRM in UK financial services sector. The authors adopt a model of 'high RM focus' versus 'low RM focus' proposed by Dibb and Meadows (2001) to examine company, customer, technology and staff related issues. Semi-structured interviews with organisation members reveal three key findings:

- Barriers such as organisational structure, appreciation of the firm's customer base, level of technological resource, human resource policies can impede an organisation's progress towards a relationship marketing focus,
- In practice, 'harder' areas of *technology* and *customer analysis* are simpler to manage when compared to 'softer' and complex areas of *staff* and *company structure*, and
- Key differences emerge in the application of RM by companies with a high RM focus specifically in the use of language (CRM as a preferred term to describe the relationship marketing approach), application of different customer channels (such as web based channels) and the use of lifetime value as a basis for assessing the worth of customer relationships.

2.5.11 Section Summary: Extant empirical research on CRM

This section of the chapter has discussed the empirical research on CRM in the extant literature. The fact that the literature on CRM is embryonic is evident in the themes discussed in the literature, the relative newness of the publications, just about five years old and the relatively sparse publications. The nature and extent of empirical research on CRM also reflect the nascent stage of the literature. Table 2.6 summarises the empirical studies. The following section presents the research gaps that emerge from the review and analysis of the extant conceptual perspectives and empirical research on CRM.

Table 2.6: Overview of the key empirical studies on CRM

Authors	Focus	Method	Location	Unit of analysis	Findings	Limitations reported	Future research directions
Colgate and Danaher (2000) <i>J. of the Academy of Marketing Science</i>	To examine the appropriateness of a relationship marketing strategy, its implementation and affect on customer satisfaction	Quantitative-postal survey (n=834)	New Zealand	Customers of five retail banks	An 'excellent' implementation will raise customer satisfaction and loyalty. A strategy rated 'poor' will lower customer satisfaction and loyalty compared to those customers who are not engaged in such a strategy. Evidence of asymmetric effects with negative effects bigger in magnitude than positive effects.	Influence of personal bankers needs to be put into perspective Focus on one industry and one medium of relationship: personal banker in retail banking	None discussed in the paper
Reinartz and Kumar (2000) <i>J. of Marketing</i>	To investigate the strength of customer lifetime duration-profitability relationship	Quantitative data tracking (n=4202 households)	USA	Customers of a catalogue retailer	In a non-contractual setting such as the catalogue retail environment, the research findings indicate that the life-time value of the customer is driven by revenues and not by the duration of the customer's tenure	No control on the impact of customer satisfaction on lifetime duration No data on differential acquisition modes and costs for long and short-life customers Test for further longitudinal data beyond the 3 year time span used in the study How a qualitatively differential treatment of customers affects their lifetime behaviour	Extend research to other product categories and industries and test the proposed conceptual model Integrate consumer opinions and attitudes in the behavioural database Examine whether consumer attitudes can be used as discriminators between intrinsic disposition towards short and long lifetime duration
Abbott, Buttle and Stone (2001a,b) <i>J. Database Marketing</i>	To what extent are companies collecting, storing and manipulating customer data in order to develop and implement more effective CRM strategies?	Stage 1: Email survey (n=40) Stage 2: Follow up face-to-face or telephone interviews (n=17)	UK	Firms across industry sectors	Issues of data quality, data sharing across departments such as Marketing and IT, and technological support for data acquisition, analysis and deployment are yet to be addressed to improve effectiveness.	None discussed in the papers	None discussed in the papers

Table 2.6 (contd.): Overview of the key empirical studies on CRM

<i>Authors</i>	<i>Focus</i>	<i>Method</i>	<i>Location</i>	<i>Unit of analysis</i>	<i>Findings</i>	<i>Limitations reported</i>	<i>Future research directions</i>
Ryals and Payne (2001) <i>J. of Strategic Marketing</i>	To explore the adoption of CRM in financial services and the use of data warehousing in supporting CRM To propose a framework for CRM adoption	Qualitative In-depth interviews (n=20)	UK	Organisational members (Marketing and CRM) within UK financial services organization: 1. Banks and building societies 2. Insurance 3. Fund management	The importance of developing an appropriate data infrastructure is vital for the successful adoption and use of CRM in financial services. Data warehouses help in improving efficiency and effectiveness The attitude towards information and managing and integrating marketing and IT are key issues for successful adoption of CRM.	Small number of interviews focussing on firms that have made progress in developing a CRM approach Did not focus on firms with smaller customer bases Limited to UK based firms and specific categories within the industry sector	1. Exploring the adoption of CRM more broadly within financial services - Using larger samples from within the categories examined in this study - Examining the experience of firms in the pre-CRM planning stage - Covering other types of financial institutions - Replicating the study in other countries 2. Extend the study to other industry sectors with large customer bases 3. Inter-sector comparisons 4. Theory development within CRM 5. Explore the ROI performance of investments in CRM 6. Explore in detail use of specific CRM applications such as campaign management, sales force automation, electronic and mobile commerce and multichannel integration 7. Undertake longitudinal studies relating to the evolution of CRM

Table 2.6 (contd.): Overview of the key empirical studies on CRM

<i>Authors</i>	<i>Focus</i>	<i>Method</i>	<i>Location</i>	<i>Unit of analysis</i>	<i>Findings</i>	<i>Limitations reported</i>	<i>Future research directions</i>
Hart, Hogg & Banerjee <i>J. of Customer Behaviour</i> (2002) <i>International Marketing Management</i> (2004)	Understand the manifestation of CRM among the stakeholders most closely involved with developing and implementing CRM business process Explore whether the level of experience has an impact on the CRM programs	Quantitative-web based survey (n=719)	International	Firms, Consulting firms and software vendors	The primary stakeholders of CRM differ in the perception of CRM: its objectives, effectiveness and evaluation of tasks, success and failure Empirical evidence is established that experience of individuals has an impact on organisational learning for CRM practice and findings reflect the stages of knowledge development among the three respondent groups	None discussed in the paper	Investigate the opinions of secondary and tertiary groups of stakeholders, Studies on end users-the customers- requirements and responses to CRM implementations Explore linkages between stakeholder concept and other concepts within Relationship Marketing Need for longitudinal sector specific studies.
Lemon, White and Winer, 2002 <i>J. of Marketing</i>	Exploring the past, present and future considerations by customers for relationship continuation and termination and its implications for the firm-customer relationship	Experimental laboratory study Questionnaire survey (n=191)	Not stated	Consumers for the entertainment and grocery deliveries industry sector	Customers appear to use recent usage patterns and prior expectations as inputs into their current expectations of future use. Anticipated regret has an influence on keep/drop decision. The influence of regret is stronger for ongoing services than transaction-based services.	First study used customer data but second study used laboratory experiments with hypothetical scenarios	Examine aspects such as expectations of future satisfaction, and a broader view of expectations of future benefits to be derived from relationships. Other industry sectors Interactions of past-focused measures, situational variables and future focused decision aspects.

Table 2.6 (contd.): Overview of the key empirical studies on CRM

Authors	Focus	Method	Location	Unit of analysis	Findings	Limitations reported	Future research directions
Wilson, Daniel and McDonald, 2002 <i>J. of Marketing Management</i>	Determine success factors in CRM systems implementation	Case studies (n=5) 23 interviews	Not stated	IT-enabled intervention designed to effect business change	The research highlights the challenge of successfully combining aspects of a relatively mature discipline like marketing with emerging technological advances and the role of the organisation in doing so. Barriers to successful data capture - lack of sharing of information across organisation and insufficient end-user input for planning and implementation Barriers to successful CRM technology deployment-lack of flexibility in the software, lack of skills in end-users	None discussed in the paper	None discussed in the paper
Raman and Pashupati, 2004 <i>J. of Customer Behaviour</i>	Exploratory investigation of the barriers to CRM implementation	Multiple methods- depth interviews, web survey research (n=805) and content analysis	Industry experts - USA Others- International	Industry experts, marketing, sales and customer service users of CRM in firms	Segments of customers –one that values interaction and one not keen on establishing a relationship with the FSI Difference between the two categories revolves around the willingness to be involved with the electronic medium.	Response bias due to convenience sampling, self-report survey and lack of multiple informants from within an organisation	Measure responses using scales generated in the study Longitudinal studies to study barriers at each stage of CRM deployment
Kapoulas, Ellis and Murphy, 2004 <i>J. of Customer Behaviour</i>	Impact of recent technological advances in retail financial institutions(FSI)	Qualitative – Focus groups (4)	UK	Non e-bank retail customers and e-customers	1. Barriers such as organisational structure, appreciation of the firm's customer base, level of technological resource, human resource policies can impede an organisation's progress towards a relationship marketing focus. 2. In practice, harder areas of technology and customer analysis are simpler to	None discussed in the paper	None discussed in the paper
Dibb and Meadows, 2004 <i>J. of Strategic Marketing</i>	1. How and why the approaches of RM and CRM are being applied in financial services organisations 2. Why barriers to progress are being encountered 3. How these are	Qualitative case study of a financial services organisation using documents and in-depth interviews	UK	In-depth interviews with senior managers from the case organisation		None discussed in the paper	None discussed in the paper

	being overcome				<p>manage when compared to softer and complex areas of staff and company structure.</p> <p>3. Key differences emerge in the application of RM by companies with a high RM focus in the use of language, application of different customer channels and the use of lifetime value as a basis for assessing the worth of customer relationships.</p>		
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Source: Author, based on the literature review

2.6 Research Gaps: CRM

Focus of extant research: A careful review of the empirical research study reveals the following salient points:

- *First*, the extant research on CRM issues is in early stages, given the budding nature of the CRM literature, with majority of the research themes being the earliest systematic research attempts.
- *Second*, the research focus has been predominantly on broad based issues of CRM as a strategic business process, as reflected in the studies by Abbott, Stone and Buttle (2001a,b), Hart, Hogg and Banerjee (2002, 2004), followed by studies on IT as an enabler of CRM processes (Wilson, Daniel and McDonald, 2002; Raman and Pasupati, 2004).
- *Third*, given the budding state of the conceptual discussions and lack of robust theories and constructs, bulk of the research is exploratory in nature.
- *Fourth*, since many a CRM issues are being researched for the first time, the authors have followed a broad-brush approach across industry sectors and the data capture in almost all cases has been at a single point in time.
- *Fifth*, where sector specific studies have been undertaken (studies by Ryals and Payne, 2001 and Dibb and Meadows, 2004) the focus has been on the financial services industry because the industry provides a suitable context in terms of large customer bases resulting in large amounts of customer data and the investment by financial services companies in adoption of technology to facilitate CRM processes.

Research Gaps: The extant research on CRM furthers an understanding of a concept that is still widely debated not just in terms of its definitions, its usefulness to the marketing discipline and the practicality in implementation CRM as a business practice. However, the following research gaps can be detected in the extant research:

➤ **Need to study specific CRM processes and activities**

Conceptual perspectives and empirical research on CRM is in early stages as reflected in the literature, discussed in section 2.4 (chapter 2). The literature is only just starting to grow and the discussion of CRM is from multiple perspectives with

some focussing on its antecedents whereas some others on technology related issues. Conceptualising CRM as a strategic initiative that is manifest in multiple processes is gaining credence (Payne and Frow, 2005; Plakoyiannaki and Tzokas, 2002; Srivastava, Shervani and Fahey, 1999). Where much of the literature is conceptual in nature, Payne and Frow (2005) on the basis of early empirical evidence conceptualise CRM as a combination of five cross-functional processes. The discussions on CRM processes are predominantly prescriptive in nature with little discussion of the actual implementation stages or process. This can be attributed to the exploratory and embryonic nature of the literature which has only begun to develop concepts of CRM. The literature has yet to move to the next level of dealing with specific aspects of the CRM process.

Extant research too, has focused on the overarching CRM process and not any specific component of the process. This is evident in the studies by Raman and Pasupati (2004), Hart, Hogg and Banerjee (2002), Ryals and Payne (2001), Abbot, Stone and Buttle (2001a,b). Where the focus has been on something specific, it has been essentially on IT implementation, such as the study by Wilson, Daniel and McDonald (2002) or technology developments (Kapoulas, Ellis and Murphy, 2004). There is no reported empirical research on specific aspects of the five CRM processes.

Given the early stages of CRM literature development, there is immense scope for empirically investigating each of these processes to enhance our understanding and lead towards theory-development.

➤ **Need for research focus on the customer perspective**

The literature has essentially focused on CRM issues from an organisation perspective and little on the customer perspective. The customer perspective, where found is essentially limited to anecdotal evidences and is only beginning to emerge in academic empirical research such as Colgate and Danaher (2000); Reinartz and Kumar (2000); Lemon, White and Winer (2002) and Kapoulas, Ellis and Murphy (2004). This issue merits serious concern, given that the buyer-seller relationships are the *raison d'être* of the CRM process.

Further, the need to explore the customer perspective is not limited from a theoretical standpoint but also merits attention from the business practice perspective. The latter is reflected in the fact that customers have become as interested in process (improvements in the buying and service process) and relationship benefits (those accruing to the customer from entering into a value exchange relationship with the seller) as they are in functional benefits (cf. Brown, 2000; McKinsey, 2001a). But even within the business perspective, although the customer is at the core of the CRM process, practitioners argue that most firms know little about their customers, or take full advantage of the information generated from the transactions or request information from the customers yet leave little or no opportunity for the customer to comment in return (AT Kearney, 2001a; BCG, 2001a).

➤ **Need for sector specific and longitudinal studies**

Within the extant literature, there have been several calls for sector specific studies and the need for longitudinal studies to capture the temporal dimension of customer relationship development (Ryals and Payne, 2001; Hart, Hogg and Banerjee, 2002, 2004; Lemon, White and Winer, 2002; Raman and Pasupati, 2004). As the extant research on CRM has been in early stages and taken a broad-brush approach to investigating CRM issues, much of the research has been cross-industry in nature. Research has not investigated in-depth specific industry sectors to determine whether the CRM based issues in one industry are similar to or differ across industries. Additionally, barring the studies by Reinartz and Kumar (2000) and Lemon, White and Winer (2002), there is a lack of research which is longitudinal in nature and explores the impact of the temporal dimension on CRM issues and firm-customer relationships.

The research gaps are not only evident from the analysis of the conceptual perspectives and empirical research but also acknowledged and mentioned by authors as future research directions, as presented in table 2.6. (Also see, illustrative quotes for specific research needs/gaps presented in chapter 1, section 1.2 on research justification). After delineating the research gaps, the following section proceeds to situate the research study.

2.7 Situating the research study

The purpose of this section is to delineate the research focus on the basis of the emergent research gaps. In order to make the study manageable and conduct an in-depth exploration of a particular aspect of CRM, this research study will focus on one of the five CRM processes, namely, multi-channel integration process (section 2.4.3 and figure 2.2). The rationale of exploring issues pertaining to channel integration process is driven by the following facts:

- Channels are conveyors of products and services from the firm to the customer,
- Along with traditional channels, technology has enabled a two-way information transaction between firms and customers,
- In the CRM process, the multi-channel integration process plays the central role because it is the only process that facilitates firm-customer interface whereas the other processes can be initiated by the firm alone,
- The range of physical and virtual channels makes this firm-customer interface a dynamic and interactive process.

The dynamic and interactive firm customer interface through the multiple channels also results in several challenges for both firm and customers, which have been discussed in the extant academic and practitioner literature. These challenges can be grouped from the strategic, operational and analytical perspectives.

From a strategic perspective, the provision of channels ‘has to be considered in the context of the life cycle of the customer relationship, not just the specific sales activity’. Additionally, in order to realise the purpose of a CRM initiative, channel integration necessitates the creation of a new business model that includes the multiple channels, financial, technological and human resource capabilities to design and manage the channels and contributes to a unified product/service brand image (Knox *et al.*, 2003:43).

The challenge is not just limited to developing a business model with the necessary capabilities for the provision of multiple channels for firm-customer interface. The strategic challenges are linked further to challenges emerging from an operational and analytical perspective. *First*, is the need to create an appropriate business model which is a strategic challenge. *Second*, is the need to align successful data capture across all customer touch points - operational challenge (cf. Payne,

2001; Gartner Research, 2001a,b). *Third* is the need to generate effective analysis of the customer data gathered across contact points - analytical challenge, something critical for designing and conveying seamless customer experience across channels and feed the information back into the loop for further strategic development (Knox et al., 2003; Wiedmann, Buxel, Walsh, 2002).

The challenges pertaining to channel integration are not only discussed in the extant literature but also cited as reasons for failure of CRM initiatives in empirical research (cf. Pasupati and Raman, 2004; Hart, Hogg and Banerjee, 2002) and practitioner literature (AT Kearney, 2001c,d; Deloitte Consulting, 2001a; McKinsey, 2001a,b,c).

While the issues and challenges pertaining to channel integration are well documented in the literature, however, there is a lack of research in the published literature on CRM that empirically investigates the conceptual perspectives on multiple channel integration as a CRM process, its usefulness and contribution to the overall CRM concept. This apparent lack of research on the topic is noted within the literature itself, as evident from the following illustrative quote:

“There is an increasing interest from academics and practitioners in the area of multi-channel integration. Whilst there is a huge literature on channels, there is relatively little published work dealing with issues relating to multi-channel integration in CRM or its predecessor, hybrid marketing systems (Moriarty and Moran, 1990)”

Payne and Frow (2004:528), *Industrial Marketing Management*

2.8 Chapter summary

This chapter has reviewed the extant literature on customer relationship management (CRM). Specifically, this literature review has enabled to:

- Trace the foundations of customer relationship management within the relationship marketing literature, which has emerged from diverse literature streams, namely, business-to-business marketing, services marketing, database and direct marketing literature (section 2.1)
- Conceptualise CRM as the relationship between firms and their ultimate customers in line with the arguments of Zablah, Bellenger and Johnston (2003), Möller and Hallinen (2000) and Payne (2000) (section 2.2)

- Determine customer relationships as resources, as suggested by Gauthier and Schmid (2003), Hooley et al. (2001), Hunt (1997) and Hunt and Morgan (1995) (section 2.2)
- Adopt the holistic definition of CRM which regards CRM as a strategic business process, as argued by Zablah, Bellenger and Johnston (2004), Plakoyiannaki and Tzokas (2002) and Srivastava, Shervani and Fahey (1999) (section 2.3)
- Underpin the research study with the CRM framework proposed by Payne and Frow (2005) (section 2.4)
- Determine the focus of research on the channel integration process in light of the research gaps emerging from the conceptual perspectives and empirical research on CRM discussed in the extant literature (section 2.4, 2.5, 2.6 and 2.7)

The following chapter will review the extant literature on marketing channels to distil the issues critical for developing the concepts for this research study.

CHAPTER 3: MULTIPLE CHANNELS IN MARKETING

3.0 Introduction

Chapter 3 extends the discussion of the preceding chapter, which focused on customer relationship management (CRM) process. The channel integration process was identified as one of the five processes of CRM (Payne and Frow, 2005; Knox et al., 2003) and it was established as the focus of this research study. The reasons for the same were discussed in chapter 2. The purpose of chapter 3, therefore, is to review the extant literature on channels to understand the key issues specific to marketing channels, which are relevant for this research study.

The chapter has five sections. The *first* section examines the definitions and role of channels in marketing. In addition, the two branches of channel literature based on channel structures are distinguished and the point of departure of this chapter, i.e. the focus on multiple channel structures is established. The *second* section details the influence of service characteristics on marketing channels and details the focus of the study on the retail banking sector. The *third* section presents conceptual perspectives and empirical research on multiple channels in retail banking and delineates research gaps. The *fourth* section discusses the conceptual perspectives and empirical research on multiple channel integration and identifies research gaps. The *fifth* section focuses the research study in light of the research gaps identified from the literature review. The chapter concludes with a summary of the key points.

3.1 Channels in the context of marketing

This section provides a backdrop to the chapter by delineating channels in the context of marketing and situating multiple channels as a channel structure within the broad-based discussion of marketing channels.

3.1.1 Definition and role of channels in marketing

Section 3.1.1 begins by reviewing the definitions of channels, and then examines the relevance of channels to marketing, as it is presented from the goods and

manufacturer-intermediary-supplier perspective. This perspective dominates the mainstream marketing literature on channels.

McCalley (1996:4) defines channels as “a business structure, reaching from the point of product origin to the consumer, through which a manufacturer or marketer motivates, communicates, sells, ships, stores, delivers, and services the customer’s expectations and the products’ needs”. The definition proposed by McCalley (1996) *encompasses communication, selling and service as part of marketing functions and shipping and storage as part of distribution functions aligned to channel management.*

The definition from Rosenbloom (1999:9) conceptualises marketing channels and their management as “the external contactual organization that management operates to achieve its distribution objectives”. Implicit in this definition is the perspective that the management of channels is an intra-organizational activity involves external organizations and distribution activities. On a similar note, Stern and El-Ansary (1992:1) state “marketing channels can be viewed as sets of interdependent organizations involved in the process of making a product or service available for use or consumption”.

It is notable that the Stern and El-Ansary (1992) definition mentions products and services unlike the definition by McCalley (1996) which focuses on the distribution of goods alone and not services. The *notion of services* is also echoed in the definition proposed by (Kotler et al., 2002: 98), “place or channels involves all the company activities that make the product or service available to target customers”.

The two key roles of channels are in terms of *distribution* and *communication*. Principally, channels in marketing are perceived as distribution systems meant for ‘supplying products and services for consumption (Stern and El-Ansary, 1992). Marketing channels not only *satisfy demand* for goods and services by supplying them at the right place, quantity, quality and price but they also *stimulate demand* through the promotional activities of the units (e.g. retailers, manufacturers’ representatives, sales offices, and wholesalers) constituting them (Stern and El-Ansary, 1992:2-3). In doing so, the channels contribute to the

marketing activity of a firm by providing time and place utilities of the goods and services produced (Buttle, 2004).

Another role of channels is to *transmit and process information* along with the movement of goods and services and this function was earlier perceived as secondary to the principal role of products and services distribution (cf. Glazer, 1991). However, the increasing information intensity of products and services has come to imply that the communication role of the channel is becoming important in its own right (cf. Glazer, 1991) as the channel has to ensure time, place and information utility of the product and service for its consumption. This denotes a shift from the traditional distribution function associated with marketing channels (Buttle, 2004) and reflects an extended role of the marketing channels.

The relevance of channels in the marketing literature is evident from the discussion of the marketing mix – the four ‘Ps’. The marketing mix is conceptualised in the literature as “the set of controllable tactical marketing tools-product, price, place and promotion-that the firm blends to produce the response it wants in the target market” (Kotler et al., 2002:98). Place or channels and their importance to marketing are upheld by Rosenbloom (1999) who argues that marketing channel strategy is a major area of strategic marketing management and channels can help an organisation build competitive advantage. His arguments are underpinned by a systematic look at the other three Ps – product, price and promotion. Rosenbloom (1999) draws attention to the fact that product, price and promotion strategies have been used extensively to build competitive advantage. However, these competitive advantages can be eroded by competitors through matched product design, features, and quality; lowering pricing differences through cost-effective production; and the ever-increasing communication and promotion campaigns that can lose customer attention. Rosenbloom (1999:5-6), argues that competitive advantage can be gained through the marketing channel strategy because it is difficult for competitors to copy, given: a) the long term nature of channel strategy, b) the structure of the channels and c) channel strategy is based on relationships and people.

As mentioned previously the relevance of channels is discussed in the mainstream marketing literature from the manufacturer-intermediary-supplier perspective. This body of literature has also argued that the channel strategy can help

build and sustain competitive advantage. From the strategic marketing perspective, channels and channel relationships have been conceptualised as market-based assets to be cultivated and leveraged (Hooley et al., 2001; Srivastava, Shervani and Fahey, 1998; Hunt and Morgan, 1995).

Some observations on channels and channel relationships in this body of literature are noteworthy:

- *One*, channels and channel members are conceptualised as external to the organisation (Srivastava, Shervani and Fahey, 1998).
- *Two*, channels as assets are viewed from the distribution-supplier perspective (Hooley et al., 2001).
- *Three*, channel equity is perceived as a result of firm and key channel member relationships (Srivastava, Shervani and Fahey, 1998).

The above discussion has helped to situate channels in the context of marketing. Further, the predominant tone of the literature emerging from this discussion suggests that channel strategy and management constitutes relationships between the organisation (manufacturer) and other members such as intermediaries, suppliers, who are external to the firm, indicative of the nature of channel structures. As a next step, therefore, the next sub-section takes a closer look at the channel structures.

3.1.2 Channel structures - Vertical and multiple channel structures

The purpose of this sub-section is twofold. *First*, the channel types and channel structures are explicated and two different channel structures are distinguished. In addition, the two branches of channel literature based on the channel structures are detailed. *Second*, the multiple channel structure as the focus of the study is established.

Rosenbloom's (1999:24) defines channel structures as 'the group of channel members to which a set of distribution tasks has been allocated'. This has also led to the use of the phrases 'direct and indirect channels' in the literature. 'Direct' where the manufacturer is directly in contact with the customer and no intermediaries are involved in the product or service delivery and 'indirect' where multiple levels and use of external intermediaries emerge in the channel structure, i.e. the manufacturer,

wholesalers and distributors. Friedman and Furey (1999) explicate the three basic channel types, as illustrated in table 3.1.

Table 3.1: Channel types

<i>Direct sales channel</i>	The field sales force consisting of sales representatives
<i>Indirect sales channel</i>	Intermediaries, such as a value-added partner, distributor, or in some cases a retail store
<i>Direct marketing channels</i>	Channels, other than the sales force, that connect the manufacturer directly with the customer, such as, telemarketing, direct mail, the Internet and sometimes retail stores

Source: Friedman and Furey (1999:47)

Other explanations of channel types further segment the direct marketing channels into e-channel (the Internet), serviced channel (call centres, field representatives, service representatives) and media channel (direct mail and broadcast media) (cf. Rheault and Sheridan, 2002).

Knox et al. (2003:143) define *media* as “the modes of communication between customers and their suppliers, such as sales representatives, phone, post, call-centres, Internet, mobile phones” and *channel* as “the legal entity with which the customer contractually engages to provide goods or services, such distributors, retailers, service providers which can be either direct or indirect”.

The alternative explanations of channel type and the range of channel possibilities suggested are indicative of the multitude of options available to an organisation to develop channel structures.

The discussion on channel structures, however, is not so simplistic. Rosenbloom (1999:208) highlights the lack of an explicit definition in literature regarding the concept of channel structure and suggests ‘three key dimensions as determinants of channel structure:

- Number of levels in the channel
- Intensity at the various levels
- Types of intermediaries at each level

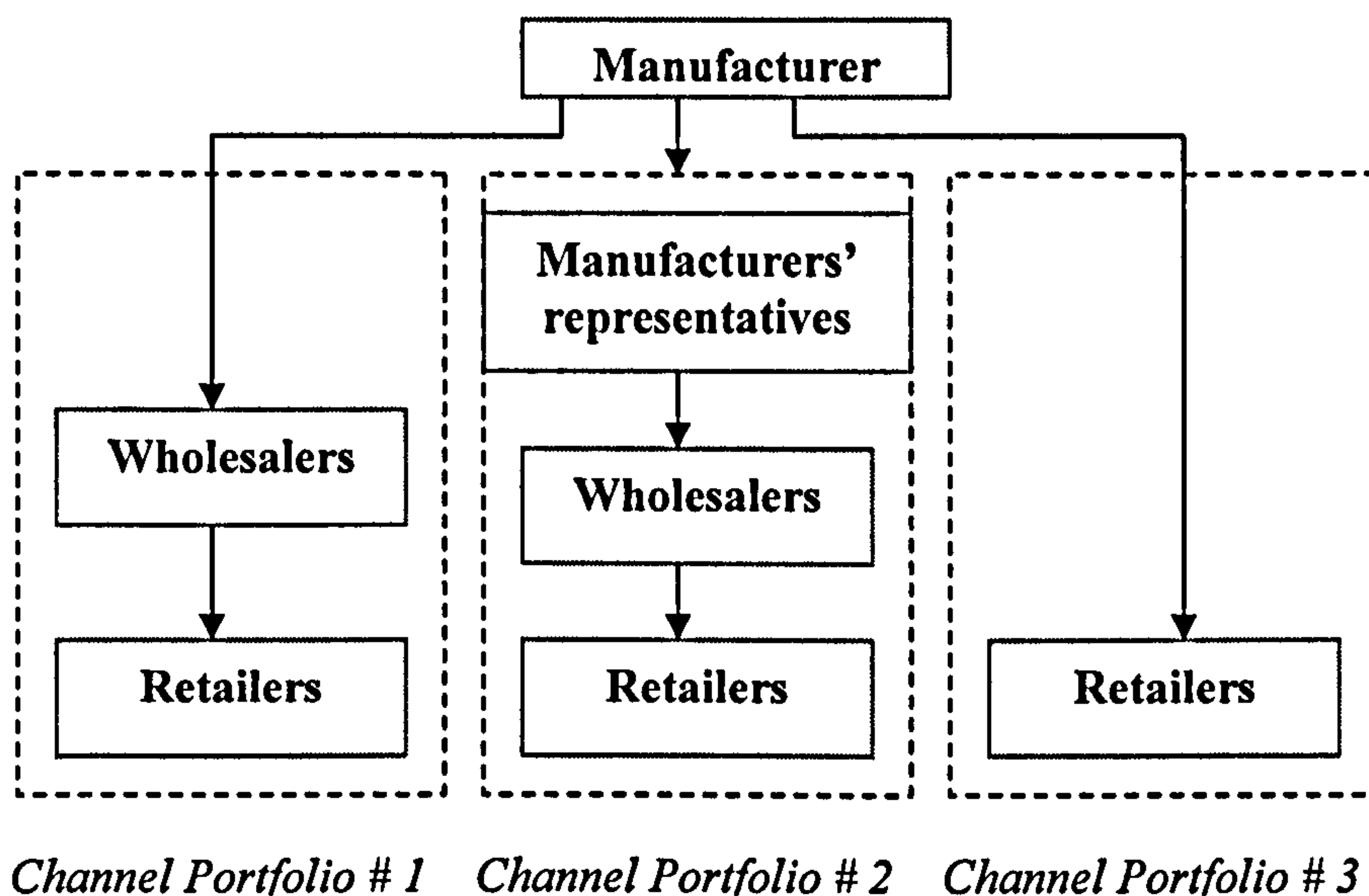
Particularly, the dimension of length, i.e. the number of intermediaries in the channel has been used most frequently in channel structure discussions to suggest alternative channel levels (cf. Rosenbloom, 1999; Kollat, Blackwell and Robeson, 1972). Primarily, two types of channel structures emerge in the literature with their

corresponding bodies of literature - the vertical channel structure and the multiple channel structure.

3.1.2.1 Vertical channel structures

The extant literature on the vertical channel structures has primarily examined aspects of the channel systems engaging two separate organisations in a 'vertical dyadic relationship' - manufacturer and wholesaler (cf. Webb and Hogan, 2002; Ramsay and Smith, 1999; Frazier, 1983; Reve and Stern, 1979). Traditionally, the literature has viewed channel structures based on the dimension of length and the allocation of tasks within the firm, i.e. the manufacturer itself as well as external organisations such as wholesalers and distributors/retailers (cf. Rosenbloom, 1999). The 'portfolio concept' has been adopted in the vertical channel literature to describe the alternatives available to firms for designing and developing such channel structures (Dickson, 1983) and it is illustrated in figure 3a.

Figure 3a: Vertical channel structure



Source: Adapted from Rosenbloom (1999)

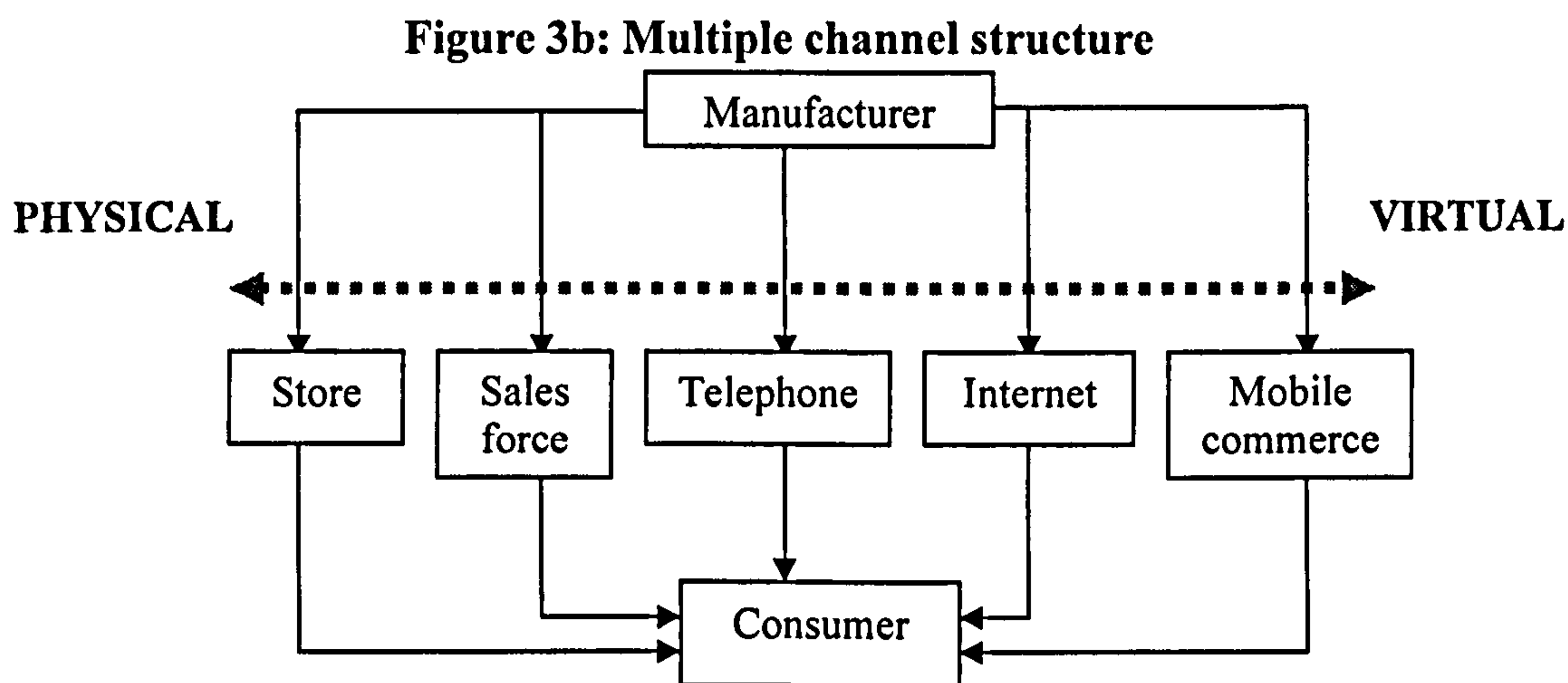
The extant literature on vertical channel systems is well established. This body of literature emerged in the 1950s and since then it has continuously developed with academic and practitioner interest alike. The development of channel management theory was dominantly in vertical (manufacturer-distributor) product systems and governs a vast array of discussions, such as the characteristics of goods approach (Aspinwall, 1958), profit-optimisation orientation (Bucklin, 1966),

transaction cost theory (Williamson, 1975), distributor and manufacturing firm partnerships (Anderson and Narus, 1990), communication strategies in marketing channels (Mohr and Nevin, 1990), inter-firm power in distribution channels (Frazier and Antia, 1995).

The vertical channel structures are underpinned by the manufacturer-supplier distribution chain for goods and dominated by the distribution of goods. More recent trends, however, have seen the emergence of another channel structure whose thrust is not only on the distribution of goods and services but also the transmission of information through human and technology based channels. This channel structure is known as the multiple channel structures, which is increasingly gaining recognition as the multi-channel integration process in CRM.

3.1.2.2 Multiple channel structures

The literature on multiple channel structures deals with issues pertaining to the physical and virtual channel outlets in a horizontal channel structure, within a single supplier firm, as illustrated in figure 3b.



Source: Adapted from Payne (2001)

The multiple channel terminology is rather inconsistent and it has depended on the permutation and combination of direct and indirect channels used by a firm for product/service delivery and communication to reach its customers. This inconsistency has also been acknowledged in the literature (cf. Webb and Didow, 1997). Multiple channel systems have been referred to in the literature in a variety of

ways, such as *multiple channels* (Cespedes and Corey, 1990), *horizontal channel competition* (Pelton, Strutton, Lumpkin, 1997), *hybrid channel systems* (Kotler et al., 2002; Webb and Hogan, 2002; Friedman and Furey, 1999; Webb and Didow, 1997; Moriarty and Moran, 1990), *dual distribution* (Stern and El-Ansary, 1992), *dual multiple channels* (Frazier, Sawhney and Shervani, 1990), *multi-channel marketing systems* (Kotler, 1994).

There is a contrast between the growth and development of multiple channel structures and its literature as opposed to the vertical channel structure and its literature. As stated earlier, the literature on vertical channel structures is mature and well developed whereas the literature on multiple channel structures is in a nascent stage. Academic interest in this area has emerged only from the 1990s onwards and can be found in the works of Moriarty and Moran (1990), Friedman and Furey (1999), Rheault and Sheridan (2002), Payne and Frow (2004), Payne (2001). This can perhaps be explained by exploring the factors facilitating the growth of multiple channel structures.

The evolution and growth of multiple channel systems has been attributed to diverse reasons in the literature. Cespedes and Corey (1990) cite two external factors (computerization and development of large multi-location firms) and two internal factors (increasing cost of personal selling and just-in-time inventory management) as the reasons for the evolution of multiple channel distribution systems. In Kotler's (1994) view, the need for increased market coverage accompanied by lower channel cost and more customized selling has driven the growth of multi-channel marketing system. Similar views are echoed by Frazier and Antia (1995) that market share and cost reduction goals emanating from increased competition has driven firms to develop the multiple channel system. In addition, technological advancement is perceived to be a critical enabler in the development of multiple channel systems by Black *et al.* (2002), Rheault and Sheridan (2002) and Moriarty and Moran (1990). Technological developments allow for the use of cost effective direct and indirect channels, thereby, enhancing the possibility of firms using channels as a source of competitive advantage.

The literature also draws attention to the benefits and challenges of the multiple channel distribution system. There seems to be a consensus within academic

literature (Schoenbachler and Gordon, 2002; Webb and Hogan, 2002; Stern and El-Ansary, 1992) as well as practitioner writings (cf. McKinsey, 2000) whereby multiple channel use has been identified as an area with growth potential and receiving increasing importance in distribution systems. From the practitioner perspective, the management consultancy firm, McKinsey (2000) supported by research findings indicates that over 50% of customers are likely to use multiple channels for shopping and purchasing. Specifically, delivering new benefits or 'value propositions' through integrated multi-channel solutions are purported to be the drivers of growth and profit (McKinsey, 2000). Additionally, from the academic perspective, Zettelmeyer's (2000:292) work argues that 'firms can strategically use information from multiple channels to achieve finer consumer segmentation'. In the knowledge management literature too, Rowley (2002) stresses the importance of the information generated by firm-customer interface through multiple channels for generating business intelligence.

The growth factors and benefits emerging from the use of multiple channel structures have led to a burgeoning academic interest in this branch of marketing channels. Both, the development of multiple channel systems and the literature focussing on it, are embryonic, yet full of opportunities and challenges. From the literature perspective, authors such as Webb and Didow (1997), Frazier, Sawhney and Shervani (1990) have acknowledged the relative lack of published literature focusing directly on the multiple channel system and inadequate theory development in this area. From the technology perspective, rapid technology developments continue to generate new channel possibilities and their effects, use and consequences are yet to be addressed adequately in the literature. From the consumer behaviour perspective, given that multiple channels are still early in evolution, "little is known about what drives consumers to be single channel or multiple channel buyers" (Schoenbachler and Gordon, 2002:43).

Earlier in chapter 2, it was stated in section 2.6 that this research study focuses on the channel integration process of CRM. Following from there,

➤ *This chapter will focus on the literature on multiple channel structures.*

3.1.3 Section summary: Channels in the context of marketing

This section has reviewed the definitions and role of marketing channels, and distinguished two channel structures. The following salient points emerge:

There is a lack of a universal definition of marketing channels and the discussion on the role and contribution of channels to marketing is addressed predominantly from the goods and manufacturer-intermediary-supplier perspective. In addition, the definitions are primarily from the *products* perspective barring a couple of definitions that include the *services* perspective also in the definition.

Two principal roles of marketing channels stand out in the literature: channels as distribution systems and channels as modes of communication. Further, two different channel structures (vertical and multiple) were revealed in the literature, which have correspondingly led to the development of two distinct branches of literature.

➤ *In line with the research focus on multiple channel integration, this chapter focuses on multiple channel structures and consequently adopts the conceptualisation of multiple channels proposed by Payne and Frow (2005).*

The multiple channel structure is in an emergent phase full of opportunities for robust research but it has not received adequate attention in the channel literature – a fact acknowledged within the literature too. Therefore, it necessitates a review of other literature streams that have explored the multiple channel structure, predominantly the services marketing literature. The following section explores marketing channels in services.

3.2 Channels in services

This section discusses channels in services marketing. *First*, the section explores the characteristics of services and their influence on marketing channels. *Then*, the context of the study is established by focussing on the financial services sector and specifically retail banking sector.

Certain special characteristics of services need attention in order to understand their implications for channel management in services marketing (Rosenbloom, 1999; Stern and El Ansary, 1992; Glenn and Bergiel, 1982). These

characteristics are summarised in table 3.2, followed by a discussion of each characteristic and its influence on the marketing channels.

Table 3.2: Service characteristics having implications for channel management

Intangibility of services
Inseparability of services
Uneven demand for services
Difficulty of standardisation
Customer involvement in the service process
Perish ability of services

Source: Adapted from Rosenbloom (1999), Glenn and Bergiel (1982)

- *First*, the marketing channel used for selling a service can tangibilise it and have an impact on the customer's direct exposure to and experience of the service.
- *Second*, from the customer's perspective, the channel of interaction and the service *are the same thing* at the point of contact and therefore a manifestation of the service on offer and a reflection of the service quality.
- *Third*, fluctuating demand for certain services necessitates the creation of channels to meet consumer demand in peak periods and adjust to slack periods.
- *Fourth*, standardisation of services can be complex and difficult to achieve given the high degree of human involvement in service delivery.
- *Fifth*, marketing channels need to facilitate customer involvement in those service processes that require a considerable degree of customer input.
- *Sixth*, given the perishable nature of services, channel design has to maximise the service sale during its limited exposure to the target market (Rosenbloom, 1999:512-515; Glenn and Bergiel, 1982:489-492).

In addition to the above, literature also draws attention to the customer experience of services within and across channels and the resulting implications for relationship maintenance or termination (cf. Payne and Frow, 2004). An extended discussion on customer experience during service encounter within and across channels is presented in section 3.4.4.

The unique characteristics of services also have an impact on the development of the service channels. Broadly, the channels are either independent service channels or combined service channels, depending on the requirement, as illustrated in table 3.3.

Table 3.3: Development of service channels

<i>Channel type</i>	<i>Details</i>
Independent service channels	<ul style="list-style-type: none"> ▪ To fill a specific need and are not associated with other products or services
Combined service channels	<ul style="list-style-type: none"> ▪ When the service is integrated with a channel that distributes the product
1. Combination by acquisition →	<ul style="list-style-type: none"> ▪ Channel member acquires a majority interest in the service company. Service is offered as part of the firm's total product mix
2. Combination through leased departments →	<ul style="list-style-type: none"> ▪ Independent businesses operated within the facilities of another business
3. Combination by tie-in agreement →	<ul style="list-style-type: none"> ▪ Contractual arrangements in which two independent companies agree to cooperate on the sale of a product or service. The channel member may do no more than agree to provide a signed order to the service company.

Source: Glenn and Bergiel (1982:493)

The service characteristics and their impact on channel development options discussed above differentiate marketing channels for services from the extensive vertical networks required for tangible products (cf. Stern and El Ansary, 1992; Glenn and Bergiel, 1982). The differences are visible in the design and configuration of marketing channels. Since service producers are manufacturers and retailers combined in most instances (Rosenbloom, 1999), the service channels are shorter and direct from the producer to the end-user (Rosenbloom, 1999; Stern and El Ansary, 1992). This view about services usually being made available through direct channels is challenged by some other authors, who argue that 'the use of at least one middleman is common in most service channels' (Glenn and Bergiel, 1982:494). Apart from differences in opinion regarding channel structure, there appears to be consensus in literature that 'the design of the service offering defines the delivery system and participants in the marketing channel' (Stern and El Ansary, 1992:571-2). Additionally the integration of information, promotion, negotiation, exchange and financial flows in the design of the channels is critical because these flows carry the service through the channel (Rosenbloom, 1999; Stern and El Ansary, 1992).

The literature, however, does illuminate the fact that the framework of channel systems utilised for goods has tended to dominate and stunt the development of channels for services. Further, the perceptual bias regarding simultaneous creation and distribution of services has resulted in the lack of conceptual clarity of production and distribution of services (cf. Glenn and Bergiel, 1982). Additionally, the limited conceptual analysis and empirical research on the inter-organisation

management of marketing channels for services is acknowledged in the literature (Stern and El Ansary, 1992; Glenn and Bergiel, 1982).

After establishing the backdrop of marketing channels for services, the next step is to review the literature on marketing channels within the financial services industry, and specifically retail banking, which is the context of the research study.

3.2.1 Focus on retail banking and sector characteristics

This section discusses the characteristics typifying the financial services industry and particularly retail banking and their impact on the channel strategy and development are examined. The financial services sector in the UK and specifically retail banking has been chosen as the principal research context for this research study because over the years, the financial services sector has undergone enormous transformation due to regulatory changes and competitive pressures. One of the consequences of these changes has been the migration of the sector to multiple channel usage (Sarel and Marmorstein, 2002). The financial services industry has been particularly well suited to multiple channel usage because there is no ‘physical’ product to deliver, which is a significant advantage and the industry has traditionally had the infrastructure and capabilities (human resource and technological) necessary for multiple channel adoption (Kimber, 2001). Further, the reasons cited above have led to an interest in multiple channels and generated their discussions in the financial services literature. This discussion provides a useful foundation for further enhancing the understanding of the evolving multiple channel structure.

Before proceeding further, though, it is appropriate to clarify the usage of the term ‘financial services’. The financial services industry, per sé is an all encompassing term for a wide range of specialist areas such as retail banking, merchant banking, insurance, to name a few.

➤ *In order to make the study manageable and in-depth, this research study proposes to focus on retail banking.*

After delineating the focus of the study, the characteristics of the financial services sector that have influenced the channel usage within the industry sector, are discussed next:

- *First*, the range and diversity of services offered in the financial services has grown extensively (Black et al., 2002; Meidan, Lewis and Moutinho, 1997) and led to the development of outlets providing specialist services (Meidan, Lewis and Moutinho, 1997).
- *Second*, the financial services are information-intensive, involving complex pre and post-sales information search and use (Dibb, 2001; Ennew and McKechnie, 1998). Information intensity not only results in difficulty in the collection and interpretation of the information but also a high degree of risk in the purchase decision (ibid.). As the benefit of many financial service purchases (such as mortgage, investments, insurance) are realised over time, it makes financial services 'low in search qualities and high in experience and credence qualities' (Zeithaml, 1981).
- *Third*, in addition to having marketing and an initial delivery role, 'delivery channels within the financial services sector also have a long term continuing maintenance role, which is fairly unique to the sector' (Howcroft, Hamilton and Hewer, 2002:112).
- *Fourth*, the difficulty in pre and post-purchase evaluation leads customers to rely on the word-of-mouth recommendation from other experienced purchasers as well as the service providers (Ennew and McKechnie, 1998).
- *Fifth*, this reliance of consumers on others' experience may not always be appropriate, as each consumer's experience is unique due to product customisation to suit individual requirements (cf. Ennew and McKechnie, 1998).
- *Sixth*, the complex purchase decision process drives the financial services industry to be a high-contact business between buyers and sellers.
- *Seventh*, such a nature of business necessitates the establishment of trust and confidence and long-term buyer-seller relationships for successful customer acquisition and retention (Bhattacharya and Bolton, 2000; Christopher, Payne and Ballantyne, 1991). The relevance of 'customer orientation and quality of service delivery interaction process' in shaping consumers' perception of financial service providers is not only established conceptually but also reflected in empirical research (cf. Devlin, Ennew and Mirza, 1995).

➤ *Eighth*, technological advancements have not only facilitated better customer contact and service delivery from the service providers' perspective (cf. Moutinho and Meidan, 1989; Meidan, Lewis and Moutinho, 1997; Csipak, Chebat and Venkatesan, 1995), but also enabled customers to be better informed about products and services (cf. Ennew and McKechnie, 1998).

➤ *Ninth*, while technology has facilitated a range of channels, 'the choice of channel to be employed in the delivery of financial services has additional importance to financial service providers as the method of service is often equated with the actual product' (Lockett and Littler, 1997:791). This particular aspect reinforces the service characteristic of *inseparability* (cf. Rosenbloom, 1999; Stern and El-Ansary, 1992) between the channel of interaction and the service on offer.

Specific to retail banking, the high-contact nature of the industry, diversity of services on offer, and technological developments have not only influenced channel strategies adopted by the service providers (Lockett and Littler, 1997) but also shaped the tradition of multiple channel usage (Black et al., 2002). The three main technology types that have shaped the multiple channels for retail banking are screen based, voice response and human operators (cf. Lockett and Littler, 1997).

The above discussion has not only highlighted the complexities and characteristics of the financial services industry but also drawn attention to the role of marketing channels in facilitating the purchase and consumption of financial services at a broad level and specific to retail banking.

3.2.2 Section summary: Channels in services

This section has reviewed the literature in terms of marketing channels in services. Particularly, the impact of service characteristics (intangibility, inseparability, perishability, uneven demand and customer involvement in the service process) on channel structures and configuration were examined. Thereafter, the focus of the research study on financial services and specifically retail banking was established. In doing so, the characteristics of financial services that influence the channel usage within the industry sector were detailed. Given the research focus on multiple channels in retail banking, the following section presents an overview of the four

main retail banking channels and the extant empirical research on channels in retail banking.

3.3 Multiple channels in retail banking

This section presents an overview of the four main banking channels. Then, the key empirical research studies examining channel related issues specific to retail banking industry are presented along with a discussion of the research.

The literature on distribution channels within retail banking has evolved in tandem with the evolution of the channels. Technological advancement have led to the development of four principal electronic delivery channels in the financial services sector, namely, automated teller machines (ATMs), the telephone, PC and the Internet and more recently, a fifth, interactive television banking, which is in nascent stages (Hamilton and Hewer, 2000). These technology driven channels join the primary channel of branch network in reaching customers for service delivery. At one extreme, the bank branch as a distribution channel has been the subject of considerable conceptual and empirical research works (Greenland, 1995; Morgan, 1993; Hughes, 1992; Deng, Moutinho and Meidan, 1991). Then, with the advent of technology such as ATMs (automated teller machines), telephone banking and more recently internet based banking, much academic interest is evident in studies comparing the branch to technology driven channels or contemplating the future of branch-based banking in the light of technology advancements in channels. More recently, the research thrust has been on issues of online banking, primarily adoption and diffusion of online banking. Emergent literature on channels in retail banking also makes a similar observation. As pointed out by authors such as Black et al. (2002), the conceptual frameworks focus either on the characteristics of adopters or on the characteristics of innovation or a mix of both.

3.3.1 Four main banking channels

A brief overview of the four main types of banking channels is presented here in order to explicate their role and contribution to retail banking. It is not the purpose here to chronicle the technological evolution and changes of each of these banking

channels, rather outline the purpose of their evolution from the marketing channel context.

3.3.1.1 Bank branch

The bank branch network has been the traditional distribution channel of retail banking. Branches were set up by retail banks with a purpose to “attract relatively cheap retail deposits through the convenience of branch locations and branch-based payment systems” (Howcroft and Beckett, 1993:267). Essentially the branch served three main purposes. *First*, it provided tangibility to the retail banking service through its physical presence, thereby characterising the elements of the service marketing mix and providing a means for service production and delivery for the bank and service consumption for the customers. *Second*, it facilitated convenience of financial transactions pertaining to cash and cheques – the primary objective that led customers to maintain bank accounts. *Third*, the branch provided a platform for banks to facilitate relationships with their customers (cf. Devlin, 1995).

3.3.1.2 ATM

The influence of technology on banking channels and service delivery and consumption was first evident in the automated teller machines (ATMs). The ATMs were introduced as an alternative to branch based cash withdrawal activity (cf. Devlin, 1995). These were located at cash-points which were non-bank locations thereby increasing customer convenience not only in terms of location but also time due to the twenty-four hour access facility.

3.3.1.3 Telephone banking

The development of telephone banking as a step towards home banking systems was initially attempted in two forms – screen based home banking and then voice based home banking (cf. Devlin, 1995). Voice based telephone banking; where the call was answered by a human operator became an effective channel which enabled bill payments, balance enquiries and money transfer across accounts.

3.3.1.4 Internet banking

The advancement in Internet based technology led to the development of Internet banking, also known as online banking. The online banking facility has manifested itself in two forms – a) where traditional banks with branch based networks also offer the customers the facility of undertaking banking activities through an Internet account developed as part of in-house online activities; and this approach is termed as ‘bricks and clicks’, b) where banks have set up separate entities which offer Internet based banking, known as ‘virtual banks, that is independent of branch based banking (cf. Claessens, Glaessner and Klingebiel, 2002). The range of personal banking activities that customers can undertake include viewing account statements, payment of bills, direct debits, standing orders, credit card bills, money transfer across accounts.

The development and assimilation of the electronic channels in the retail banking distribution channel strategy has not only facilitated consumer convenience of banking at a choice of hour and location suitable to them but also enabled for the banks a lowering of costs for servicing the customers.

Against this back drop, the following sub-section explores the research on multiple channels as a distribution strategy in retail banking.

3.3.2 Empirical research on multiple channels

A limited number of studies have empirically examined multiple channel usage within the financial services sector. The type of research issues under examination and their key findings are discussed here.

3.3.2.1 Easingwood and Storey (1996)

One of the earliest studies on multi-channel distribution strategies was conducted by Easingwood and Storey (1996) to examine the consequences of the multiple channel system in the UK financial services sector by considering a range of financial products together with the channels used by each product for marketing purposes. Easingwood and Storey (1996:239) assert that this was the ‘first study on multi-channel utilisation’. The authors conceptualised the following five approaches as marketing channels for financial services sector: a) direct response advertising, b)

direct mail, c) branch network, d) intermediaries and e) direct sales force. The research was in the form of a quantitative questionnaire survey with managers of financial products across banks, building societies, insurance and investment companies.

In the research findings, Easingwood and Storey (1996:238) identify four strategies of multi-channel systems adopted in the financial services sector in the UK, namely, a) intermediary (single channel strategy, b) balanced, c) arm's length, d) networks strategy. The authors consider the following three as distinct and plausible:

- 'Balanced' strategy in which many of the channels are used, including a direct sales resource with no single channel dominant
- 'Arm's length' strategy employing those channels (direct response advertising, direct mail, and intermediaries) that involve little contact between company staff and customers
- 'Networks' strategy based on the use of networks, company owned or intermediary

The banks, building societies and insurance companies appeared to be using the 'balanced' and 'network' strategies while the investment companies using the 'arm's length' strategy.

Some of the other findings reported from this study include the improved overall performance, sales performance and profitability performance where 3-5 channels were used and in comparison to where 1-2 channels were used. In addition, the authors call for further research to examine the use of channels for accessing new markets for future development.

3.3.2.2 Mols, Bukh and Nielsen (1999)

Mols, Bukh and Nielsen (1999) conducted a questionnaire survey among 65 largest retail banks in Denmark to explore distribution strategies in the Danish Banking sector and specifically the adaptation process in distribution channels. This research focuses on four channels: branch, telephone banking, PC banking and Internet banking. The authors argue that not only are there four clear segments of customers for each of the four distribution channels but also a 'multiple channel segment' of

customers where customers are increasingly using two or more channels for different banking activities.

The research findings revealed that multiple channel strategy was the banks' preferred distribution channel strategy. Additionally, the banks attached importance to offering one or more electronic distribution channels to the customers. Two critical issues emerge from these research findings. The first relates to the adoption of electronic channels in the distribution strategy of banks. Mols, Bukh and Nielsen (1999:45) citing Carman and Tournois (1998) state that 'the diffusion of electronic banking is determined more by consumer acceptance than by seller offerings'. The second issue relates to the implications of multiple channels as a distribution strategy. The authors' purport that multiple channels are likely to result in increased competition and organizational challenges regarding technology, human resources and capital investments. Finally, the research draws attention to the lack of sufficient information on market segments' preference for channel mixes and the researchers perceive it as 'a crucial obstacle to the design of customer driven distribution systems' (Mols, Bukh and Nielsen, 1999:46). The authors also highlight the lack of literature about the consequences of electronic distribution channels because, in the authors' view, this research topic has not been given adequate attention in mainstream services marketing and distribution channel research.

The research studies conducted by Easingwood and Storey (1996) and Mols, Bukh and Nielsen (1999) examined the banks' perceptions of the distribution channel strategy. In contrast, several research studies have tried to explore the consumer perspective by intertwining the consumer behaviour perspective and the multiple channel perspective. The findings of some of the key research studies are discussed here.

3.3.2.3 Ramsay and Smith (1999)

Ramsay and Smith (1999) studied customer channel usage and preference in the Australian banking sector. This research involved a study of bank records and customer questionnaire survey among B2C customers (n=294). The findings reflect an imbalance between customer channel usage, preferences and channel profitability. The authors present a model consisting of financial and non-financial data on both

the sales and transaction channels; the financial data comprises of actual and predicted revenues and expenses, and channel usage rates; the non-financial information was drawn from surveys conducted to investigate customer channel preferences and perceived service quality. The model showed that the financial performance of the channels (*from the bank records study*) was generally the inverse of their marketplace performance (*from the customer survey*). Channels showing good profitability were among the least preferred channels from the customer survey and the customer channel preferences were different from their actual usage, the main difference being with the branch as a transaction channel. While it was rated as the most preferred transaction channel, actual usage rates showed that it was only the third most used channel behind ATM and EFTPoS (Ramsay and Smith, 1999:336).

3.3.2.4 Beckett, Hewer and Howcroft (2000)

Beckett, Hewer and Howcroft (2000) used focus groups to examine consumer behaviour in the UK financial services industry. The authors use two constructs of involvement and uncertainty to develop a consumer behaviour matrix to analyse the data. While the empirical research is focused on the purchase of financial products, the findings do shed some light on the role of delivery channels in the purchase process. Though the data appears to be limited as it is based on the findings of three focus groups, it draws attention to the likely implications of delivery channels on consumer acquisition and retention. The research findings are indicative that:

- Consumers' purchasing behaviour is greatly influenced by the type of financial products being purchased.
- Delivery channels also play a role in determining how consumers buy the financial products.
- Consumers are willing to use new delivery channels.
- Consumer involvement can be increased through the introduction of delivery channels that consumers feel comfortable using (Beckett, Hewer and Howcroft 2000:23).

3.3.2.5 Black *et al.* (2002)

Black *et al.* (2002) explored customer choice of distribution channels in financial services through qualitative focus group discussions among three segments of respondents: a) non-Internet users, b) Internet users that have not purchased financial services over the Internet and c) Internet users that have purchased financial services over the Internet. Channel accessibility, costs incurred and perceived risks in channel usage were the three key areas of concern voiced by customers in the research.

The research findings draw attention to the relevance of product-channel interaction and consumer-channel interaction and the authors provide a conceptual framework for understanding consumer choice of distribution channel by using the four variables of product, channel, consumer and organisation. Black *et al.* (2002:172) also suggest that future research should address: a) the nature of interrelationships between customer, product, channel and organizational characteristics, b) consideration to not just cognitive responses but also affective responses of consumers regarding decision to adopt or not adopt a distribution channel.

3.3.2.6 Howcroft, Hamilton and Hewer (2002)

The research of Howcroft, Hamilton and Hewer (2002) examined consumer attitude, to channel choice and adoption of home based banking in the UK, using qualitative focus groups and questionnaire survey. The main findings of the study are:

- *First*, the research is indicative of consumer preference for a mix of delivery channels rather than exclusive reliance upon a single channel.
- *Second*, a range of socio-economic factors and the generic nature of the financial service being purchased are likely to influence the delivery channel choice.
- *Third*, the purchase and subsequent monitoring of the financial service may involve the use of a range of delivery channels by the consumers.
- *Fourth*, factors such as age, gender, income, education do have an influence on consumer attitudes and may cause them to vary accordingly (Howcroft, Hamilton and Hewer, 2002:119).

The findings of this research indicate not only the need for a mix of delivery channels but also the necessity of encouraging customers towards Internet and other

forms of home banking. It also calls for allaying fears of security and safety in the use of new technology.

3.3.2.7 Lee (2002)

In a study with US consumers, Lee (2002) examines how customers want to conduct financial business with financial service providers. The author uses quantitative survey to understand consumers' preferences for face2face interaction versus direct means across financial products ranging from insurance, credit cards, loans, mortgages to fixed deposits.

The research findings suggest that there is a substantial variation in consumer preferences for particular channels of delivery across the types of financial products and services. Face-2-face interactions desired for loan products and mortgages, but credit cards, insurance and investment products (stocks, bonds and mutual funds) were preferred to be purchased through direct means. Four different clusters of consumer profiles were identified on the basis of socio-economic and demographic factors and channel preferences.

3.3.2.8 Winklhofer, Ennew and McKechnie (2003)

The importance of product-channel interaction for critical activities such as information search on financial products, emerging in the study by Black et al. (2002) is further reinforced in the empirical work of Winklhofer, Ennew and McKechnie (2003). This study focused on three channels: face-to-face, telephone and Internet. Data was collected from a questionnaire based telephone survey with a sample of 300 respondents.

The findings confirm the significance of product-channel interactions and establish the variance in information search across and within channels for high involvement (mortgage) and low-involvement (insurance) products. In addition, both cognitive and affective dimensions of attitude contributed in explaining the intention to use, although their relative importance varies across product-channel combinations. In addition, the impact of past experience with a channel was found to be highly significant and behaviour control was relevant for Internet.

As stated earlier, there is substantial research into single channel adoption and usage, particularly on online banking. The aim of this section, however, was to review key research studies on multiple channels. A summary of the studies and their findings and future research directions is presented in table 3.4. The noteworthy points regarding the extant research on multiple channels in the retail banking sector are discussed next.

Table 3.4: Overview of the key empirical studies on multiple channels in banking

Authors	Focus	Location, Method, Unit of analysis	Research parameters	Findings	Future research directions
Easingwood and Storey (1996)	Examine the consequences of the multiple channel system in the UK financial services sector by considering a range of financial products together with the channels used by each product for marketing purposes	UK Quantitative questionnaire survey (n=153) Managers of financial products	5 channels: Direct response advertising, direct mail, branch network, intermediaries, direct sales force 4 types of firms: Banks, building societies, insurance and investment firms	1. Four strategies of multi-channel systems adopted in the financial services sector in the UK can be identified. These are: a) intermediary (single channel strategy), b) balanced, c) arm's length, d) network strategy. 2. Evidence of improved overall performance, sales performance and profitability performance where 3-5 channels were used and in comparison to where 1-2 channels were used.	Further research to examine the use of channels for accessing new markets for future development.
Mols, Bukh and Nielsen (1999)	Exploring the distribution strategies in the Danish banking sector	Denmark Quantitative questionnaire survey (n=65) Bank Managers	Multiple banking channels	Banks consider it important to offer one or more electronic distribution channels to their customers	1. Analysis of the relationship between the electronic channels, the structural changes in distribution channels and the firm's strategic distribution channels decisions. 2. Employees' attitudes and roles in the transformation from branch banking to Internet banking.
Ramsay and Smith, 1999	Identify customers' needs in terms of banking services and use the findings as drivers of future requirements of delivery methods	Australia Bank records study and Quantitative questionnaire survey (n=294) Consumers	Multiple banking channels – branch, telephone, Internet	The financial performance of the channels (<i>from the bank records study</i>) was generally the inverse of their marketplace performance (<i>from the customer survey</i>). Channels showing good profitability were among the lease preferred channels from the customer survey and the customer channel preferences were different from their actual usage.	None discussed in the paper.

Table 3.4 (contd.): Overview of the key empirical studies on multiple channels in banking

<i>Authors</i>	<i>Focus</i>	<i>Location, Method, Unit of analysis</i>	<i>Research parameters</i>	<i>Findings</i>	<i>Future research directions</i>
Beckett, Hewer and Howcroft, 2000	Examine consumer behaviour regarding purchase of financial products	UK Focus groups (n=3) Consumers	Generic products – current accounts, basic insurance, investment services	Consumers' purchasing behaviour is greatly influenced by the type of financial products being purchased. Delivery channels also play a role in determining how consumers buy the financial products.	None discussed in the paper.
Black et al. (2002)	Explore customer choice of distribution channels in financial services	UK Focus groups (n=6) Consumers	Non-Internet users and Internet users	1. Relevance of product-channel interaction and consumer-channel interaction. 2. Using the four variables of product, channel, consumer and organisation to understand consumer choice of distribution channel.	1. Study the nature of interrelationships between customer, product, channel and organizational characteristics. 2. Consideration to not just cognitive responses but also affective responses of consumers regarding decision to adopt or not adopt a distribution channel.
Howcroft, Hamilton and Hewer, 2002	Examine consumer attitude, to channel choice and adoption of home based banking	UK Qualitative focus groups Quantitative questionnaire survey (n=286)	Consumers	1. Consumers prefer a mix of delivery channels rather than exclusive reliance upon a single channel. 2. Socio-economic factors and the generic nature of the financial service being purchased are likely to influence the delivery channel choice. 3. The purchase and subsequent monitoring of the financial service may involve the use of a range of delivery channels by the consumers. 4. Factors such as age, gender, income, education do have an influence on consumer attitudes and may cause them to vary accordingly.	Research the socio-economic and demographic factors for enabling financial service providers to target specific segments of the customer base.

Table 3.4 (contd.): Overview of the key empirical studies on multiple channels in banking

Authors	Focus	Location, Method, Unit of analysis	Research parameters	Findings	Future research directions
Lee (2002)	Understand how customers want to conduct financial business with financial service providers. Examines consumers' preferences for face2face interaction versus direct means across financial products	USA Quantitative survey (n=not stated) Consumers	15 financial products like insurance, bonds, annuity, certificate of deposit, retirement savings plan, loan, credit card, mortgage to mention some.	<ol style="list-style-type: none"> 1. There is a substantial variation in consumer preferences for particular channels of delivery across the types of financial products and services. 2. Face-2-face interactions desired for loan products and mortgages, but credit cards, insurance and investment products (stocks, bonds and mutual funds) were preferred to be purchased through direct means. 3. Four different clusters of consumer profiles were identified on the basis of socio-economic and demographic factors and channel preferences. 	None discussed in the paper.
Winklhofer, Ennew and McKetchnie, 2003	Establishing the extent to which product and channel interactions may be relevant in the context of information search	UK Qualitative interviews Quantitative telephone questionnaire Consumers (n=300)	3 channels: - Face2face - Telephone - Internet 2 products: - low involvement (<i>general insurance</i>) - high involvement (<i>mortgage</i>)	<ol style="list-style-type: none"> 1. The significance of product-channel interactions and the variance in information search across and within channels for high involvement (mortgage) and low-involvement (insurance) products was established. 2. In addition, both cognitive and affective dimensions of attitude contributed in explaining the intention to use, although their relative importance varies across product-channel combinations. 	Further exploration of the affective dimensions.

Source: Author, based on literature review

3.3.3 Research gaps – Multiple Channels

Focus of extant research: Given the paucity of research on multiple channels, these research studies, however, advance our understanding of multiple channels as a distribution strategy in retail banking from the aspect of channel mix.

Two important factors emerge, namely, *product-channel interaction* and *customer-channel interface*. The significance of product-channel interaction has been highlighted by Winklhofer, Ennew and McKetchnie (2003), Black et al. (2002) and Beckett, Hewer and Howcroft (2000) in their research studies.

Product-channel interaction: Product-channel interaction appears important for two reasons:

- Information search on financial products (Winklhofer, Ennew and McKetchnie (2003)
- Purchase of financial products (Black et al., 2002) and Beckett, Hewer and Howcroft (2000).

Based on the research findings, the authors indicate that delivery channels play an important role in determining consumers' purchase of financial products. Similar evidence is found in the study by Lee (2002) that consumers prefer a face-to-face interaction for products with higher perceived risks such as insurance, mortgages, loans, credit cards. Beckett, Hewer and Howcroft (2000) underpin their argument with the constructs of 'involvement' and 'uncertainty or risk' emanating from consumer-buyer interaction literature to understand how consumers structure their interactions when acquiring products and services.

Customer-channel interface: The importance of customer-channel interface is the second aspect of channel mix highlighted in these research studies. A vast range of issues pertaining to customer-channel interface have been brought to fore in these studies, such as:

- Channel preference versus actual usage (Ramsay and Smith, 1999),
- Perceptions of risk particularly in the case of Internet banking and barriers to channel usage (Black et al., 2002),
- Willingness to try new channels (Beckett, Hewer and Howcroft, 2000),

- Needs pertaining to channel usage driven by information search (Winklhofer, Ennew and McKetchnie, 2003,
- Needs pertaining to channel usage driven by product purchase (Black et al., 2002)
- Needs pertaining to channel usage driven by long term service maintenance needs (Black et al., 2002; Mols, Bukh and Nielsen 1999)
- Cognitive and affective dimensions of attitude towards particular channel usage (Winklhofer, Ennew and McKetchnie, 2003; Black et al., 2002)

Research gaps: The following research gaps appear salient from the analysis of the extant empirical research on multiple channels:

➤ **Need for theory development**

The review of the channel literature on multiple channel systems revealed the embryonic and fragmented state of the literature. In contrast to the more mature stream of literature on vertical channel systems, there is little development of conceptual work and empirical research on multiple channel systems – a fact acknowledged within the literature by authors such as Webb and Didow (1997). Within the service marketing literature, while channel development such as ATM, telephone and Internet has spawned research on issues of channel strategy and usage, there is limited research on multiple channel usage.

➤ **Need to research the long-term service maintenance role of channels**

Where customer channel choice and adoption has been studied, it focuses either on the information search on financial products (Winklhofer, Ennew and McKetchnie, 2003) or the purchase of financial products, such as the studies by Black et al. (2002), Howcroft, Hamilton and Hewer (2002), Lee (2002), Beckett, Hewer and Howcroft (2000). This body of research acknowledges that the channels in retail banking have a long-term service continuing maintenance role and consumers use a range of delivery channels for the long-term maintenance activity (cf. Howcroft, Hamilton and Hewer, 2002). This aspect of channel marketing activity, however, does not appear to be researched in the extant literature.

➤ **Need to study specific aspects of channel strategy and consumer behaviour**

The extant research studies also highlight the need to address specific avenues of research emerging from the findings. Specifically, attention is drawn to two main areas. The first is from the channel strategy perspective where the need to study relationships between channels (Mols, Bukh and Nielsen, 1999), and inter-relationships between channels, consumers and products (Black et al., 2002) is suggested to further explicate channel strategic decisions and approaches. The second is from the consumer behaviour perspective; where the need to study consumers' affective responses to channel choice and adoption (Winklhofer, Ennew and McKetchnie, 2003; Black et al., 2002) is stressed in order to gain a better understanding of consumer channel preference and usage.

➤ **Need to capture multiple perspectives**

The emerging research appears to be from two main perspectives – the organization view on multiple channels as a distribution strategy in retail banking and the customer views on channel usage and adoption. It is interesting to note that both of these perspectives are captured separately in studies. There appears to be an absence of research addressing the organisation and customer perspectives through a single study.

Additionally, the research on consumer perspective does not appear to address the issue of different consumer segments and taking them into consideration. At the most, consumer segments are differentiated on the basis of Internet banking users versus non-Internet banking users. Neither segmentation on the basis of other channels usage such as the branch, telephone nor the issues of consumer behaviour in relation to multiple channel usage have been explored in research so far. The latter, though, has been acknowledged as a phenomenon by researchers such as Hamilton, Hewer and Howcroft (2002) and Mols, Bukh and Nielsen (1999).

The research gaps identified here contribute to delineating the focus of this research study (also see chapter 1, section 1.2 – research justification for illustrative quotes for the research gaps discussed here).

3.3.4 Section summary: Multiple channels in retail banking

The review of literature in this section has enabled to:

- Situate the research context for this study by establishing the focus on retail banking in UK, within the broad-scope of financial services and the rationale for the same.
- Present a brief overview of the key marketing channels for retail banking, namely, Branch, ATM, Telephone and Internet.
- Analyse the key empirical studies focused on multiple channels as a distribution strategy in retail banking and consumer preference and usage of multiple channels for information search and financial product purchase.
- Identify research gaps in the literature

The discussion presented in this section has detailed the literature where marketing channels, service marketing concepts and the financial services sector converge. In addition, concepts from consumer behaviour that have been intertwined in the literature interface of channels and financial services were also presented. Multiple channels as a distribution strategy has become the norm in retail banking and the channel mix constitutes of four main channels – branch, ATM, telephone and Internet banking, which provide information and financial products to the customers.

The extant literature has observed that customers are increasingly using multiple channels to manage the long-term monitoring of financial services. Parallel to the channel and financial services literature stream, where multiple channels have been discussed, the literature on CRM has argued the need for multiple channel integration if both, firms and customers have to reap the benefits of a multiple channel strategy. Therefore, with reference to the research focus of this study - channel integration process of CRM, the following section explores the literature on multiple channel integration from a conceptual and empirical perspective.

3.4 Multiple channel integration

While the small but growing body of channel literature establishes the existence of multiple channel structures and its benefits, the issue of channel integration as a channel distribution strategy is just about beginning to emerge in the marketing literature. A small body of channel and CRM literature has explored the conceptual

and empirical perspectives on multiple channel integration and the key concepts highlighted in these works are presented here.

3.4.1 Conceptual perspectives on multiple channel integration

3.4.1.1 Friedman and Furey (1999)

Friedman and Furey (1999:174-182) differentiate between channel mix and channel integration by stating “channel *mix* is about the coverage of a company’s overall market with multiple channels, where channels co-exist, independent of each other, may not interact at all within any particular sale and each provide a different route to customers. Channel *integration*, on the other hand, involves the use of multiple channels, each performing different functions within a *single sales process* to improve selling profitability, service complex transactions and increase market coverage”. The authors further argue that channel integration is greater in complexity than channel mix, given the design, implementation and management challenges (Friedman and Furey, 1999). This argument echoes the views of Moriarty and Moran (1990) regarding the complexity of managing channel mix, assortment of tasks for each channel in terms of identification, selling and management of customers, understanding buying behaviour and managing any channel conflict situation.

Friedman and Furey (1999:186-192) propose that channel integration model depends on three factors, namely,

- ***Appropriate channel-task alignment:*** The authors contend that channel-task alignment should be developed in relation to a specific sale because each channel that is involved in the sales process will be superior, capable or unsuitable of performing a task compared to another channel.
- ***Management of channel hand-offs:*** Friedman and Furey (1999) mention hand-offs as critical to channel integration, because of the room for error arising from the interaction of three-four channels in a single sales process, particularly at transition points between channels. In the authors’ view, management of channel hand-offs should consist of: a) a precise definition of task completion points before the sale is handed over to the next channel and b) specific hand-off procedures that are documented in a formal manner and followed by the channels.

➤ **Effective assignment of ‘account ownership’:** Given the involvement of multiple channels in the sales process, the authors assert the need for overall account ‘ownership’ to bring the sale to a successful closure. Account ownership is deemed important for both - in terms of a short-cycle simple sales activity as well as for complex, longer-cycle sales activities involving post-sale customer support. Friedman and Furey (1999) suggest that where feasible, a low cost channel like the call centre can own a simple sales activity which requires limited post-sale activities and conversely, in the case of complex long-term sales activities, field-sales or business partners should take the account ownership to ensure smooth management of the account and its sales and post-sales needs.

3.4.1.2 Rheault and Sheridan (2002)

Rheault and Sheridan (2002) argue that in order to deliver value to customers, the business should be constructed around customers and their needs instead of products and channels. There are two main arguments put forward by the authors:

First, they conceptualise integrated channel management as a series of processes that encompass strategic initiatives as well as implementation and performance assessment measures, which are presented in table 3.5.

Table 3.5: Key considerations in integrated channel management

<i>Strategy and customer targets</i>			
<i>Evaluate current channels</i>	<i>Design experiences</i>	<i>Prioritize capabilities and create roadmap</i>	<i>Pilot, measure, refine and roll-out</i>
Costs to serve by channel	Role of each channel	Capability gaps	Pilot plan
Effectiveness of segment reach	Integration among channels	Process and role change plans	Funding and resources
Differences over lifecycle	Required experiences by segment	Available technologies assessment	Incentives
Channel conflicts and gaps	Supporting processes and roles across organizations	Required systems and software	Metrics and management process
Gaps in the IT support	Information platforms	Cost and time of implementation	Process to track and capture learning
Competitive gaps in channel usage	Business case for program	Technology development roadmap	Full rollout plan

	Metrics for success	Process and organization roadmap	
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Source: Adapted from Rheault and Sheridan (2002)

Second, Rheault and Sheridan (2002:39) assert the need for better assimilation of online channel initiatives, across four levels:

- *Across channels*: because customers move across channels and hence in order to build customer relationships, organizations should design an integrated customer experience based on anticipated customer needs.
- *Across product/service groups*: because customers do not look for products/services, but solutions and this should be an integrated offering across channels
- *Across functions*: the front end activities (sales, services and marketing) and back end activities (product management, development and supply)
- *Across cost centres*: limiting costs as an integrated plan across the organization

3.4.1.3 Payne and Frow (2004)

Payne and Frow (2004:528) discuss channel integration in the CRM literature where they conceptualise CRM as a set of five strategic processes. The multi-channel integration process is considered to be one of the CRM processes and conceptualised as ‘building a superior customer experience in each touch point where the customer and supplier interact’.

Given the scarcity of literature on this topic, the work of Payne and Frow (2004) is significant in broadening the understanding of multiple channel integration from three main aspects:

First, Payne and Frow (2004) argue for consideration of customers’ needs to be the starting point for developing a channel strategy.

Second, the authors identify and categorise channel strategies and the integrated multi-channel strategy is one of them, as illustrated in table 3.6.

Table 3.6: Channel strategies suggested by Payne and Frow (2004)

<i>Type of channel strategy</i>	<i>Details</i>
1. Mono-channel provider strategy	Customer interactions through one main channel
2. Customer segment channel strategy	Different customer segments interacting with different channel types

3. Graduated account management strategy	Based on the existing and future value of customers
4. Channel migrator strategy	Migrating customers from one channel to another; driven by either the potential within a new channel to serve more lucrative customer segments, or the opportunity to reduce cost or increase customer value
5. Activity-based channel strategy	Customers may wish to use different channels in combination to undertake different tasks
6. Integrated multi-channel strategy	Utilising the full range of commercially viable channels to serve customers and integrating them without attempting to influence the channel that the customer wishes to use

Source: Adapted from Payne and Frow (2004:531)

Third, Payne and Frow (2004:533-36) suggest steps for developing a multi-channel strategy which includes:

➤ ***Developing strategic multi-channel objectives:*** which reflect the overall CRM strategy and are aimed at enhancing customer experience, leading to greater satisfaction for the customer and profitability for the organisation.

➤ ***Understanding customers and channel touch-points to leverage advantage:*** by considering the needs, wants and concerns of customers based on their encounters with the touch-points in order to gain insight into customer experiences. Building on the relationship aspect of CRM, the authors contend that the customer experiences should be viewed over the entire lifecycle of the customer relationship (Payne and Frow, 2004 citing Vandermerwe, 1996). The authors assert that this stage is an extremely important part of multi-channel integration and CRM; not only is it important from the relationship building perspective but also to identify ways in which the touch-points can be leveraged better for gaining competitive advantage.

➤ ***Undertaking a review of industry structure and channel options:*** to review current channel alternatives used by the organisation and its competitors and future potential for changes. The authors suggest the use of channel-chain analysis to consider the combination of channels used at different stages of customer interaction.

➤ ***Understanding shifts in channel usage patterns:*** in order to ascertain a) possible channel options, b) different rates of usage of different channels, c) past trends and future forecasts in relation to the customer segments, d) relative importance of

different channels at different stages of the customer relationship lifecycle for developing products and propositions.

➤ *Reviewing channel economics*: not only in terms of transaction costs per channel but also other costs such as marketing, web development, fulfilment.

➤ *Developing an integrated channel management strategy*: determined by the desired customer experience for the key target segments, the complexity of the channel interaction and the channel economics. Additional issues that require consideration are a) brand consistency in the communication programmes of different channels, b) ensuring the communication and services delivered to a customer across different channels are coherent, co-ordinated and tailored to their particular interests and aware of their previous encounters with the company.

After discussing the conceptual perspectives on multiple channel section, this section turns to search for empirical research evidence on multiple channel integration and only two studies could be found. These are presented next.

3.4.2 Empirical research on multiple channel integration

3.4.2.1 Bradshaw and Brash (2001)

The study reported by Bradshaw and Brash (2001) is based on a cross-sector sample of 114 leading UK companies to determine the extent of multiple channel integration in the business practice. Empirical research using mystery shoppers explored how efficiently and consistently companies were serving their customers across the various channels available to them.

The survey findings highlighted a significant drawback whereby companies were focussing on and managing individual transactions on channels and not customer relationships shaping out of multiple channel use. In addition, problems were encountered when customer-facing processes like marketing, sales and service and the channels were dealt with as separate projects. This disparity was reflected not only in the channel interaction but also in the type of organisation structures and information systems set up for managing the channels.

Importantly, the survey findings not only highlighted the lack of channel integration among the sample companies but also drew attention to the criticality of managing the customer experience through integrated channels. Bradshaw and Brash

(2001:520) argue that 'providing customers with a good experience however and whenever they choose to contact (the firm) is a key part of managing relationships with them.

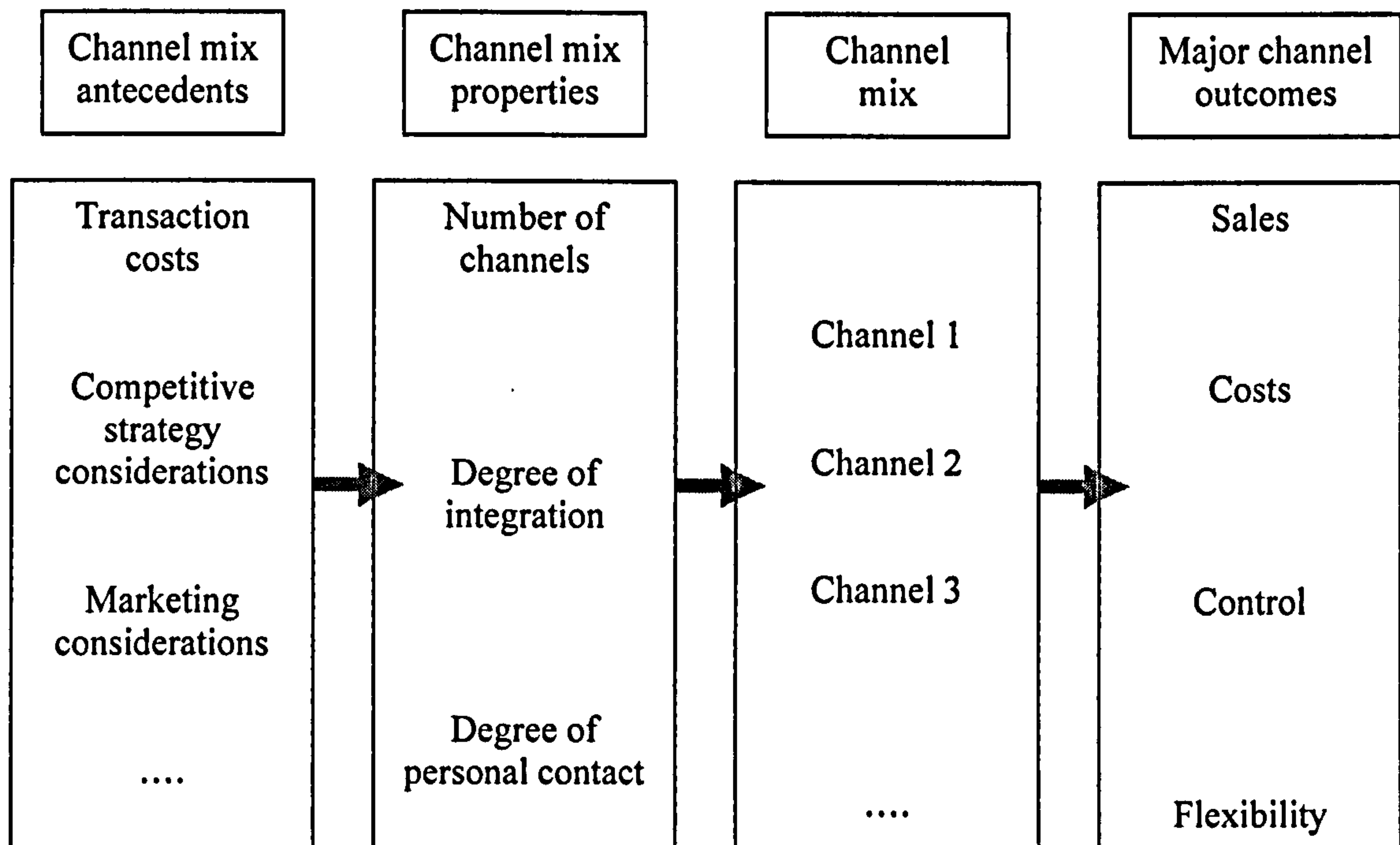
As a prescriptive for managing the customer experience consistently, the authors suggest firms to decide on two key issues: a) mapping customers and their use of a specific media for particular occasions and b) devising ways in which firms can direct customers to the medium/channels that are cost efficient for the firm.

3.4.2.2 Coelho and Easingwood (2003)

Coelho and Easingwood (2003) conducted a small scale empirical research study in the form of six qualitative interviews with managers across six financial services organizations in the UK, namely one retail bank, two building societies, one unit trust company, one general insurance company and one pensions company.

The findings of this small research study indicate a lack of structured approach for channel management and decision processes. The authors echo the arguments of Rheault and Sheridan, 2003; Friedman and Furey, 1999) regarding complexities of multiple channel integration, which the research findings suggest to be a consequence of channel diversity and a lack of planning for effective multiple channel integration. Based on the research findings, Coelho and Easingwood (2003) propose a multi-channel framework, which is illustrated in figure 3c.

Figure 3c: The multi-channel framework proposed by Coelho and Easingwood (2003)



Source: Coelho and Easingwood (2003:26)

Two observations of the framework and its discussion are noteworthy:

➤ *First*, Coelho and Easingwood (2003:27) conceptualise channel integration from the vertical channel integration perspective, underpinned by the transaction cost theory and state ‘channel integration can be conceived as the extent to which the firm makes or buys distribution activities, i.e. the extent to which distribution activities are brought under the management of a single entity’.

➤ *Second*, based on the transaction cost perspective and viewing external entities as channel members, the authors distinguish between two types of channel integration. These are, namely, a) high level of integration where the company exerts full control over channel activities and b) low level of integration, where a company uses intermediaries to have sources of variable costs and wider market coverage (cf. Coelho and Easingwood, 2003:32). As an example, the authors cite The Royal Bank of Scotland-Tesco team and Bank of Scotland-Sainsbury team.

In addition, from a research agenda perspective, the authors not only cite the paucity of research in this area but also draw attention to the need for a comprehensive channel typology given the myriad direct and indirect channels.

3.4.3 Salient themes - Multiple channel integration

The salient themes from the conceptual perspectives and empirical research on multiple channel integration are summarised as follows:

➤ *First*, the scarcity of literature on multiple channel integration is evident not only in the limited number of academic publications but is also mentioned in the small body of literature (cf. Payne and Frow, 2004; Coelho and Easingwood, 2003).

➤ *Second*, despite the scarcity of literature, the importance of multiple channel integration in marketing is established by conceptualising it as a strategic distribution process for gaining competitive advantage and delivering customer value (Payne and Frow, 2004; Rheault and Sheridan, 2002).

➤ *Third*, the complexities of channel mix are acknowledged; given the diversity in range and mix of direct and in-direct channels.

➤ *Fourth*, this diversity of channels also makes the literature fragmented where different types of multiple channel integration are discussed, such as, a) the integration of external channel member or partner with the main organization (cf. Coelho and Easingwood, 2003), b) integration of all channels performing different functions within a single sales process (cf. Friedman and Furey, 1999). A holistic approach to channel integration suggests integration of all channels relevant to the industry that meet customer needs and provide a positive customer experience (Payne and Frow, 2004; Rheault and Sheridan, 2002).

➤ *Fifth*, a common theme echoed across the literature is the element of ‘customer experience’. Authors such as Payne and Frow (2004), Rheault and Sheridan (2002) and Bradshaw and Brash (2001) lay a strong emphasis on designing and delivering superior customer experience within and across channels as part of a successful multiple channel integration strategy.

Barring the discussion from Payne and Frow (2004), there is little in the channel literature to explicate the concept of customer experience, even though it is

considered an important element of a successful multiple channel distribution strategy. In addition, the CRM literature too, has emphasised the importance of positive customer experience within and across channels. As a next step, therefore, the concept of ‘customer experience’ is explored in greater detail.

3.4.4 Customer experience

Before discussing the conceptual perspectives and empirical research on customer experience, it is appropriate to distinguish the concept of customer experience (in terms of personal experience) from the concept of customer experience suggested in experiential marketing (cf. Pine and Gilmore, 1998). Here, the focus of discussion is on customer experience of service encounters with people and processes (Buttle, 2004), as opposed to experiential marketing, where the effort is to ‘engineer’ a retail or tourism experience, to name a few.

Perspectives on customer experience with people and processes emerge in the literature from two main perspectives: on one end, in the convergence of CRM and channel literature and on the other end in the convergence of services marketing, consumer behaviour and psychology, and information technology literature.

3.4.4.1 Customer experience – The CRM and channel perspective

Payne and Frow (2004) provide a comprehensive discussion of customer experience as an outcome of multiple channel integration and its contribution to strengthening firm-customer relationships for CRM. The authors argue for creating a ‘seamless and consistent customer experience’ – consistent and individualised relationship over time and across all points of contact (Payne and Frow, 2004:532). This argument for customer experience is founded on the basis that successive personalised and consistent encounters will promote trust and reinforce the relationship, thereby facilitating customer retention and profitability. Further, the authors indicate the need for ensuring positive and consistent customer experience within channels and across channels (customer touch-points). Similar views are echoed by Schmitt (2003:16) who argues that “building a relationship requires integration across a variety of touch points”. Such an approach, argues Schmitt (2003:17) extends beyond CRM in building relationships with customers because it integrates different elements of the

customer experience manifest in the “customer’s entire experience with a product or company” and not limited to transaction data captured in a database.

Since customers interact with a firm through different channels depending on their needs and preferences, Payne and Frow (2004:533) emphasise that these multiple points of customer interface provide ‘crucial opportunities to leverage competitive advantage’. In the author’s view, there is a need to ensure consistency in message communication and service within and across channels because the customers’ ‘experience’ of the company will be determined by his or her experiences within and through the use of different channels. The resulting positive or negative experience will determine relationship continuation and strengthening or termination. Further, authors such as Shaw (2005), Shaw and Ivens (2002) and Schmitt (2003) highlight the need to ensure positive employee experience so that the employees can engender positive experiences for the customer, which in turn, would contribute to customer relationship strengthening.

The perspective from Payne and Frow (2004) emphasises the relevance of positive customer experience within and across channels for building and maintaining customer relationships which in turn leads to customer satisfaction. This conceptual discussion is from a CRM and channel perspective.

Barring anecdotal evidence and the study reported by Bradshaw and Brash (2001), there is a notable absence of empirical research on this aspect. Relating back to the discussion of CRM in chapter 2, the absence of research may perhaps be explained by the relative newness of CRM as business practice as well as the emergent nature of academic literature on the subject, where the concepts are still in development. The lack of research and potential research avenues are noted by Payne and Frow (2004) by drawing attention to aspects of research such as, customers’ expectations and reactions to different channel combinations including data-capture at each channel interface, sector specific challenges of multiple channel integration, case-based research on channel migration and customer satisfaction. Given the emphasis on ensuring positive customer experience within and across channels and its implications for multiple channel interaction as well as firm-customer relationships, the absence of empirical data on the matter provides much scope for research to explore the concept further.

3.4.4.2 Customer experience –The service encounter perspective

The concept of customer experience has also been explored in the extant services marketing literature. Service is conceptualised as a process (Lovelock, 1996), the service encounter or customer contact is viewed as the interface between the customer and the delivery system (cf. Shostack, 1985) and the customer contact is viewed as a ‘seminal element’ of service firms (Bearden, Malhotra and Uscategui, 1998 citing Kellogg and Chase, 1995). Given the unique nature of services, it is argued that the customer involvement is not only in the service process consumption but also in the service delivery system as a co-producer of the service, which, in turn, creates a complex phenomenon – customer experience of the service (Mittal and Baker, 1998, Van Raaij and Pruyn, 1998).

It is interesting to note that few definitions of customer experience exist in the literature. One of the earliest attempts at defining experience is found in the work of Carbone and Haeckel (1994:1), who state that “By ‘experience’, we mean the ‘take-away’ impression formed by people’s encounters with products, services, and businesses – a perception produced when humans consolidate sensory information”.

Mittal and Baker (1998:729) conceptualise customer experience as an overarching concept “the customer brings certain expectations to the service scene, communicates them well or poorly, faces a standard or customized service delivery, passively receives it or tries to mould it, finds explanations for failure or success, feels joy or anger, and bonds to or distances him- or herself from the service provider”.

In another definition, Shaw (2005:51) states “A customer experience is an interaction between an organisation and a customer. It is a blend of an organisation’s physical performance, the senses stimulated, and emotions evoked, each intuitively measured against customer expectations across all moments of contact”.

All the definitions collectively highlight the cognitive and affective elements of customer experience. This aspect is best summed up by Carbone (2004:xxvii) when the author states that “the essential building blocks of experience explore both the functional and emotional forces at work in the mind of the customer as they are encountered, absorbed and registered”.

One aspect of service marketing literature focuses on service quality and service satisfaction constructs and measures, and another aspect focuses on customer contact in service encounters. The arguments emerging in this body of literature are as follows:

➤ *One*, customer contact is conceptualised as an antecedent of service satisfaction and it is argued that service satisfaction (the effect) is determined by the customers' experience of the service encounter and the level of contact in the encounter (the cause) (Bearden, Malhotra and Uscategui, 1998).

➤ *Two*, it is further argued that not all customers desire a high level of contact and the customer experience and resulting satisfaction is moderated by individual customer traits, employee and service characteristics (ibid.).

➤ *Three*, the extent of contact may play a role in establishing desired firm-customer relationships (Bearden, Malhotra and Uscategui, 1998:795).

These arguments are underpinned by empirical research on service encounters aimed at filling the research void in this area driven by the argument that service encounter shapes service performance and the resulting satisfaction. Price, Arnould and Tierney (1995) through empirical research findings highlight three dimensions of service encounter, namely, temporal duration, affective or emotional content and spatial proximity, which can determine service encounter outcomes. Bitner, Booms and Mohr (1994) and Bitner, Booms and Tetreault (1990) demonstrate through research findings the roles of both customers and employees influencing the customer experience of the service encounters and the resulting satisfaction or dissatisfaction.

3.4.4.2.1 Emotions and customer experience

Among the three dimensions of service encounter - temporal duration, affective or emotional content and spatial proximity; discussed by Price, Arnould and Tierney (1995), effect of emotions has received further attention in research on customer experience and satisfaction. Customers' evaluation of service quality and the resulting service satisfaction was predominantly studied from the cognitive behavioural perspective. Increasingly however, the importance of recognising the affective dimensions has been argued for by researchers such as Van Raaij and Pruyn

(1998), Liljander and Strandvik, (1997), and Oliver (1993). The presence of emotions in pre, during and post-purchase phase has been argued by Mueller, Tse and Venkatasubramaniam (1991). The two-appraisal model by Oliver (1996) suggesting the influence of cognition and affect on the consumption experience is useful for understanding the affective basis for the satisfaction response. This model incorporates both positive and negative affective content.

Evidence of the presence of emotions in a single service episode as well several episodes in a relationship has not only been conceptualised but also empirically validated (cf. Oliver and Westbrook, 1993). Van Dolen et al. (2004, 2001) used the critical incident technique in a study with Dutch office equipment manufacturers. This study revealed the effect of emotion on satisfaction with after sales-services. The impact of affective content on service satisfaction emanated not only from service encounters involving employees but also things like the organisation and the products evoked emotional reactions. The study by Liljander and Strandvik (1997) used a questionnaire survey to examine customer experience and satisfaction with a labour force bureau in Finland. This study focused on the customers' total experience with the bureau with regards to jobs and training and not any particular service encounters. The presence of both positive and negative emotions in service encounters and their impact on service satisfaction have been suggested and empirically reported in the research findings by Van Dolen et al. (2001) and Liljander and Strandvik (1997).

3.4.4.2.2 Technology and customer experience

The literature draws attention to both positive and negative customer experiences, particularly in relation to self-service technologies, such as automated ticketing machines, hotel check-outs, ATMs, Internet shopping, and pay-at-pump machines. In a study to identify sources of satisfaction and dissatisfaction with self-service technologies, Meuter et al. (2000) supported by research findings indicate that customer experience and satisfaction with self-service technologies stems from easy accessibility, advantage compared to declining inter-personal service delivery alternatives and the efficiency of the technology. The dissatisfaction stems from experiences of technology failures, process failures, poor design or customer-driven

failures. Jamal (2004:376) in a study of technology usage in retail banking in India, states on the basis of research findings that there is no relationship between satisfying incidents using self service technologies and overall satisfaction with the service provider and likewise for dissatisfaction. Drawing on attribution theory, Jamal (2004) suggests that customers might be attributing the success or failure of the service outcome to the technology and not the service provider.

Primarily, service encounters between service providers and customers has been the focus of research. However, with increasing introduction of technology in services, customer experience with technology and its service outcome and satisfaction has become an important area of study (Dabholkar and Bagozzi, 2002; Bitner, Brown and Meuter, 2000; Bitner, 2001) but has not been explored substantially (Jamal, 2004; Meuter et al., 2000, Dawes and Rowley, 1998).

3.4.5 Salient themes – Customer Experience

The main points of the discussion on the concept of customer experience are as follows:

➤ *First*, from the multiple channel integration perspective, customer experience is essentially discussed in the CRM literature by Payne and Frow (2004), who argue that multiple channel usage and the resulting positive and negative customer experience can lead to relationship strengthening or termination. The empirical validation of the same, however, is awaited.

➤ *Second*, more comprehensive discussion and empirical research on customer experience in service encounter as an antecedent of satisfaction is evident in the services marketing literature, intertwined with consumer behaviour and psychology and information technology perspectives.

➤ *Third*, where customer experience in service encounter has been studied, it is essentially from the employee-customer perspective and customer experience of the entire service as a whole. There is nothing to indicate any specific aspects of channel interface or take into consideration customer usage of multiple channels which could be a combination of technology and non-technology channels.

3.4.6 Research gaps – Multiple channel integration

The review of literature on multiple channel integration leads to the following research gaps, either acknowledged and mentioned within the extant literature or becoming apparent from the review:

➤ Need for theory development

Though multiple channel integration is conceptualised in literature as a channel strategy (Payne and Frow, 2004; Rheault and Sheridan, 2002), there is a scarcity of literature with little conceptual and empirical research. There is even a lack of consensus on defining multiple channel integration as diverse perspectives exist without empirical research on the same. Consequently, the need for theory development appears important.

➤ Need to study shifts in channel usage, outcomes and challenges for multiple channel integration

The delivery of a consistent and seamless customer experience within and across channels is considered an important element of a successful multiple channel distribution strategy. However, there is little by way of research that examines multiple channel usage, shifts in channel usage, and its implications for multiple channel integration. Particularly research has examined customer experience in service encounter from an employee-customer perspective and at the overall service level. However, increasingly technology based channels are forming a part of multiple channel mix, but there is limited research on the usage of technology based channels and even then the implications for multiple channel integration largely remain conceptual and prescriptive.

3.4.7 Section summary: Multiple channel integration

Section 3.4 focused on conceptual perspectives and empirical research on multiple channel integration. Where multiple channel usage has been studied to some extent in the services marketing literature, as discussed in section 3.3, the issue of multiple channel integration is an emergent concept and is beginning to be acknowledged in the literature. This body of literature is small but growing.

This section has drawn attention to two key issues of channel integration. *One*, the importance of multiple channel integration as a distribution strategy is acknowledged in the literature. *Two*, the concept of customer experience as a critical factor of channel integration is established in the literature. Interestingly, however, the concept of customer experience is explored in literature streams other than the channel literature from at least three main perspectives. The CRM perspective emphasises the need for positive and consistent customer experience within and across channels in order to build and strengthen firm-customer relations. The interface of services marketing, consumer behaviour and psychology highlights the importance of customer experience during the service encounter. In particular, the impact of positive and negative emotions experienced by customers are purported to have an impact on customer satisfaction with the service. And, the service marketing and information technology perspectives highlight the need to address issues of customer experience with self-service technologies and its impact on satisfaction with the service provider. This section has not only reviewed the conceptual perspectives and empirical research on multiple channel integration and customer experience but also identified research gaps.

3.5 Focussing the research study

➤ Channel integration process

As discussed in chapter 2, section 2.7, this research study has chosen to focus on the channel integration process because not only is it beyond the scope of a lone researcher to undertake an in-depth investigation of all five processes but also the channel integration process is distinctive and is increasingly being recognised as an important CRM process. The channel integration process is the only process that facilitates firm-customer interface whereas other processes can be initiated by the firm alone. Given the multitude of physical and virtual channels, the resulting firm-customer interface is dynamic and challenging in terms of capabilities, design, complexity, and management.

The literature alerts us to the factors and challenges pertaining to channel integration. However, barring anecdotal evidence, there is little by way of empirical research to throw light on specific stages of the process, the factors and determinants

of the process implementation as suggested in the prescriptive literature. Specifically, this research study focuses on the four main banking channels and not the new media channels which are being explored in business practice for future use.

➤ **Channel integration process in organisational and customer practice**

The discussions on channel integration in the literature are primarily prescriptive. Barring isolated discussions that explore the process in business practice such as the study by Bradshaw and Brash (2001) there is virtually nothing in the literature to acquaint us with issues of channel integration in business practice - the organisational setting and in terms of customer usage. What has been explored empirically in the literature pertains to channel mix (a combination of channels provided by an organisation to meet customer needs for different and products and services) but not channel integration.

While multiple channels have been empirically explored and acknowledged as a distribution strategy, such as in retail banking (cf. Mols, Bukh and Nielsen, 1999; Easingwood and Storey, 1996), there is nothing to indicate whether channel integration is recognised by organisations as a 'need' in business practice and developed as a strategic initiative.

Similarly, where customer channel usage and preferences have been explored in research studies, we do not know whether customers have felt the need for organisations to offer channel integration or have experienced the usage of the same in some form during their interactions with organisations.

Consequently, on the basis of the research gaps encountered successively in diverse streams of literature that have discussed and examined multiple channels, namely, CRM, multiple channels, services marketing literature streams, this research study focuses on examining the strategy and implementation of the multiple channel strategy and customer experience of the same. On basis of the research justification, chapter 1, section 1.3 has outlined the research objectives set for this research study.

3.6 Chapter summary

Chapter two had reviewed the literature on CRM and established the focus of research on the multiple channel integration process of CRM. As a follow on from

there, this chapter has reviewed the literature on marketing channels to identify the key concepts pertaining to multiple channels. Specifically this review enabled to:

- Conceptualise multiple channels in line with the definition proposed by Knox et al. (2003) (section 3.1)
- Focus on multiple channels in services marketing and specifically the retail banking industry (section 3.2)
- Determine the focus of research on multiple channel integration on the basis of the research gaps emerging from the conceptual perspectives and empirical research on multiple channels and multiple channel integration discussed in the extant literature (section 3.3, 3.4 and 3.5)

After situating the context of the study in retail banking and its four main banking channels, chapter four will present an overview of the retail banking industry in the UK, and trends and characteristics pertaining to CRM and multiple channel integration in the retail banking industry.

CHAPTER 4: RETAIL BANKING INDUSTRY AND CRM

4.0 Introduction

Chapter 4 examines the retail banking sector. This chapter is in two sections. The *first* section presents an overview of the UK retail banking sector. The *second* section presents industry trends and characteristics for CRM and multiple channel integration in retail banking.

4.1 Retail banking: Industry overview

This section situates retail banking in the overall banking industry, reviews the impact of macro and micro environmental trends on the industry, presents the product-service mix, and outlines the market structure and the competitive landscape.

4.1.1 Situating retail banking within the banking industry

A review of the banking literature in the form of industry reports, banks' websites, and banks' annual reports reveals that the banking industry is organised along two key areas: *personal/retail banking* aimed at individual customers and *corporate banking* with business/corporate firms as customers of the bank. Broadly, banking activity is grouped along five distinct lines of businesses: personal/retail banking, investment banking, merchant banking, wholesale banking and private banking, as illustrated in table 4.1.

Table 4.1: The four banking lines of businesses and their scope of activities

<i>Banking lines of businesses</i>	<i>Scope of activities</i>
<i>Personal / retail banking</i>	<i>Retail banking is typical mass-market banking where individual customers use local branches of larger commercial banks. Services offered include: savings and checking accounts, mortgages, personal loans, debit cards, credit cards, and so forth.</i>
Investment Banking	A financial intermediary that performs a variety of services. This includes underwriting, acting as an intermediary between an issuer of securities and the investing public, facilitating mergers and other corporate reorganizations, and also acting as a broker for institutional clients.
Merchant banking	A bank that deals mostly in (but is not limited to) international finance, long-term loans for companies and underwriting.

	Merchant banks do not provide regular banking services to the general public.
Wholesale banking	Banking services between merchant banks and other financial institutions.
Private banking	Beyond just providing credit or managing investments, private banking addresses the entire financial situation, where services include everything from protecting and growing assets in the present, to planning retirement and passing wealth on to future generations.

Source: Adapted from www.investopedia.com/terms

This research study focuses on retail banking and therefore the discussion in this chapter will focus on industry issues specific to the retail banking sector. However, before proceeding further, it is pertinent to establish the rationale underpinning:

- the choice of research focus on the retail banking sector
- the choice of UK as the context market for the research study

The following excerpt from Personal Banking – market assessment Keynote report, 2003 helps to establish the reasons for the same:

Personal banking is a feature of every developed economy in the world. However, the world-leading banks are still to be found in Europe and the US. The UK's banking sector is a major heavyweight player by international standards. Although figures referring exclusively to personal banking are not available, Table 16 [Table 4.2 in this chapter] compares the total assets of UK banks with their counterparts in other European countries. The UK is second only to Germany in these terms; and in international banking (i.e. total lending to non-residents and currency lending to domestic residents), UK has 21% of the world total – no other country's share approaches double digits. In the light of this impressive performance on the world stage, it is all the more remarkable that the personal banking sector represents more than half of all lending by the major British banks

Source: Personal Banking, 2003 Keynote Report, page 41-42

The table 16 mentioned in the above excerpt is presented below as table 4.2 to provide the statistical evidence of the argument regarding UK's position among the European countries in terms of banking assets.

Table 4.2: Top ten European countries by total banking assets (€billion), 1997-2001

	1997	1998	1999	2000	2001
Germany	1,130.1	1,295.6	1,447.1	6,148.6	6,386.2
UK	3,659.4	3,687.7	4,216.1	5,112.4	5,508.7
France	1,393.0	1,403.0	1,617.3	3,106.7	3,422.7
Italy	1,364.0	1,413.0	1,469.0	1,786.1	1,845.6
Netherlands	975.0	1,213.7	898.9	1,606.6	1,749.6
Switzerland	1,114.9	1,290.2	1,402.2	1,403.6	1,510.1
Spain	544.4	564.4	605.0	1,102.3	1,202.1

Belgium	716.4	727.5	770.8	778.4	846.3
Luxembourg	511.3	544.8	598.5	647.8	721.0
Sweden	238.9	245.1	271.7	343.5	331.9

Source: Annual abstract of banking statistics, 2002, British Bankers' Association cited in Personal Banking, 2003 Keynote Report

While statistical data exclusive to the personal banking asset base is unavailable, the overall value of the personal banking business is forecast to grow from £166.97 billion in 2003 to £212.26 billion in 2007 (Keynote, 2003). These forecast figures coupled with the data on UK banking asset base illustrated in table 4.2 and the contribution of the personal banking sector to the same give an indication of the importance of the personal banking sector.

In addition, the personal/ retail banking line of business is the only one among banking lines of business to provide products and services aimed at the mass market customer for their everyday banking needs and activities (see table 4.1). In contrast, the other customer focused banking line of business – Private Banking is aimed at high net worth individuals and focuses on wealth management issues.

Given the needs of this research study which aims to examine CRM issues from the business-to-customer perspective and not business-to-business perspective, the retail banking sector with its focus on mass market customers appears suitable as the research context.

4.1.2 Macro and micro environment trends

Macro trends: Three key macro environmental trends have had an impact on the development of the UK retail banking industry:

- *Legislative reforms* during the 1980s in the form of deregulation of the financial services industry meant that a variety of organisations such as loans institutions, building societies, food retailers were allowed to provide banking services (Gardener et al., 1997; Ennew, Watkins and Wright, 1990).
- *Developments in information technology* led to newer developments in the way cash and other transactions were processed, maintenance of records in the form of computerised databases and the manner in which overall financial services were offered much more speedily (Harrison, 2000; Ennew, Watkins and Wright, 1990). Technological developments were fuelled by the need to reduce labour costs as

well as reduce human error in processing of information (Trethowan and Scullion, 1997).

- *Globalisation/internationalisation of financial services* witnessed the international provision and integration of banking service delivery (*globalisation*) and provision of services beyond a firm's geographic boundaries (*internationalisation*) (Harrison, 2000; Ennew, Watkins and Wright, 1990).

Micro trends: Along side the macro environmental developments, certain micro environmental factors too have contributed to shaping the retail banking industry (Black et al., 2002; Harrison, 2000; Ennew and McKechnie, 1998; Ennew, Wright and Thwaites, 1993):

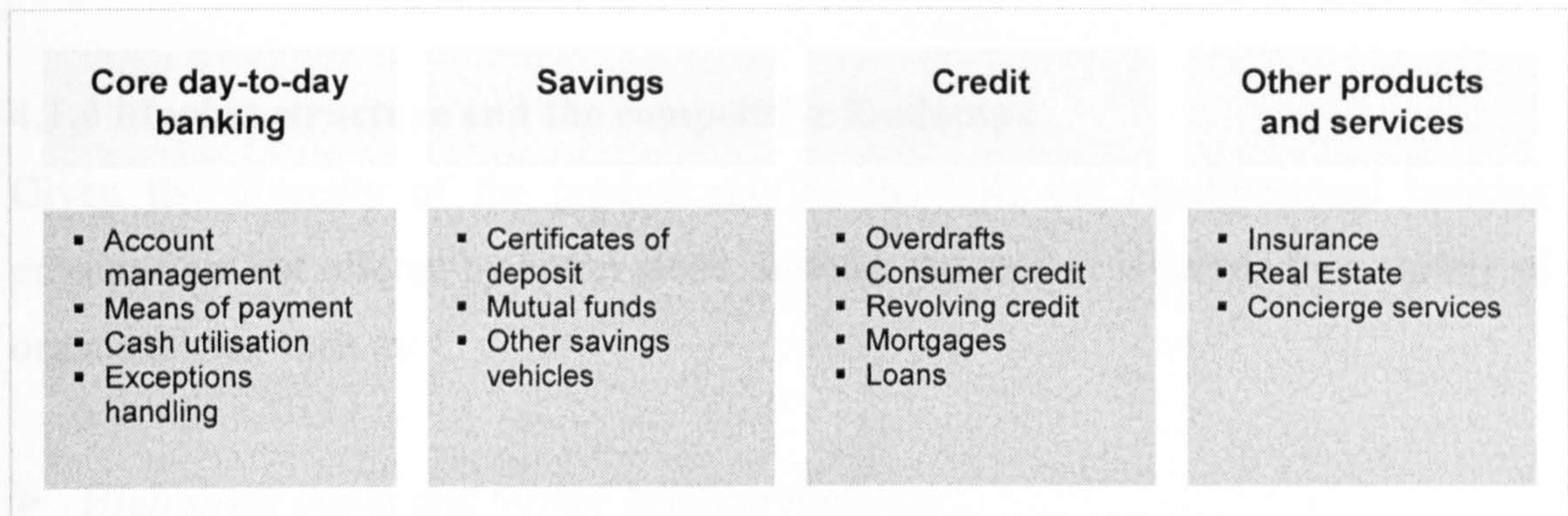
- *Increased competition* resulting from the deregulation of the financial services industry and the entry of a greater number of financial institutions offering personal financial products and services
- *New product and service development* for personal banking as part of the increased competition
- *Increasing role of technology in service delivery* in the automation of transaction processes such as the development of the automated teller machines (ATMs) for cash withdrawal, introduction of telephone banking and subsequently internet banking services. As a result, there was a decrease in personal interaction between the bank employees and customers.
- *Adoption of multiple channels* resulting from the technological advancements and development of a range of automated channels meant that financial institutions could offer multiple channels for customers to access the banking services
- *Evolving customer expectations* of products and services due to the provision of an increasing range of products and services, availability of multiple channels for accessing the products and services and a speedier offering of the same due to advancements in technology and as part of managing competition.

As a result of the macro and micro environmental trends, the retail banking industry has been shaped into one that is highly competitive, offers a vast range of products and services, is highly driven by technology developments that contribute in a big way in the development and delivery of products and services.

4.1.3 Retail banking product mix

Retail banking activities include an array of products. Capgemini (2004) groups the retail banking activities into four categories which are further broken down into products and services, as illustrated in figure 4a.

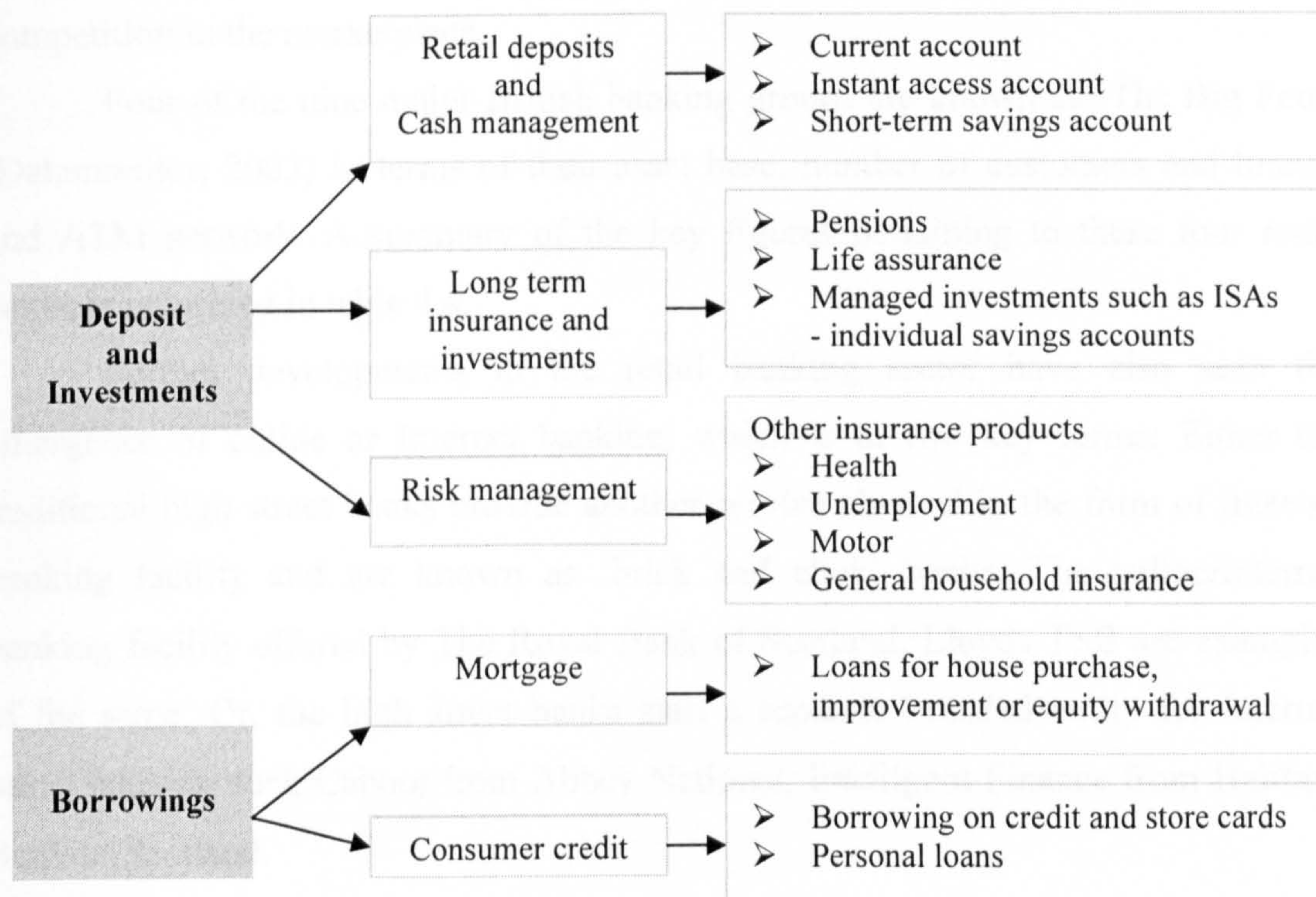
Figure 4a: Retail banking products and services



Source: Capgemini World banking report (2004:11)

As illustrated in figure 4a, the retail banking product width extends beyond money management for everyday banking and covers a gamut of products such as insurance and small savings. Specifically, within the UK, the Keynote Report (2003) divides retail banking products into the following categories, as illustrated in figure 4b.

Figure 4b: The retail banking products mix in the UK



Source: Based on information in Personal banking Keynote report (2003)

Figure 4b illustrates that the product mix for retail banking has grown beyond cash management to include insurance and mortgage – two business areas that were earlier managed by independent insurance agencies and mortgage providers. The evolving product mix has created a competitive market structure with several players, which is outlined next.

4.1.4 Market structure and the competitive landscape

Given the diversity of the product mix in the UK, the retail/personal banking products are not offered by banks alone. Instead, the market is served by a variety of organisations, such as:








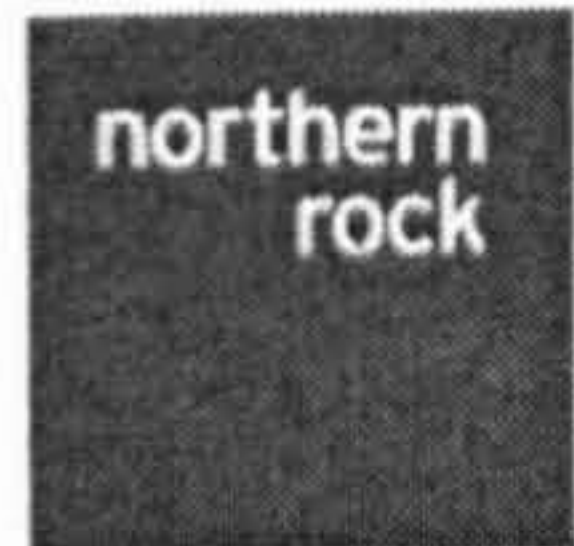

➤ *High street banks and former building societies*

Banks and former building societies have been the traditional providers of retail banking products and services. Keynote (2003) identifies nine major British banking groups with their personal banking subsidiaries, which are presented in table 4.3. These banking groups have leveraged their customer database and distribution channels to extend beyond the core banking activity of deposit and cash management to also offer insurance and mortgage products. In doing so, the banking groups have not only added depth and width to the retail banking product mix but also increased competition in the marketplace.

Four of the nine major British banking groups are known as ‘The Big Four’ (Datamonitor, 2003) in terms of their asset base, number of customers and branch and ATM network. A summary of the key figures pertaining to these four retail banks is presented in table 4.4.

Further developments in the retail banking sector have also seen the emergence of online or Internet banking, which is in two key forms: Either the traditional high street banks provide another service channel in the form of Internet banking facility and are known as ‘brick and click’ banks. The online/Internet banking facility offered by The Royal Bank of Scotland, Lloyds TSB are examples of the same. Or, the high street banks start a separate branded entity for Internet based banking such Cahoot from Abbey National, Intelligent Finance from Halifax-Bank of Scotland.

Table 4.3: Major British banking groups and personal banking subsidiaries, 2002

<i>Group</i>	<i>Subsidiaries</i>
Abbey National Group 	Abbey National PLC, Cahoot, Scottish Provident, Scottish Mutual
Alliance & Leicester Group 	Alliance & Leicester PLC, Girobank PLC
The Barclays Group 	Barclays Bank PLC, Woolwich PLC, Barclaycard UK
Bradford & Bingley PLC 	-
The HBOS Group 	Halifax PLC, Bank of Scotland, Sainsbury's Bank (45%), Intelligent Finance, Clerical Medical Investment Group Holdings Ltd., Halifax General Insurance Services
The HSBC Bank Group 	HSBC Bank PLC, First Direct
The Lloyds TSB Group 	Lloyds TSB Bank PLC, Cheltenham & Gloucester, Abbey Life, Scottish Widows
Northern Rock PLC 	-
The Royal Bank of Scotland Group 	Coutts & Co., Direct Line Financial Services, Lombard Bank Ltd., National Westminster Bank PLC, Tesco Personal Finance Ltd., Ulster Bank Ltd.

Source: Keynote (2003) and the banks' websites

Table 4.4: The ‘big 4’ British banks

<i>Bank</i>	<i>Annual Turnover Dec, 2001</i>	<i>Customer base</i>	<i>Number of employees</i>	<i>Branches</i>	<i>ATMs</i>
Barclays Bank	£19.14bn	10.3 million current account customers - UK	78000 worldwide	2084 (UK)	3900 ATMs (UK)
Royal Bank of Scotland	£11.33bn	20 million + personal banking customers - UK	111000 worldwide	2487 (UK)	4600 NatWest & RBS (UK)
Lloyds TSB Group	£15.92bn	--	79000 worldwide	1850 (UK)	4320
HSBC Bank	£13.39bn	32 million customer - worldwide	170,000 worldwide	1635 (UK)	2980

Source: Compiled from information in Keynote Report 2003-Personal Banking and Keynote Market Assessment Report 2003-Customer Services in Financial Organisations

➤ *Mutual building societies*

Besides banks, personal banking services are also offered in the UK by mutual building societies, some of which converted to banks, such as Abbey National, Alliance & Leicester, Northern Rock and Woolwich.

➤ *Supermarkets*

The legislative reforms allowed supermarkets to provide personal banking products and services and the following are prominent among them (Keynote report, 2003:7):

- Marks & Spencer Financial Services — loans, charge card, investments, insurance, life assurance, pensions
- Sainsbury's Bank — loans, savings and investments, credit card, insurance, mortgages
- Tesco Personal Finance — loans, credit card, savings, ISAs, mortgages, life insurance, home insurance, pet insurance, travel insurance
- ASDA — travel insurance

Some of these supermarkets have formed joined ventures with banks, most notably Sainsbury's bank in which HBOS (Halifax-Bank of Scotland) has a 45% stake and

Tesco Personal Finance which is co-owned by Tesco and RBOS (The Royal Bank of Scotland) (Keynote report, 2003).

➤ *Post offices*

The Post Office network in the UK, besides offering travel and insurance products, also provides banking facilities such as pay-ins and cash withdrawals through its arrangement with several high-street banks (Keynote report, 2003).

➤ *Insurance companies*

Following legislative reforms, there has been a convergence between retail banking and insurance products and service providers. Just as high street banks offer bancassurance (banking and insurance products), so do insurance firms offer both insurance and banking products such as mortgages. Egg, a subsidiary of Prudential Insurance, and Standard Life Bank are examples of the same (Keynote report, 2003).

4.2 CRM in retail banking

In line with the research focus, this section discusses the key industry characteristics and trends for CRM in retail banking.

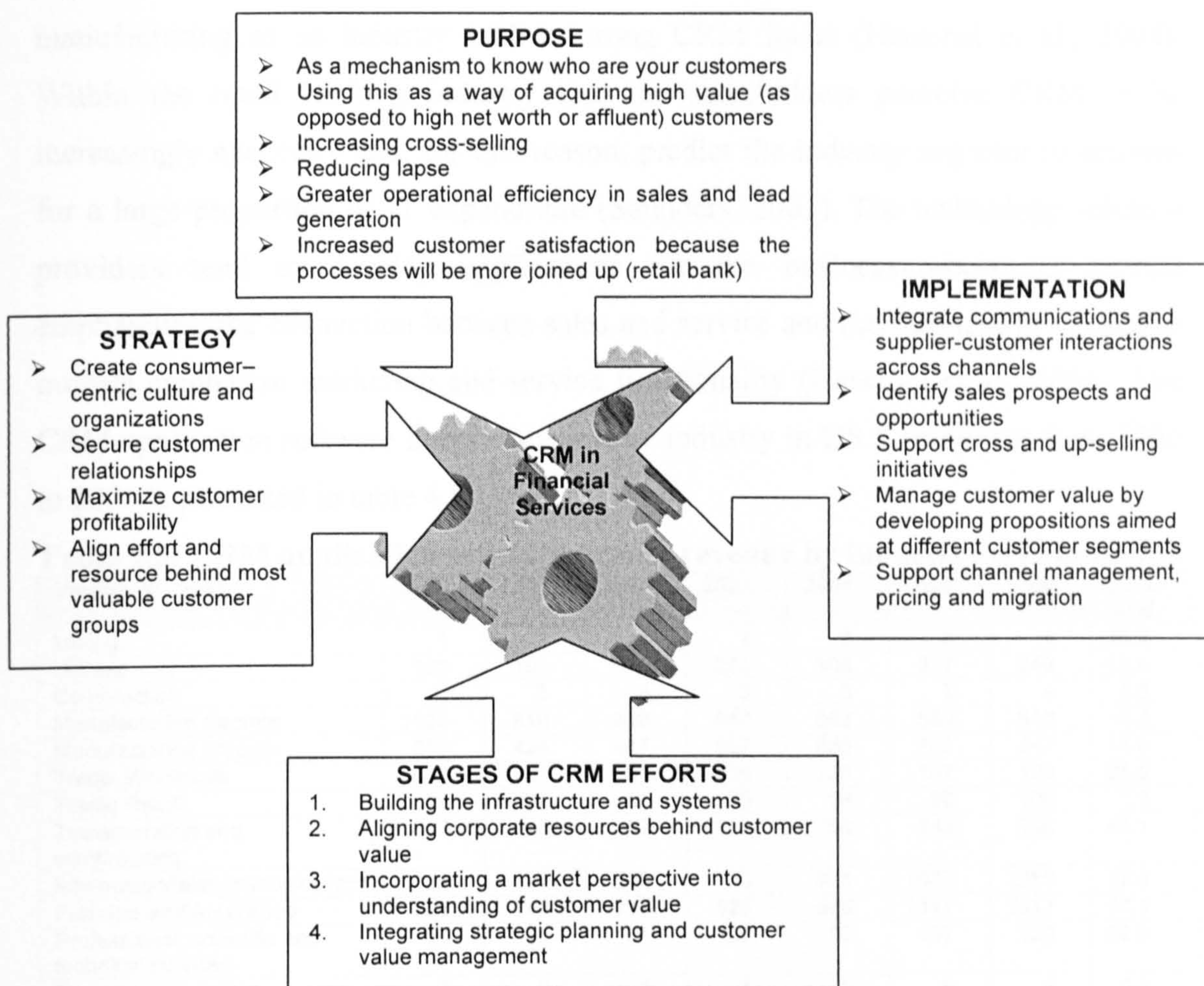
4.2.1 The notion of CRM

The adoption of CRM as a business concept in financial services sector such as retail banking is reflected quite strongly not only in the industry focused writings, but also in business practice. The preceding section had identified a number of macro and micro environmental trends that have had an impact on the industry. The advancements in technology, their impact on the development of different distribution channels and their use for product and service delivery to the customers emerged as a strong theme. A further reflection of the same can be detected in the manner in which CRM for financial services is conceptualised.

Figure 4c captures the key themes pertaining to the purpose, strategy and implementation of CRM in financial services along with the stages of CRM efforts, as identified in a discussion of the industry by Rodrigues and Stone (2003) and Stone et al. (2003). The notion of customer knowledge, relationships and profitability takes

centre stage in delineating the CRM purpose and strategy and the use of channels for distribution and communication is highlighted as part of the CRM implementation.

Figure 4c: CRM in financial services



Source: Author, based on information in Foss and Stone (2003)

Rodrigues and Stone (2003) and Stone et al. (2003), however, argue that the reality of CRM in financial services is quite different in the sense that there exists a conceptual confusion in understanding the tenets of CRM. More often, Rodrigues and Stone (2003) argue that perception of CRM is not from the perspective of business philosophy, rather influenced by technology vendor rhetoric, whereby CRM is pushed as a collection of software applications for a variety of purposes such as sales support, contact management.

4.2.2 Investment in CRM technology

The Gartner group mentions financial services, particularly, retail banking, securities and insurance along with telecommunications, retail, utilities, transportation and manufacturing as an industry with a strong CRM focus (Herschel et al., 2004). Within the retail banking industry too, the stakeholders perceive CRM to be increasingly necessary and, for this reason, predict the industry segment to account for a large proportion of IT expenditure (Saunders, 2001). The technology solution providers tend to develop applications for the business-to-business models emphasizing the connection between sales and service and the business-to-consumer models emphasize marketing and service functionality (Herschel et al., 2004). The CRM application software licence revenue by industry in US \$ (millions) from 2000 to 2006 is presented in table 4.5.

Table 4.5: CRM application software licence revenue by industry (US\$ millions)

<i>Vertical Industry</i>	<i>2000</i>	<i>2001</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2002-2006</i>
Mining	1	1	1	2	2	3	4	26.9
Utilities	135	193	276	293	308	327	346	12.4
Construction	3	3	3	3	3	3	4	5.5
Manufacturing discrete	1105	810	608	547	552	569	618	-5.3
Manufacturing process	363	424	487	567	663	743	847	14.9
Trade: Wholesale	39	61	82	104	134	167	199	26.5
Trade: Retail	139	100	88	86	94	99	106	1.3
Transportation and warehousing	17	45	67	114	194	245	296	46.1
Information/telecommunications	725	697	670	770	921	1087	1250	12.4
Finance and insurance	806	747	716	826	966	1111	1311	11.9
Professional, scientific and technical services	30	39	51	67	87	107	129	26.9
Educational services	9	8	8	8	8	9	9	0.9
Healthcare and social assistance	137	124	121	128	139	153	170	6.5
Public administration	132	143	151	163	181	207	237	10.7
Others	351	339	333	349	377	402	439	5.3
TOTAL CRM	3992	3734	3662	4027	4629	5232	5965	9.8

Source: Gartner Dataquest in Buttle (2004:65)

4.2.3 Factors underlying investment in CRM technology and outcomes

The investment in CRM technology for financial services is principally driven by three key factors, which, in turn, are a result of the macro and micro environmental trends:

Factors underlying investment in CRM technology

➤ *Changes in the distribution channels*

The delivery of banking products and services has seen greater changes than any other area of the personal banking industry (Keynote Report, 2003:34). Developments in technology have played an important role in facilitating new

distribution channels such as ATM, phone banking and Internet banking. Additionally, there has been an increase in the number of distribution channels with banks now trying out the introduction of new media channels such as mobile phone banking, interactive television and access to banking information using Personal Digital Assistants (PDAs) (Saunders, 2001). As a result, there has been substantial investment in CRM technology to facilitate the delivery of services through these new distribution channels and use these channels for customer contact management as opposed to the more traditional method of servicing customers primarily through bank branches.

➤ *Cost cutting*

The banking industry has witnessed increased competition as a fall out of the legislative deregulation of banking services whereby the market structure has changed with the entry of diverse institutions in the market place to provide personal banking products and services (as discussed in 4.1.4). Cost cutting as a measure to counter the cost of increased competition has also influenced the increased investment in CRM technology. Coupled with the technological developments in automated channels, banks have realised that these automated channels incur lower transaction costs. Table 4.6 presents a comparison of the four main delivery channels and their associated transaction costs and highlights the low transaction cost of Internet banking when compared to the transaction cost of other channels. As a result, the need for cost cutting has also accelerated the investment in the technology based channels to develop their capabilities in offering services that were primarily offered through the branch.

Table 4.6: Service delivery channels and associated transaction costs

<i>Delivery mechanism</i>	<i>Transaction cost (£)</i>
In-branch Teller	1.20
ATM	0.40
Telephone	0.30
Internet Banking	0.01

Source: Datamonitor 1999

➤ *Consumer trends*

Thirdly, the provision of a range of technology mediated channels has also fuelled “consumer desire for greater convenience in banking” (Keynote report, 2003:34).

Further, “the financial services customers in the UK are one of the most demanding in terms of products and services. The more financially sophisticated and larger the income of the consumer, the more distribution channels they are likely to use” (Saunders, 2001:1). This phenomenon, in turn, has also contributed to the investment in CRM technology.

Despite the high investments in CRM technology, the anticipated benefits have not been achieved and several of the CRM initiatives have not achieved their full potential and delivered on the central tenet of CRM.

CRM technology investment outcomes

- Focus on customer acquisition which is easily quantifiable and attracts investment and not retention which is difficult as it is intangible, requires investment in people and is more long-term (Rodrigues and Stone, 2003:17)
- The CRM investments have been approached on a piecemeal basis and since banks have historical legacy systems in place, the new investments in technology are often stand-alone applications which are not compatible with the old systems and therefore do not facilitate smooth movement of data across systems (Fitzpatrick, 2001).
- Lack of consistent treatment of customers across all channels and a product focus as opposed to a service focus and therefore the disconnect between customer needs despite massive investments in technology (Stone et al., 2003)
- Recuperating investment can be slower than anticipated as banks often underestimate the time required to plan, implement and manage change at a local level (Saunders, 2001:1).

4.2.4 Re-conceptualising CRM and focus on multiple channel integration

Given that CRM investments have not accrued the required benefits, a re-conceptualisation of CRM becomes evident in retail banking business practice and the following themes appear prominent:

➤ *Cost issues*

Firstly, since cost reduction was a major driver of CRM technology investment, and cost cutting measures such as branch closures and staff rationalisation have not helped in achieving the CRM objectives, there is an appraisal and change of focus on cost cutting measures. The future trends are aimed at process-specific cost saving operations as in centralisation and consolidation of processing and operation sites, for example, transaction processing as opposed to cost reduction through branch closures (Rose, 2004).

➤ *Multiple channel integration*

Several issues inter-twined with each other and contribute to the focus on multiple channel integration and its proposed importance in facilitating successful CRM initiatives: *first*, technology as the key enabler for creating channels and facilitating migration of customers to lower cost automated channels; *second*, lessons from past CRM failures, such as excessive focus on technology without adequate attention to customer needs, aggressive cost cutting measures such as branch closures and *third*, the importance of retaining customers as opposed to the emphasis on acquiring customers. The importance of multiple channel integration has been realised by business practice and the need for implementing the same is echoed consistently across organisations, as illustrated in the following quotes in table 4.7:

Table 4.7: Illustrative quotes: Importance of multiple channel integration in business practice

<i>Source</i>	<i>Illustrative Quote</i>	<i>Business need</i>
Saunders (2001) <i>Capgemini</i>	“An integrated back office for all channels is an essential aspect of managing customer relationships—enabling the sharing of information across channels. In conclusion, the key to building and retaining profitable relationships with customers lies in leveraging the branch network while maximising the use of other non-human transactions carried out through other channels”	➤ <i>Manage customer relationships</i>
Ely (2003) <i>Extract from Datamonitor report quoted on www.bankersonline.com</i>	“Banks are no longer viewing their channels in isolation. Instead multi-channel integration has become the key for banks as they look to reconcile customer behaviour with the traditionally siloed framework within	➤ <i>Map and match customer needs to multiple channel service delivery</i>

	which they have operated their channels”	
Fleming (2002) <i>www.ameinfo.com</i>	“The whole purpose of self-service is to empower customers with the comprehensive and accurate information they need to completely fulfil their immediate need. If such a resource is unavailable for agents, how can it be for customers? To resolve this issue, multi-channel integration is imperative ”.	➤ <i>Close the information and communication loop between customers and service staff</i>

Source: Author

Despite realising the importance of multiple channel integration, the concept and its implementation however, remain in early stages with the industry itself acknowledging the presence of unresolved challenges. Much of the discussion, like the academic literature, remains prescriptive in tone with limited examples of best practice on the concept and implementation of multiple channel integration. Additionally, important issues remain unanswered since the focus on technology remains strong, although the need for addressing customer preferences and channel usage get acknowledged as challenges to successful multiple channel integration (cf. Cincom, 2004; Datamirror, 2004).

4.3 Chapter summary

This chapter has briefly reviewed the retail banking industry. Specifically, this review has enabled to:

- Clarify the purpose of retail banking and distinguish it from other forms of banking such as investment banking.
- Uncover the macro and micro environmental trends that have shaped the development of the retail banking industry in the UK.
- Determine the diversity of products and services and the diversity of the market structure. *In order to sharpen the research focus, this research study will concentrate on the retail banks and not the entire gamut of the retail banking products and services market.*
- Explore the industry issues and trends pertaining to CRM in retail banking and identify the difference between rhetoric and reality.

- Identify the strategic importance of multiple channel integration in delivering on the tenets of CRM, identified by the industry, as a result of a renewed focus on CRM after the failures from initial initiatives.

The following two chapters, *five* and *six* present the research methodology adopted for this research study in terms of research strategy, design, execution and analytical approaches followed.

CHAPTER 5: RESEARCH METHODOLOGY STRATEGY, DESIGN AND EXECUTION

5.0 Introduction

Chapter five presents the research methodology followed for this research study and the chapter is organised in five sections. The *first* section presents the research philosophy and details the chosen research paradigm. The *second* section discusses the salient features of qualitative and quantitative research methods and presents the arguments supporting the choice of qualitative research method for this study. The *third* section discusses the choice of case study as a qualitative research method of inquiry. The *fourth* section details the research procedures followed for the study in terms of case selection, and sources of evidence used in the case study. The *fifth* section discusses the data collection procedures followed for the multiple units of analysis. The chapter closes with a summary of the key points emerging across the sections. The data analysis procedures are discussed in chapter six.

5.1 Research philosophy

Section 5.1 is in two parts. First, it outlines the purpose of understanding philosophical issues underpinning a research study and discusses the different philosophical positions and their underlying assumptions. Then, it justifies the choice of the research paradigm that underpins this research study.

The concept of paradigms has been debated by scholars such as Kuhn (1962), Morgan (1980), Arndt (1983). Deshpande (1983:101) states that a paradigm is a world-view or “set of linked assumptions about the world which is shared by a community of scientists investigating the world”. Following that view, paradigms are not law-like generalisations (Hunt, 1991), instead a framework to guide the research process by providing methodological tools to ‘make sense’ of the different phenomena (Filstead, 1970).

Easterby-Smith, Thorpe and Lowe (1991:21) state three reasons to support the usefulness of understanding philosophical issues for research. *Firstly*, it helps to clarify research designs. The authors contend that ‘research design’ is not just about

the data collection methods, rather the entire configuration of the research. This holistic approach to research includes the type of evidence, its source, its interpretation and contribution to answering the research question. *Secondly*, knowledge of philosophy can make the researcher aware of the appropriateness of the chosen method and the limitations of particular approaches. *Thirdly*, a knowledge of philosophy can help the researcher identify, and even create designs, that may be outside his or her past experience. It may also help the researcher to adapt research designs according to the constraints of different subject or knowledge structures.

5.1.1 The philosophical divide: Positivism versus Interpretivism

The philosophical positions and the research methods appropriate for reflecting the philosophical positions have been extensively debated in the literature (cf. Easterby-Smith, Thorpe and Lowe, 1991; Burrell and Morgan, 1979; Nachmias and Nachmias, 1976). Two philosophical positions have been prominent in the literature and these are: positivism and interpretivism. Interpretivism is also referred in literature as phenomenology (see Easterby-Smith, Thorpe and Lowe, 1991). The key features of both philosophical positions are illustrated in table 5.1.

Table 5.1: Key features of positivist and phenomenological (Interpretivist) paradigms

	<i>Positivist paradigm</i>	<i>Phenomenological paradigm</i>
Basic beliefs:	The world is external and objective	The world is socially constructed and subjective
	Observer is independent	Observer is part of what is observed
	Science is value-free	Science is driven by human interests
Researcher should:	Focus on facts	Focus on meanings
	Look for causality and fundamental laws	Try to understand what is happening
	Reduce phenomena to simplest elements	Look at the totality of each situation
	Formulate hypothesis and then test them	Develop ideas through induction from data
Preferred methods include:	Operationalising concepts so that they can be measured	Using multiple methods to establish different views of phenomena
	Taking large samples	Small samples investigated in depth over time

Source: Easterby-Smith, Thorpe and Lowe (1991:27)

The central idea of positivism is that the social world exists externally, and that its properties should be measured through objective methods (Easterby-Smith,

Thorpe and Lowe, 1991:22). Positivism, as argued by Auguste Comte (1853 cited in Easterby-Smith, Thorpe and Lowe, 1991) states that all “reality” or ontology is external and objective and the knowledge is significant if it is based on observation of this external reality. In addition, positivism argues for focus on facts and social science should aim to identify causal relationships and fundamental laws explaining human social behaviour. The positivist philosophical position calls for large research samples to test the truth or falsity of hypotheses. In doing so, positivism takes a hypothetico-deductive approach (Easterby-Smith, Thorpe and Lowe, 1991:22-23).

In contrast, the Interpretivist (phenomenological) philosophical position emerged as an anti-positivist approach which argued that reality is socially constructed and science should be based only on directly observable and measurable data (Easterby-Smith, Thorpe and Lowe, 1991). The ‘reality’ is subjective as people assign meaning to the reality through their interpretation (de Vaus, 2001). In contrast to the hypothetico-deductive approach put forward in the positivist position, the interpretivist position calls for an inductive approach by trying to understand the phenomenon in totality. In addition, the interpretivist position argues in favour of multiple realities which can lead to different perspectives on the same reality, therefore, requiring an in-depth study of the phenomenon using small samples (Easterby-Smith, Thorpe and Lowe, 1991).

Both the philosophical positions have their strengths and weaknesses. While positivism focuses on ‘facts’, its main weaknesses lie in its inflexible and artificial approach to understanding reality and approaching the reality from a distance or being ‘value-free’(cf. Nachmias and Nachmias, 1976). As argued by Habermas (1970) human interest guides thinking, work structures and authority, our inquiry of the reality and construction of the knowledge. Therefore, the researcher independence or distance from the reality is artificial and cannot lead to appropriate understanding and interpretation of the knowledge (Habermas, 1970). The strength of the interpretivist philosophical position lies in its ability to understand the processes of interpretations and thereby contribute to the evolution of new theories (de Vaus, 2001; von Wright, 1993). While the interpretivist position is flexible and can provide explanations and new insights, the uncertainty in interpretation and the

amount of time and resources needed for data collection typify its weaknesses (von Wright, 1993).

The literature has not only debated the positions and assumptions of the two philosophical positions discussed above but also produced variations of the phenomenological or Interpretivist position. Guba and Lincoln (1994) present four paradigms, as illustrated in table 5.2.

Table 5.2: Four categories of scientific paradigms and their elements

<i>Element</i>	<i>Paradigm</i>			
	<i>Positivism</i>	<i>Critical Theory</i>	<i>Constructivism</i>	<i>Realism</i>
<i>Ontology What is the form and nature of reality and therefore, what is there that can be known about it?</i>	Reality is real and apprehensible	“Virtual” reality shaped by social, economic, ethnic, political, cultural and gender values, crystallised over time	Multiple local and specific “constructed” realities	Reality is “real” but only imperfectly and probabilistically apprehensible
<i>Epistemology What is the nature of relationship between the inquirer and the external world?</i>	Objectivist: findings true	Subjectivist: value mediated findings	Subjectivist: created findings	Modified objectivist: findings probably true
<i>Common methodologies How can the researcher approach whatever can be known about reality?</i>	Experiments/surveys: verification of hypothesis, chiefly quantitative methods	Dialogic/dialectical: researcher is a “transformative intellectual” who changes the social world within which participants live	Hermeneutical/dialectical: Researcher is a “passionate participant” within the world being investigated	Case studies / convergent interviewing: triangulation, interpretation of research issues by qualitative and by some quantitative methods such as structural equation modelling
Notes: Ontology is “reality”, epistemology is the “relationship between that reality and the researcher”, and methodology is the “technique used by the researcher to investigate that reality”; adapted from Perry et al. (1997:547) based on Guba and Lincoln (1994)				

Source: Healy and Perry (2000:119)

The key ideas governing the positivist paradigm were discussed earlier. Based on the ideas presented in table 5.2, the key features of critical theory and constructivism are discussed next. This is followed by a discussion of the realism paradigm and its appropriateness for this research study (detailed in section 5.1.2).

With regards to *critical theory*, Perry, Riege and Brown (1999:17) state that “critical theory researchers aim at critiquing and transforming social, political, cultural, economic, ethnic and gender values”. This form of research is longitudinal

and ethnographic in nature and value-laden with subjective assumptions and the researcher aims to change the social world of those researched (Guba and Lincoln, 1994).

The philosophical position on *constructivism* argues that truth refers to a particular context and a particular belief system supporting that context. There are multiple realities which are socially and experientially based and these are intangible mental constructions of individual persons (Guba and Lincoln, 1994). Unlike positivism, where the researcher is distanced from the world being researched, constructivism calls for the researcher to be a “passionate participant” in the field work (Guba and Lincoln, 1994:112).

Scholars have argued that both critical theory and constructivism are limited in their relevance to marketing management research (cf. Healy and Perry, 2000; Perry, Riege and Brown, 1999). Critical theory aims to change the world of the participants and this is not always the aim of marketing management research (Healy and Perry, 2000). In constructivism, the participant’s views are studied for their own sake and the study does not go beyond those perceptions. In addition, constructivism supports multiple realities which are all created by the participants’ experiences and these can be difficult to generalise as these are value-laden and subjective (Healy and Perry, 2000).

The above discussion has outlined the two main philosophical positions – Positivism and Interpretivism and the arguments supporting or refuting both positions. The following section discusses realism (a variant of the Interpretivist position) and presents arguments supporting the choice of realism as the philosophical position underpinning this research study.

5.1.2 Choice of paradigm - Realism

The realist perspective is suggested by Guba and Lincoln (1994) as the fourth paradigm. Where constructivists and critical theorists consider that there are many realities, the realists consider there is only one reality although several perceptions of that reality must be triangulated to obtain a better picture of it (Perry, Riege and Brown, 1999:18). Within the realism paradigm, the reality is conceptualised from three different facets: the *observable surface reality* where processes generate events, *actual reality* where patterns of events occur and the *underlying reality* consisting of

observable or unobservable mechanisms that generate events and experiences (Ackroyd and Fleetwood, 2000; Perry, Riege and Brown, 1999; Tsoukas, 1989). Further, scholars have argued that realism is not 'value-free' like positivism or 'value-laden' like interpretivism. Instead it is 'value-aware' in the sense that it aims to uncover and understand reality which may be imperfect (Tsoukas, 1989; Merriam, 1988).

Literature supports the appropriateness of realism as a philosophical position for *organisation and management studies* (cf. Ackroyd and Fleetwood, 2000; Tsoukas, 1989), and *marketing* (cf. Perry, Riege and Brown, 1999; Hunt, 1991). Within marketing, although the positivist position has been the predominant approach for research, scholars such as Deshpande (1983) have argued that the positivist position is appropriate for verification and confirmation of theories but not for discovering or building new propositions and hypotheses. Positivism is inappropriate for approaching a social science phenomenon involving human experiences (Guba and Lincoln, 1994). Where the focus is on theory-building and the phenomenon being studied has not been researched sufficiently to attempt generalisation, realism becomes relevant (Perry, Riege and Brown, 1999; Tsoukas, 1989). With regards to the research in hand, realism as the philosophical position appears appropriate for the following reasons:

➤ *Firstly*, realism argues that there is a single reality with multiple perspectives and these multiple perceptions need to be triangulated for a holistic picture (cf. Perry, Riege and Brown, 1999). This research study aims to explore the channel integration process from multiple perspectives – the retail bank, the banks' customers and technology partners. Realism provides the necessary philosophical basis for doing so.

➤ *Secondly*, reality in realism is conceptualised at three levels: observable, actual and underlying (Ackroyd and Fleetwood, 2000; Perry, Riege and Brown, 1999; Tsoukas, 1989). This research study aims to explore channel integration from three perspectives: the retail bank, the banks' customers and technology partners. Adopting the realist approach will help to first study parts of the phenomenon (the channel integration process) as the *observable reality*. Then, experiences and events

that make up the channel integration process can be examined as the *actual reality*. Finally, the mechanisms that generate the events and experiences of channel integration can be studied to discover insights on the *underlying reality*.

➤ *Thirdly*, realism is particularly suited for theory building and to uncover a under explored phenomenon (Perry, Riege and Brown, 1999; Tsoukas, 1989). The conceptual basis of the channel integration process is a subject of emerging academic interest and implementing the process in business practice is being increasingly discussed in both academic and practitioner literature. Approaching the research from a realist perspective will help to explore the process in order to refine the nascent conceptual discussions in extant literature.

5.1.3 Section summary: Research philosophy

This section has briefly reviewed the different philosophical positions and established the choice of the research paradigm for this study. The need for theory building in an under-explored research area and the need for exploring multiple perspectives of a single reality to develop a holistic picture of the research phenomenon led to situating the study from the realist position. As indicated in literature, an understanding of the philosophical positions enabled an informed choice of research design to meet the research objectives.

5.2 Research method

This section discusses the characteristics of the qualitative and quantitative research methods, their respective strengths and limitations. Then the choice of qualitative research strategy for the purpose of this research study is detailed and the reasons for the same are delineated.

5.2.1 Qualitative and quantitative research methods

As illustrated in table 5.3, quantitative research traces its roots in positivism where the researcher focuses on facts and causal relationships (Easterby-Smith, Thorpe and Lowe, 1991). In qualitative research, the project starts with a single idea or problem that the researcher seeks to understand, not a causal relationship of variables or a comparison of groups. Cresswell (1998) posits that relationships in qualitative

research might evolve or comparisons might be made, but these emerge late in the study after the initial single idea.

Table 5.3: Characteristics of qualitative and quantitative research

<i>Point of comparison</i>	<i>Qualitative Research</i>	<i>Quantitative Research</i>
Focus of research	Quality (nature, essence)	Quantity (how much, how many)
Philosophical roots	Realism, symbolic interaction	Positivism, logical empiricism
Associated phrases	Fieldwork, ethnographic, naturalistic, grounded, subjective	Experimental, empirical, statistical
Goal of investigation	Understanding, description, discovery, hypotheses/proposition generating	Prediction, control, description, confirmation, hypothesis testing
Design characteristics	Flexible, evolving, emergent	Predetermined, structured
Setting	Natural, familiar	Unfamiliar, artificial
Sample	Small, non random, theoretical	Large, random, representative
Data collection	Researcher as primary instrument, interviews, observations	Inanimate instruments (scales, tests, surveys, questionnaires, computers)
Mode of analysis	Inductive (by researcher)	Deductive (by statistical methods)
Findings	Comprehensive, holistic, expansive	Conclusive, generalisable

Source: Merriam (1988:18)

Qualitative research is defined as “an array of interpretive techniques which seek to describe, decode, translate and otherwise come to terms with the meaning, not the frequency, of certain more or less naturally occurring phenomena in the social world”(Van Maanen,1983:9). Cresswell (1998:15) emphasises the holistic nature of qualitative research and states that qualitative research is “an inquiry process of understanding based on distinct methodological traditions of inquiry that explore a social or human problem. The researcher builds a complex, holistic picture, analyzes words, reports detailed views of informants and conducts the study in a natural setting”.

Quantitative research is used for testing and measuring hypotheses with large groups of respondents so that the findings can be generalised to specific populations (Kinnear and Taylor, 1996). By contrast, qualitative methods typically produce a wealth of detailed information about a much smaller number of people and cases. This increases the depth of understanding of the cases and the situations studied, but reduces the generalisability (Patton, 2002).

In quantitative research, the researcher assumes a passive role to record the respondents' opinions. The data collection process uses a pre-determined and validated instrument such as a questionnaire survey. Data collection is carried out with a statistically representative sample of population so that the research findings can be generalised on a large scale (Kinnear and Taylor, 1996). Variables are used to frame and test hypotheses, which require the use of standardised measures so that the varying perspectives and experiences of people can be fit into a limited number of predetermined response categories to which numbers are assigned (Patton, 2002). Quantitative research looks for causality and follows a deductive approach to data analysis using statistical tests (Easterby-Smith, Thorpe and Lowe, 1991).

Qualitative research, in contrast to quantitative research, is characterised by an evolving design, presentation of multiple realities, the researcher as the key instrument of data collection, and a focus on participant's views. The data collection is in a natural setting and the research outcome is more as a process rather than a product. Approaching fieldwork without being constrained by predetermined categories of analysis contributes to the depth, openness, and detail of qualitative inquiry (Patton, 2002).

Both qualitative and quantitative research methods have their share of strengths and weaknesses (Patton, 2002). The advantage of a quantitative approach is that it is possible to measure the reactions of a great many people to a limited set of questions, thus facilitating comparison and statistical aggregation of the data. This gives a broad, generalizable set of findings presented succinctly and parsimoniously (Patton, 2002). The strength of quantitative research lies in the structured approach and replicability of the research across a large group of respondents. In addition, research bias introduced by the research instrument or research process can be controlled and reduced to an extent given the detached role of the researcher. This is in contrast to the qualitative research methods where the researcher is the key research instrument. Further, the use of statistical tests for data provides not only research rigour but also helps in generalising the results to a wider population (Kinnear and Taylor, 1996).

Qualitative research is strong in richness and holism as it focuses on naturally occurring events in natural settings. The root traditions of qualitative research lie in

interpretivism, which assumes that reality is socially constructed. Thereby, qualitative research locates the meanings placed by people on events, structures and processes in their lives (Miles and Huberman, 1994:10). The usefulness of qualitative data is not limited to exploratory research alone, focusing on 'how' and 'what' questions. Miles and Huberman (1994:10) argue that qualitative data goes beyond description to assess causality as it actually plays out in a particular setting, develop hypotheses and even has potential to test hypotheses as well as to supplement or reinterpret quantitative data gathered from the same setting. In addition, the longitudinal nature of data collection in qualitative research and the flexible research design allows for depth, detail and enhanced understanding of the research subject (Patton, 2002; Miles and Huberman, 1994).

The weaknesses of both qualitative and quantitative research methods are discussed in comparisons of data content and data analysis. Quantitative research is often criticised as lacking in depth and detail with an emphasis on verbally expressed rational beliefs. In addition, the sophistication of statistical techniques for data analysis overshadows the meaningfulness of the data gathered (Van Maanen, 1983). Where the criticism of quantitative research is in relation to the data content, qualitative research is considered weak if the research study does not discuss biases and assumptions, does not lay open well documented and structured analytical approaches, negative instances are not discussed and accounted for and fails to take into account issues of data reliability and generalisability (Patton, 2002; Marshall and Rossman, 1995). Scholars such as Cresswell (2003), Patton (2002), and Flick (2002) reiterate that neither method is mutually exclusive and the choice of research method should evolve from the research questions rather than researcher comfort with a method.

The two epistemological positions: positivism and interpretivism and the relative value of the two types of research methods have been extensively debated in the literature. Positivism and its use of quantitative methods for hypothesis testing using a deductive approach is contrasted with interpretivism using qualitative methods and an inductive approach to construct meanings in context specific situations (Taylor and Bogdan, 1984). However, researchers have attempted to step beyond this simplistic divide in epistemology and the choice of quantitative versus

qualitative approaches (Patton, 2002; Deshpande, 1983). Increasingly, literature has argued in favour of matching research methods to the specific needs of the research questions and not to be constrained by rigidity of paradigms and orthodox approaches to methodology (Patton, 2002; Easterby-Smith, Thorpe and Lowe, 1991). Literature also suggests the use of multiple methods (both qualitative and quantitative in a single study) where appropriate (Cresswell, 2003).

5.2.2 Choice of research strategy – Qualitative research

The choice of qualitative research strategy is considered appropriate to meet the needs of the research objectives set out for this study. This decision is informed through the following considerations emerging from the literature review presented in chapters 2 and 3:

➤ *Need for theory building*

Table 5.4 presents a summary of the previous research studies on CRM, their research focus, methodology used and units of analysis. The research studies presented in table 5.4 are some of the earliest forays into CRM research reported in the literature. The authors of these studies themselves have acknowledged the need for theory-building in CRM. By exploring the concept of channel integration in-depth, this research study aims to contribute to theory-building on CRM. From the research methodology perspective, the use of qualitative research for the purpose of theory building is well documented in the research methodology literature (cf. Yin, 2003; Cresswell, 1998; Miles and Huberman, 1994) and therefore appropriate for this study.

➤ *Exploring the process nature of CRM and channel integration*

This research study aims to explore one of the five CRM processes, namely, the channel integration process and thereby is underpinned by the *exploratory nature of the research* and *researching a business process*. From a research methodology perspective, qualitative research has been considered particularly appropriate where the topic needs to be explored. Researchers such as Patton (2002) and Cresswell (1998) suggest the use of a qualitative study to present a *detailed view* of a topic.

Cresswell (1998:17-18) supports the use of a qualitative approach specifically, where “variables cannot be easily identified, theories are not available to explain behaviour of participants or their population of study, and where theories need to be developed”. Further, the research design decision is guided by the suggestions of Patton (2002:159-160) that qualitative inquiry is highly appropriate for studying processes because of the following reasons: *a)* Depicting process requires detailed descriptions of people’s engagement with each other, *b)* Process experience typically varies for different people so their experiences need to be captured in their own words, *c)* Process is fluid and dynamic so it can’t be fairly summarised on a single rating scale at one point in time, *d)* Participant’s perceptions are a key process consideration.

➤ *Need for studying multiple perspectives*

The above discussion pertaining to studying a process highlights the need to study multiple perspectives. Importantly, diverse perspectives on the same issue make us aware of different experiences of the same phenomenon, thereby, providing a holistic picture on the same (cf. Patton, 2002). In addition, situating the research study within the realism paradigm highlights the need to study the single reality of the channel integration process from multiple perspectives. Exploring the channel integration process from multiple perspectives will also facilitate triangulating the evidence in order to generate a holistic picture (cf. Perry, Riege and Brown, 1999). Qualitative research is particularly suited to exploring multiple perspectives as it is characterised by an open and evolving research design (cf. Patton, 2002). In addition, the strength of qualitative research lies in its focus on participants’ views and experiences by exploring the issues in depth and detail for an enhanced understanding of the research subject (cf. Cresswell, 1998; Miles and Huberman, 1994).

5.2.3 Section summary: Research method

This section has discussed the salient features of qualitative and quantitative research methods and presented arguments supporting the choice of qualitative research method in light of the extant conceptual and empirical literature on CRM and the requirements of this research study. The following section discusses the tradition of inquiry chosen for this research study.

Table 5.4: Extant research in CRM – Use of research methods and units of analysis

	Research focus	Research method used	Unit of analysis
QUALITATIVE STUDIES			
Ryals and Payne (2001)	<ul style="list-style-type: none"> To explore the adoption of CRM in financial services and the use of data warehousing in supporting CRM To propose a framework for CRM adoption 	Qualitative in-depth interviews (n=20)	Marketing and CRM organisation members in UK financial services institutions
Wilson, Daniel and McDonald (2002)	<ul style="list-style-type: none"> Determine success factors in CRM systems implementation 	Qualitative case studies (n=5) 23 interviews	IT managers, Staff in Sales and Marketing and General managers
Kapoulas, Ellis and Murphy (2004)	<ul style="list-style-type: none"> To explore the impact of recent technological advances in retail financial institutions(FSI) 	Qualitative – Focus groups (4)	Non e-bank retail customers and e-customers
Dibb and Meadows (2004)	<ul style="list-style-type: none"> How and why the approaches of relationship marketing and CRM are being applied in financial services organisations Why barriers to progress are being encountered How these are being overcome 	Qualitative case study of a financial services organisation using documents and in-depth interviews	In-depth interviews with senior managers from the case organisation
QUANTITATIVE STUDIES			
Colgate and Danaher (2000)	<ul style="list-style-type: none"> To examine the appropriateness of a relationship marketing strategy, its implementation and affect on customer satisfaction 	Quantitative - Postal questionnaire survey (n=834)	Customers of five retail banks
Lemon, White and Winer (2002)	<ul style="list-style-type: none"> Exploring the past, present and future considerations by customers for relationship continuation and termination and its implications for the firm-customer relationship 	Experimental laboratory study Questionnaire survey (n=191)	Consumers for the entertainment and grocery deliveries industry sector
Hart, Hogg & Banerjee (2004, 2002)	<ul style="list-style-type: none"> Understand the manifestation of CRM among the stakeholders most closely involved with developing and implementing CRM business process Explore whether the level of experience has an impact on the CRM programs 	Quantitative-web based survey (n=719)	Organisation members from firms, consulting firms and software vendors involved in CRM planning and implementation
QUALITATIVE & QUANTITATIVE MIXED METHODS STUDIES			
Abbott, Buttle and Stone (2001a,b)	<ul style="list-style-type: none"> To what extent are companies collecting, storing and manipulating customer data in order to develop and implement more effective CRM strategies 	Stage 1: Email survey (n=40) Stage 2: Follow up face-to-face or telephone interviews (n=17)	Managers across industry sectors
Raman and Pashupati (2004)	<ul style="list-style-type: none"> Exploratory investigation of the barriers to CRM implementation 	Stage 1: Depth interviews (Multiple respondents from 7 firms) Stage 2: Web survey research (n=805)	Industry experts, marketing, sales and customer service users of CRM in firms

Source: Author, based on literature review

5.3 Qualitative research and traditions of inquiry

Section 5.3 first presents the five traditions of inquiry for qualitative research suggested in the literature. Then, the choice of case study method as the tradition of inquiry for this research study is detailed.

Cresswell (1998:2) states that “tradition of inquiry is an approach to qualitative research that has a distinguished history in one of the disciplines and that has spawned books, journals and distinct methodologies that characterise its approach”. Cresswell (1998) presents five traditions of inquiry in qualitative research, as illustrated in table 5.5.

Table 5.5: Five traditions of inquiry in qualitative research

<i>Tradition of inquiry</i>	<i>Description</i>	<i>Discipline source and key scholars</i>
Biography	The study of an individual and her or his experiences as told to the researcher or found in documents and archival material.	Literature, History, Anthropology, Psychology, Sociology <i>Denzin (1989)</i>
Phenomenology	A study describing the meaning of the lived experiences for several individuals about a concept or the phenomenon	Philosophy, Psychology <i>Giorgi (1985), Mousatkas (1994)</i>
Grounded theory	A study that aims to generate or discover a theory, an abstract analytical schema of a phenomenon that relates to a particular situation. This situation is one in which individuals interact, take actions, or engage in a process in response to a phenomenon.	Sociology <i>Strauss and Corbin (1990), Glaser (1992)</i>
Ethnography	A description and interpretation of a cultural or social group or system. As a process, ethnography involves prolonged observation of the group, typically through a participant observation in which the researcher is immersed in the day to day lives of the people or through one-on-one interviews with members of the group. The researcher studies the meanings of behaviour, language and interactions of the culture-sharing group.	Cultural anthropology <i>Wolcott (1994), Fetterman (1989)</i> Sociology <i>Hammersley and Atkinson (1995)</i>
Case study	A case study is an exploration of a “bounded system” or a case (or multiple cases) over time through detailed, in-depth data collection involving multiple sources of information rich in context.	Human and social sciences, applied research <i>Stake (1995), Yin (2003)</i>

Source: Adapted from Cresswell (1998)

In order to select a tradition of inquiry for this research study, as a first step, each of the five traditions was reviewed. The *biography* with its focus on a single individual did not meet the requirements of a research study which aims to capture

multiple perspectives. *Phenomenology* and *ethnographical* approaches were rejected because of their emphasis on cultural anthropological and sociological issues, as these issues were not the focus of this research study. The *grounded theory* approach was ruled out as it suggests that prior research and literature should be considered only after the completion of fieldwork. For the purpose of this research study, it was essential to review extant literature to scope the field and delineate knowledge gaps where this research can attempt to make a contribution. This rationale follows from the argument put forth by Cresswell (1998:94) who states that “the strongest and most scholarly rationale for a study, follows from a documented need in the literature for increased understanding and dialogue about an issue”. For this research study, a review of the literature and the knowledge gaps identified in the extant literature was presented in chapters 2 and 3 and the research objectives for this study were detailed in chapter 1.

Finally, the *case study* method was chosen as the tradition of inquiry for this study. This decision was not because case studies have been used extensively in management research but importantly it helped to fulfil the research needs and objectives. As suggested by Bonoma (1985), the choice of the method of inquiry is contingent on the research objectives, state of theory development, complexity of the subject under research and the need to research the subject in a natural setting. Additionally, Yin (2003) argues that the extent of control of behavioural events and the contemporary or historical nature of the research determine the choice of the research strategy. As illustrated in table 5.6, the case study as a research strategy deals with ‘how’ and ‘why’ questions where it does not require a control over behavioural events but focuses on contemporary events.

Table 5.6: Relevant situations for different research strategies

<i>Strategy</i>	<i>Form of research question</i>	<i>Requires control of behavioural events?</i>	<i>Focuses on contemporary events?</i>
Experiment	how, why?	Yes	Yes
Survey	who, what, where, how many, how much?	No	Yes
Archival analysis	who, what, where, how many, how much?	No	Yes/No
History	how, why?	No	No
Case study	how, why?	No	Yes

Source: Yin (2003:5)

5.3.1 Choice of the method of inquiry – Case study

Cresswell (1998:60) defines case study as “an exploration of a “bounded system” or a case (or multiple cases) over time through detailed, in-depth data collection involving multiple sources of information rich in context. Case study as a research tradition of inquiry has been used extensively to describe, explore, and explain phenomenon (Bonoma, 1985), test theory (Pinfield, 1986; Anderson, 1983), generate theory (Gersick, 1988; Harris and Sutton, 1986) or initiate change (Kjellen and Soderman cited in Gummesson, 2000). The strength of the case study method lies in its ability to enable the researcher to acquire an in-depth and holistic understanding of multiple aspects of a phenomenon as well as the interrelationships between the different aspects (Gummesson, 2000). Further, the case method allows for versatility in design (single or multiple cases), methods of data collection (qualitative or quantitative or mixed methods), triangulation (multiple sources of evidence) and multiple levels of analysis from multiple units of analysis (cf. Yin, 2003). Yin (2003:13) defines the case study as an empirical inquiry that:

- Investigates a contemporary phenomenon within its real-life context, especially when
 - The boundaries between phenomenon and context are not clearly evident
- In addition, Yin (2003:13-14) states that a case study inquiry:
- Copes with the technically distinctive situation in which there will be many more variables of interest than data points, and as a result
 - Relies on multiple sources of evidence, with data needing to converge in a triangulating fashion, and as another result
 - Benefits from the prior development of research questions or theoretical propositions to guide data collection analysis

From the realism paradigm perspective, the case study method lends itself suitably as a method of inquiry. Researchers such as Healy and Perry (2000), Perry, Riege and Brown (1999) and Easton (1998), however, clarify that the case method under the realism paradigm is analytical in nature and therefore distinct from the descriptive cases often found in social sciences research. From the paradigm perspective, the participant’s perceptions are being studied for their own sake in constructivism research, but in realism research, these perceptions are being studied

because they provide a window on to a reality beyond those perceptions (Healy and Perry, 2000). Healy and Perry (2000) and Stake (1998) differentiate between intrinsic and instrumental case study by stating that in an *intrinsic case study*, the case itself is the focus. In an *instrumental case study*, the case is being used to understand something else. Easton (1998), argues that following the principles of realism, a case-based research primarily investigates for causation by constantly testing and retesting concepts. However, this is not the causality between the discrete events but a more general view of the mechanisms resulting in causality and the underlying reality. The rationale of choosing the case method for this research study was developed on the basis of the characteristics of case study as a method of inquiry and the requirements of this research study:

First, case based research facilitates in-depth inquiry of a 'bounded system'. Stake (1995) explains 'bounded system' as the boundaries of a case study which is not limited to a person or enterprise but it can be an institution, a programme, a responsibility, a collection or a population. The concept of a 'bounded system' and constant focus on the same gives the case study a distinctive character. As argued by Stake (1995:23) "what is happening and deemed important within those boundaries (the emic) is considered vital and usually determines what the study is about, as contrasted with other kinds of studies where hypotheses or issues previously targeted by the investigators (the etic) usually determine the content of the study". In the context of this research study, *multiple channel integration as a CRM process* is the subject of interest and denotes the boundaries or the research focus. The case method therefore is uniquely positioned to undertake an in-depth inquiry of the research bounded within the parameters of the channel integration process.

Second, the primary objective of case study and related qualitative research is to understand the phenomenon under research and interpret the respondent's experiences and beliefs in their own terms (Patton, 2002). The strength of qualitative research lies in allowing the researcher to get close to the participants in their natural setting (Patton, 2002). As argued by Merriam (1988:68), 'the closer the researcher gets to the phenomenon, the clearer it is understood'. By investigating the phenomenon in a natural setting, 'previously unknown relationships can be expected to emerge from case studies leading to a rethinking of the phenomenon being

studied' (Stake, 1994:247). For the purposes of this research study, the case method therefore will enable the researcher to investigate the process, the participants' experience of the process in their natural setting and examine its implications for building and maintaining bank-customer relationships.

Third, one of the characteristics of case method is its emphasis on investigating multiple perspectives for generating a holistic picture of the phenomenon under study. As argued by Yin (2003), case method involves studying multiple sources of evidence and multiple units of analysis. This characteristic of the case method aligns itself well with the realism paradigm which examines multiple perspectives of a single reality. This research study aims to explore channel integration from three perspectives: the retail bank, the banks' customers and technology partners. The case method will allow for exploring the three perspectives to study parts of the phenomenon (the channel integration process) – *the observable reality*, the experiences and events that make up the channel integration process – *the actual reality* as well as the mechanisms that generate the events and experiences of channel integration – *the underlying reality*. By exploring multiple perspectives using multiple data sources, the case method facilitates triangulation of evidence. Triangulation leads to a comprehensive understanding of the research issue not achievable through reliance on a single data source (cf. Miles and Huberman, 1994; Denzin, 1989).

Fourth, the characteristics of case method allow for studying context specific influences and processes. The dynamic nature of process involves studying people's experience of the same over a period of time (Patton, 2002). In addition, context specific influences on the process merit consideration. Such a research issue cannot be broken down into individual factors for empirical investigation using quantitative research instruments. Instead, a holistic approach examining the process, the context specific influences and people's experience of the same can be better captured through a case method. For this research study, context specific influences such as state of the CRM business practice in the retail banking industry and technological developments and barriers (as discussed in chapter 4) cannot be ignored.

Fifth, the case method allows for incorporating the temporal dimension in the research study. Particularly for studying processes and their experience and

implications that unfold over time, case method allows for longitudinal data collection and analysis. Case studies of organisation processes by Pettigrew (1992), Huber et al. (1990), to mention a few, capture the temporal dimension of processes. For this research study, the temporal dimension merits consideration in the conceptualisation and implementation of the channel integration process from the bank and technology partners' perspective and the experience of the process from the customers' perspective.

Sixth, the goal of case study research can be to isolate and define categories as precisely as possible and then to determine the relationship between them. The details uncovered in the case can delve into the complexities and processes of people and organisation (Perry, Riege, Brown, 1999:21). The suitability of the case method in exploring the channel integration process across multiple perspectives in a natural setting can help to isolate and define categories and throw light on their inter-relationships.

Seventh, qualitative methods such as case studies address theory construction and theory building rather than theory testing and theory verification (Tsoukas, 1989; Lincoln and Guba, 1985; Bonoma, 1985). In the early stages of theory development where phenomenon are not well comprehended and the relations between phenomenon are not known, quantitative research methods can lead to inconclusive findings (Parkhe, 1993). In contrast, theory is built in case study and related qualitative research by making comparisons, looking for similarities and differences within the collected data, and for future questions to be examined (Neuman, 1994:405). In addition, literature indicates that the case method allows for flexibility in the theory building process through analytic generalisation. Yin (2003:32) distinguishes between the traditional "statistical generalisation" and "analytic generalisation" by arguing that analytic generalisation, draws theoretical inferences unlike statistical generalisation that draws inferences to populations. The need for theory building in CRM has been well documented in the extant literature (see discussion in chapter 2, 3 and section 5.2.1 in chapter 5). The strength of the case method in theory building supports the choice of case method as the tradition of inquiry for this research study. Additionally, the primary need is for enhancing the understanding of the research issue rather than drawing inferences to populations

since channel integration as a process is in a nascent state in academic discussions as well as in business practice.

5.3.2 Section summary: Qualitative research and traditions of inquiry

This section briefly reviewed the five traditions of inquiry for qualitative research suggested in the literature. Each of the five traditions and their suitability (or the lack of it) for this research study were discussed briefly. The case method was considered to be the most appropriate tradition of inquiry for this research study. The following section details the research procedure followed for the study.

5.4 Research procedure

This section details the research procedure followed for this research study and the section is in three parts. *First*, the selection of the case is presented. *Second*, the multiple sources of evidence are discussed. *Third*, the role of pre-understanding and understanding in shaping the research study is outlined.

5.4.1 Case selection

The procedure for selecting the case for this research study was guided by a consideration of *a)* the type of case determined by the research purpose, *b)* the unit of analysis, *c)* the role of theory in developing the case study, *d)* choice of a single versus multiple case design, *e)* holistic versus embedded units of analysis in the case design.

5.4.1.1 Type of case - Exploratory, Instrumental

Case studies can be descriptive, exploratory or explanatory depending on the research purpose and the nature of research questions (Yin, 2003). *Descriptive* case studies narrate a situation or an event which is not the aim of this research and therefore not considered.

Exploratory case studies deal with ‘how’ and ‘what’ questions and are “particularly suited to develop pertinent hypotheses and propositions for further inquiry” (Yin, 2003:6). As discussed in the preceding sections (see section 5.2.1), this research study is exploratory in nature. It aims to explore the channel integration process of CRM and study the role and contribution of channels in building and

maintaining bank-customer relationships. *The research purpose, therefore, guides towards an exploratory case study.*

Explanatory case studies determine causal relationships, focus on ‘how’ and ‘why’ questions (Yin, 2003). This research study in line with the characteristics of qualitative research began with a focus on a single phenomenon – the channel integration process. The likelihood of relationships among ideas evolving during the course of fieldwork and data analysis cannot be ruled out as often happens in qualitative research (cf. Cresswell, 2003). In such a situation, the research study might extend beyond its present exploratory nature and provide explanations on relationships among ideas. Indeed, as suggested by Yin (2003), though there is a broad distinction between the three types of case studies – descriptive, exploratory and explanatory, the boundaries are not always sharp.

Stake (2000) suggests another typology of case studies – *intrinsic* case where a particular case is chosen and the case itself is of interest and *instrumental* cases are where the case is a secondary issue, and it is used for understanding something else. In this research study, the choice of an instrumental case appears appropriate where the case is secondary as it will help to understand the core research issue about the channel integration process and the role and contribution of channels in building and maintaining bank-customer relationships.

5.4.1.2 Unit of analysis

A unit of analysis could be an individual, an entity or an event and ‘is related to the fundamental problem of defining what the ‘case’ is (Yin, 2003:21). On a similar note, Patton (1987:51) asserts that the key factor in selecting and making decisions about the appropriate unit of analysis is to decide ‘what unit is that you want to be able to say something about’. Yin (2003:22) suggests that the “unit of analysis is related to the way one defines the initial research questions”. This research is a case study of the channel integration process and therefore that is the *main unit of analysis* because it is the issue being addressed by the main study questions. The use of an organisation such as a retail bank would serve as an *embedded unit of analysis* presenting multiple perspectives to illustrate the research phenomenon. In addition to the nature of research questions, a unit of analysis is also defined by time boundaries,

limits of data collection and analysis. For this research study, the context of a retail bank would denote the beginning and end of the case and the range of perspectives being explored to generate a holistic picture of the phenomenon bounded by time.

5.4.1.3 Role of theory in developing the case

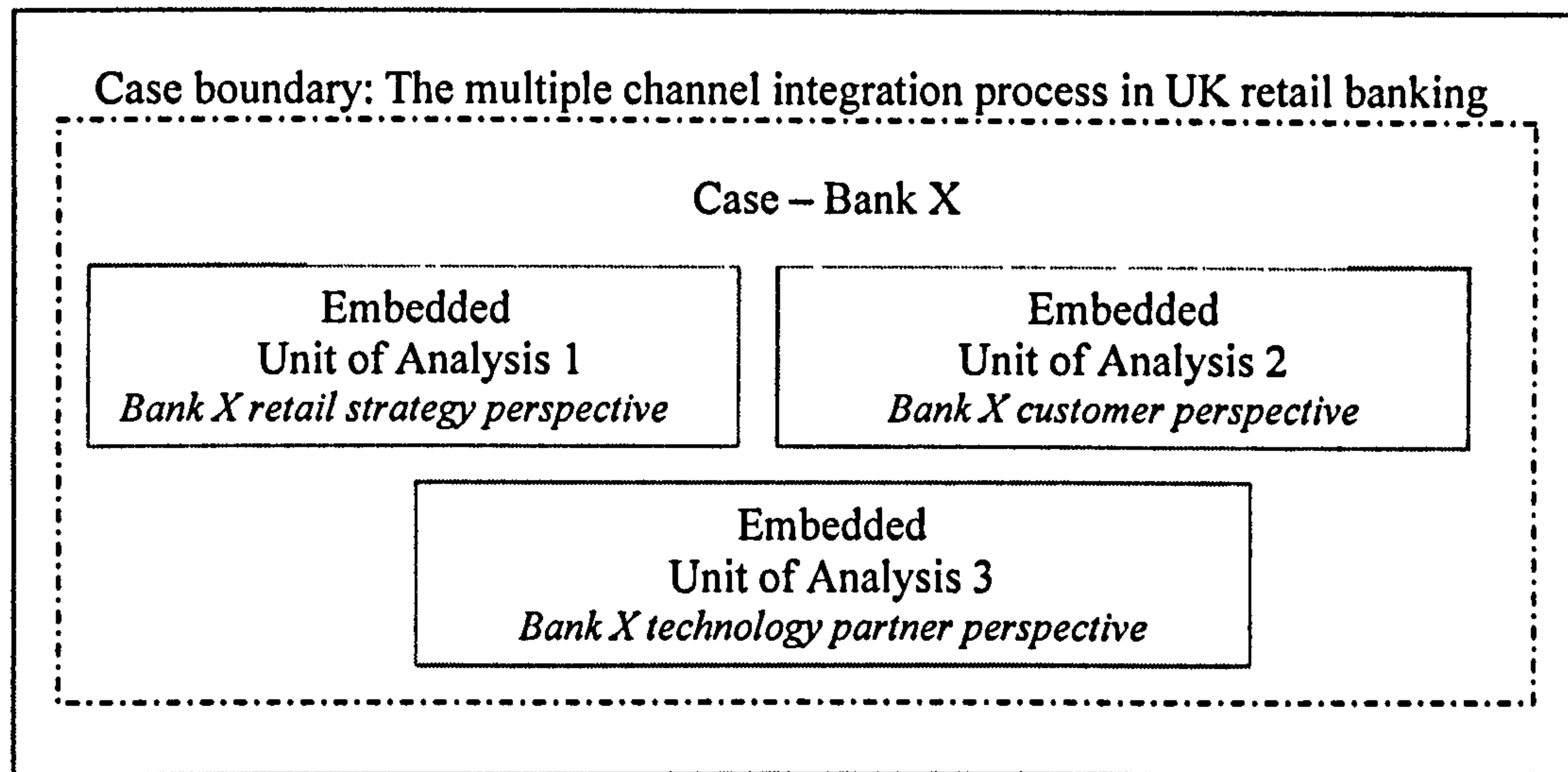
For case studies, theory development as part of the design phase is essential, whether the ensuing case study's purpose is to develop or test theory (Yin, 2003: 28). As suggested in literature, theory has shaped the direction of this research study. The initial review of the literature provided a definition of channel integration and presented the theoretical bases of the study (see chapter 2 and 3). In addition, research gaps were identified and the research objectives were detailed in chapter 1. The research adopted a multi-disciplinary approach bringing together theoretical perspectives from the resource based view, relationship marketing, customer relationship management, multiple channels, and services literature. Without an understanding of the issues covered in extant literature, the need for exploring the channel integration process, and understanding the role and contribution of channels as a firm's resource in building and maintaining bank-customer relationships could not have been established. The arguments supporting the positioning of the research study from a realist philosophical position, using qualitative case study strategy of inquiry resulted from a consistent and methodical study of literature and the theoretical bases. Indeed, the diverse theoretical bases employed in this research study highlighted the need for uncovering the reality of channel integration and the need for exploring multiple perspectives in order to generate a holistic picture of the phenomenon.

5.4.1.4 Case Design - Single case

Yin (2003:39) suggests four types of case designs: (1) single-case (holistic) design, (2) single-case (embedded) design, (3) multiple-case (holistic) design, (4) multiple-case (embedded) design. Implicit in these four design types is the distinction between single versus multiple cases and holistic versus embedded case designs. This research study has chosen a *single-case embedded design*. As illustrated in figure 5a, the context for the case study is the UK financial services industry – retail banking.

The case bank is a leading UK retail bank - Bank X² with three embedded units of analysis: the Retail Strategy and Marketing group perspective, the customer perspective and the technology partner perspective.

Figure 5a: Case design: Single case with embedded units of analysis



Source: Author

Yin (2003:45) suggests that “the single case design is eminently justifiable under certain conditions-when the case represents *a*) a critical test of existing theory, *b*) a rare or unique circumstance or *c*) a representative or typical case or when the case serves a *d*) revelatory or *e*) longitudinal purpose”. The rationale of selecting a single case design for this research study was underpinned by the following reasons:

➤ ***Representative or typical case***

Yin (2003:41) suggests that a representative or typical case study “represents typical project among many different projects and the lessons learned from these cases are assumed to be informative about the experiences of the average person or institution”. Bank X is one of the ‘big four’ retail banks in the UK (see chapter 4) and therefore it is considered an appropriate representative of the UK retail banks in terms of products and services offered by the banks and the range of channels (branch, ATM, telephone and Internet) made available to the customers for the retail banking activities.

² Pseudonym

➤ *Unique information rich case*

A theoretical sampling approach is recommended in case study research. The strength of theoretical sampling lies in the selection of information rich cases which will shed light on the central research issues. Therefore, cases are chosen for theoretical and not statistical reasons (Glaser and Strauss, 1967). Theoretical sampling can be distinguished from probabilistic sampling which emphasises “selecting a truly random and representative sample which will permit confident generalisations from the sample to a larger population” (Patton, 1987:51). Bank X besides being an appropriate representative of a typical UK retail bank offered the researcher the position to study an information rich case. The Retail Strategy & Marketing group of the bank was undertaking a strategic initiative for channel integration as a CRM process and thereby presented the researcher an opportunity to gain insights into the business practice perspective. Choosing such a single case met three important criteria of qualitative and case study research: a) the case being a ‘bounded’ system – here the case is bounded by the channel integration process, b) an information rich case which focused on the core research issue, c) the opportunity to study the phenomenon in a natural setting. Since the chosen case bank met the three criteria stipulated for case study research, it presented itself as a unique case on the research issue.

➤ *Issues of access*

The importance of gaining access to the setting, the people, and the information for research purpose and its impact on case selection became evident from three aspects: *Firstly*, information pertaining to banking is traditionally shrouded in secrecy given the nature of the industry and the business characteristics.

Secondly, since channel integration as a CRM process is an emergent concept in business practice and academia, there is a very high degree of confidentiality surrounding such strategic initiatives.

Thirdly, as technological innovation leads the evolution of banking channels, banks are secretive about the technology led developments.

The issue of organisation access and its difficulties for research purpose has been well documented in the literature by scholars such as Bryman (1989), Cresswell

(1998), Patton (2002) to name a few. As it is difficult to gain access to information pertaining to business strategy and implementation, when partial research access to this particular bank was facilitated to the researcher by the doctoral research supervisor, it provided the starting point for the fieldwork.

The above discussion has established the rationale for choosing a single case design. No research design is fool proof and it has its share of weaknesses or limitations along with its strengths (Patton, 2002). From the research design point of view, the criticisms and scepticism associated with a single case design are regarding the uniqueness of the case. A case study that was “thought to be a critical or unique case might turn out not to be so after the initial data collection has started” states Yin (2003:55) regarding the scepticism about the uniqueness of a case study.

In order to strengthen the research study against such a potential weakness of the single case design, a pilot study of Bank X was undertaken to determine whether the chosen case bank was suitable to research the phenomenon in question. Pilot studies are useful to “refine data collection plans with respect to both the content of the data and the procedures to be followed...and even provide conceptual clarification for the research design” (Yin, 2003:79). In this research, the pilot study served an important purpose. It helped to determine whether the bank as a case study would be truly representative of the retail banks in terms of products, channels and services offered and as an illustrative information rich case shedding light on the core research issues. The use of a pilot study was deemed a vital step in the research procedure to counter scepticisms pertaining to uniqueness of a case in a single case research study. The research procedure followed for the pilot study is presented in section 5.5.2. The findings of the pilot study were used to guide subsequent research design and one of the decisions pertained to the use of embedded units of analysis for studying multiple perspectives on the research phenomenon.

5.4.1.5 Embedded units of analysis

When a case study involves more than one unit of analysis, it is called an embedded case study (Yin, 2003). In addition to the findings from the pilot study leading towards the use of multiple units of analysis, another procedure was followed to determine the units of analysis for this study. The extant empirical research on CRM

was reviewed to study the research methods followed and the units of analysis used in these studies. Table 5.4 presented earlier in section 5.2.1 provides a summary of the same. This procedure of examining the units of analysis employed in previous research has been useful for identifying the types of units of analysis. As summarised in table 5.4, the three perspectives that have been deemed important for CRM related research are: the organisation perspective, the customer perspective and the technology consultant perspective. In addition to identifying the types of units of analysis, the need for a study that employs multiple units of analysis to develop a holistic picture of the research phenomenon is established. As illustrated in table 5.4, the unit of analysis in nearly all studies has been singular with the exception of the study by Hart, Hogg and Banerjee (2004, 2002) which explores opinions on CRM across three groups of respondents. Further, extant research on CRM has predominantly explored the organisation perspective. The customer perspective has been explored only in three studies by Kapoulas, Ellis and Murphy (2004), Lemon, White and Winer (2002) and Colgate and Danaher (2000).

The philosophical assumptions of the realism paradigm, the characteristics of qualitative research, the research method gaps identified from extant research and the nature of research questions for this research study together point in the direction of multiple units of analysis to be embedded in the case design. Three units of analysis were identified as relevant for this research study:

- Bank X Retail Strategy & Marketing group perspective
- Bank X customer perspective
- Bank X technology partner perspective

The use of embedded units of analysis in the case design is accompanied with a caution to balance the focus on the sub-unit level as well as the main unit of analysis (cf. Yin, 2003). In this research study, the procedures followed to ensure the said balance are detailed in chapter 6 where the analytical procedures are presented.

5.4.2 Multiple sources of evidence

Patton (2002:228) argues that “each unit of analysis implies a different kind of data collection, a different focus for the analysis of the data, and a different level at which statements about findings and conclusions would be made”. Yin (2003) and

Cresswell (1998) argue in favour of multiple methods of data collection in case study research because each method has its advantages and limitations. In the context of case study research, Yin (2003:85) mentions six sources of evidence: 1) *documentation*, 2) *archival records*, 3) *interviews*, 4) *direct observations*, 5) *participant-observation* and 6) *physical artefacts*, as illustrated in table 5.7. Yin (2003:98) elaborates further by suggesting that ‘the use of multiple sources of evidence in case studies allows an investigator to address a broader range of historical, attitudinal and behavioural issues’. In addition, the use of multiple sources of evidence helps to strengthen the case study as a research strategy by developing ‘convergent lines of inquiry’ or data triangulation (Yin, 2003:98).

Table 5.7: Six sources of evidence: Strengths and weaknesses

<i>Source of evidence</i>	<i>Strengths</i>	<i>Weaknesses</i>
Documentation	- Stable - can be reviewed repeatedly	<ul style="list-style-type: none"> - Retrievability – can be low - Biased selectivity, if collection is incomplete - Reporting bias – reflects (unknown) bias of author - Access – may be deliberately blocked
	- Unobtrusive – not created as a result of the case study	
	- Exact – contains exact names, references, and details of an event	
	- Broad coverage – long span of time, many events, and many settings	
Archival Records	- <i>Same as above for documentation</i>	<ul style="list-style-type: none"> - <i>Same as above for documentation</i> - Accessibility due to privacy reasons
	- Precise and quantitative	
Interviews	- Targeted – focuses directly on case study topic	<ul style="list-style-type: none"> - Bias due to poorly constructed questions - Response bias - Inaccuracies due to poor recall - Reflexivity – interviewee gives what interviewer wants to hear
	- Insightful – provides perceived causal inferences	
Direct Observations	- Reality – covers events in real time	<ul style="list-style-type: none"> - Time-consuming - Selectivity – unless broad coverage - Reflexivity – event may proceed differently because it is being observed - Cost – hours needed by human observers
	- Contextual – covers context of event	
Participant-Observation	- <i>Same as above for direct observations</i>	<ul style="list-style-type: none"> - <i>Same as above for direct observations</i> - Bias due to investigator’s manipulation of events
	- Insightful into interpersonal behaviour and motives	

Physical Artefacts	- Insightful into cultural features	- Selectivity
	- Insightful into technical operations	- Availability

Source: Yin (2003:86)

This research study has used *documentation, archival records* and *interviews* as sources of evidence for the three units of analysis. Another method - *critical incident technique* (CIT) was embedded in the customer interviews. Section 5.5 presents the details of the data collection across the three units of analysis.

5.4.3 Pre-understanding and understanding

Besides the use of multiple methods for data collection, pre-understanding and understanding of the phenomenon (Gummesson, 1991) also played an important role in shaping the research study, formulating the research strategy and its execution. Gummesson (1991:50) states that “*pre-understanding* refers to such things as people’s knowledge, insights and experience before they engage in a research program or a consulting assignment; *understanding* refers to the knowledge that develops during the program or assignment”.

In line with the suggestions of Gummesson (1991), pre-understanding was in two forms: 1) the researchers *personal first hand experience* of working for five months at Bank X’s customer service centre in Glasgow between September 2003 and January 2004, where the researcher was part of the cash and cheque transactions processing team, responsible for processing transactions from all the branches of Bank X across the greater Glasgow region on a daily basis. This work experience enabled the researcher to understand issues pertaining to one of the five banking products and services used as a core criterion for the study: money transmission in current and savings accounts. Specifically, the researcher became aware of the different branches of Bank X across Glasgow and learned about the transaction procedures – information that was later useful during the customer data collection phase when respondents made specific references to them during the interviews. 2) The researcher also learnt about the industry issues on CRM in retail banking from *the experience of others* such as academics and consultants involved in retail banking related research and practice, and knowledge obtained via *intermediaries such as research reports, white papers* available in the public domain. This combination of

knowledge developed from first and second hand sources (Gummesson, 1991:58) provided the researcher with an understanding to sharpen the research focus.

5.4.4 Section summary: Research procedure

This section has detailed the research procedure in terms of case selection and the use of multiple sources of evidence. The selection of the case was guided by the suggestions in the literature. The nature of research questions made an exploratory case appropriate where the core research issue is the main unit of analysis. In addition, the selection of a case bank with embedded units of analysis makes it as an instrumental case where the case bank is used as a context, a bounded system in a natural setting to explore the channel integration process. The research procedures reflected the role of theory in developing the case. Further, the case selection process ensured that the chosen case bank was an appropriate representative, information rich case to counter the scepticism surrounding the uniqueness of single case studies. Given the need to explore the reality of the channel integration process emerging from multiple units of analysis, the use of multiple sources of evidence was detailed. Additionally, the researcher also used her own first hand experience of pre-understanding in shaping the research design. The following section discusses the data collection procedures employed across the three units of analysis.

5.5 Data collection

This chapter section presents the data collection approach first in terms of location, sequence and duration. Then, the data collection procedures for the three perspectives – retail bank, customers and technology partners are discussed in detail.

5.5.1 Location, sequence and duration

Qualitative research is characterised by data collection in a natural setting, extensive time in the field, and the intensive nature of fieldwork, (Patton, 2002; Cresswell, 1998). In a case based research, using multiple sources of evidence requires extensive commitment of time and resources to fieldwork (cf. Yin, 2003). The locations, sequence and duration of the data collection procedures for this research study are as follows:

➤ **Location**

Data for the three units of analysis was collected in three phases in multi-site natural settings, as illustrated in table 5.8. In line with a naturalistic inquiry and governed by design flexibility (cf. Patton, 2002), the researcher approached data collection without any prejudices and adapted herself to the needs of the research study and the convenience of the respondents.

Table 5.8: Fieldwork phase, duration, units of analysis, location and data collection methods

<i>Fieldwork Phase</i>	<i>Duration</i>	<i>Unit of analysis</i>	<i>Location</i>	<i>Data collection method</i>
Phase 1	2003 Aug-Dec	Bank X Retail Strategy & Marketing group	Bank premises - Edinburgh	Documents, Flowcharts and Archival records, Interviews (n=03)
Phase 2	2004 Jan-July	Customers	Multiple locations – Glasgow Respondent residences, offices, cafes, university meeting rooms	Interviews (n=31) Principles of critical incident technique embedded in the interviews
Phase 3	2004 - 2005 July-Mar	Technology partner firms (n=4)	Various Respondent offices, interviews by telephone	Documents, In-depth interviews (n=05)

Source: Author

For the pilot study, the researcher met with the key informants from Bank X Retail Strategy & Marketing group at the bank’s premises. The key informants provided the researcher with documents and flowcharts on the channel integration process and customer contact strategy and the researcher gathered all relevant data at the bank’s premises. Owing to the confidential nature of the documents, the researcher was allowed access to the documents only within the bank’s premises (see section 5.5.2).

Customer data was gathered in the form of in-depth interviews at multiple locations in Glasgow. Subject to the convenience of the respondents, the researcher met with the respondents at their residences, offices, cafes or booked meeting rooms at the Department of Marketing, University of Strathclyde premises to conduct the interviews (see section 5.5.3). While data collection for the bank and customer data was carried out in natural settings, the data collection from the technology partners had to be adapted to include both face-to-face and phone interviews owing to respondents constraints of time and availability (see section 5.5.4).

➤ *Sequence and duration*

The data collection process, in line with the nature of qualitative research was lengthy in duration and without rigid boundaries between phases of data collection. Table 5.9 lists the major data collection activities for all three phases of fieldwork and the corresponding time spent in fieldwork for all the three phases.

The *pilot study with the retail bank* was conducted over a period of five months from August 2003 to December 2003. This time period was inclusive of the preparation prior to visiting the bank's premises and the preliminary analysis of the documents. The *customer data collection phase* required seven months from January 2004 to July 2004. The activities accomplished during this time period ranged from preparation for fieldwork to transcription of all interview tapes. The last phase of *data collection with the technology partners* began in August 2004 and ended in March 2005. This part of fieldwork took longer in terms of preparation time and recruitment of firms and respondents for the interviews.

The prolonged and intensive nature of the fieldwork is reflected in the fact that the complete fieldwork lasted for 20 months from August 2003 to March 2005. The entire research process was "fundamentally non-linear" (Marshall and Rossman, 1995:21) as it was a constantly iterative process that required the researcher to go back and forth between the research questions, the literature and the different sets of data in order to ensure that the fieldwork moved along the intended lines of inquiry. The details of the data collection procedure for the three phases of research are now detailed in sections 5.5.3 for the bank data, 5.5.4 for the customer data and 5.5.5 for the technology partner data.

Table 5.9: Data collection activities – Duration and sequence

	2003												2004					2005				
	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M		
Retail Bank – Pilot study																						
Preparation	■																					
Study of documents		■	■																			
Preliminary data analysis			■	■																		
Customers																						
Preparation						■																
Screening and Recruitment					■	■	■															
Interview protocol – Pretest					■	■	■															
Pilot interviews and transcription							■	■														
Main interviews								■	■													
Transcription									■	■												
Technology partners																						
Preparation														■								
Selection of firms, approach, recruitment														■	■							
Interview protocol – Pretest														■	■							
Pilot interviews and transcription														■	■							
Main interviews															■	■						
Transcription																■	■					

Source: Author

5.5.2 Pilot study: Bank X - Retail Strategy and Marketing Group

Earlier in the chapter, section 5.4.1.4 on case selection and design introduced in the discussion the use of the pilot study to counter the scepticisms associated with a single case study. The purpose of the pilot study was to establish whether the chosen case bank provided an appropriate context for exploring the research phenomenon in a bounded system and in a natural setting. This section details the procedures for access to the setting and the use of key informants in obtaining data through the study of documents.

5.5.2.1 Access and key informants

The assistance of key informants or gatekeepers in accessing an organisation for research purpose is well documented in the literature (cf. Yin, 2003; Patton, 2002; Cresswell, 1998; Bryman, 1989). Gaining access to the site or the key informants themselves also involves several steps (Cresswell, 1998). Access to the key informants at Bank X for the pilot study was facilitated by the doctoral research supervisor. In the first instance, the researcher attended a market research presentation at the bank's premises on May 13, 2003 where the researcher was introduced to two key informants from the Retail Strategy & Marketing Group. These two respondents belonged to the Customer Strategy team (Appendix 5A presents the organisation structure). Subsequently, the researcher discussed the research outline and access feasibility in a meeting attended by the doctoral research supervisor and a key informant in August, 2003. During the course of the discussions in May and August 2003, the key informants revealed that the Retail Strategy & Marketing Group had commissioned a CRM consulting group to prepare a plan for channel integration for the Retail Strategy & Marketing Group activities. In addition, the Retail Strategy & Marketing Group had been interested in developing improved customer contact management strategies and had been working in this area. This information provided the starting point to explore whether Bank X provided the appropriate context and information rich case for studying the research phenomena. The researcher requested permission to access the material on channel integration and customer contact management and was careful to clarify the purpose of

accessing the material and its use and adherence to ethical considerations to protect confidentiality.

Thereafter in September 2003, one of the key informants introduced the researcher to a third key informant from the Customer Management team working on channel delivery (see Appendix 5A for organisation structure), who provided the researcher with the documents on channel integration and customer contact management. Given the confidential and strategically sensitive nature of the documents, the key informants were willing to allow the researcher to access the documents only within the bank's premises at Edinburgh. The researcher made four day long visits to the bank's premises in Edinburgh between September and November 2003 to study the documents. No photocopy or duplicates of the documents were provided to the researcher and therefore the researcher made extensive field notes from the documents. In addition to the documents obtained from the Retail Strategy & Marketing Group, the doctoral supervisor also provided the researcher with additional retail banking documents of Bank X, also subject to conditions of absolute confidentiality and trust.

Bryman (1989) highlights the difficulties of access and the challenges associated with research on organisational strategy. Given the confidential and highly sensitive nature of the research subject, the research access to the site was partial in nature and limited to the documents made available to the researcher and informal unstructured interviews conducted with the key informants. After completing preliminary analysis of the data collected in this manner, the researcher felt the need to interview some of the organisation members from the Retail Strategy & Marketing Group. The purpose was to enhance the researcher's understanding of the Retail Banking operations in terms of products and channels offered to the customers and for refining the research design. To that end, the researcher approached the key informants from within the Retail Strategy & Marketing Group for approaching the organisation members regarding an opportunity for discussion. However, these meetings could not be secured despite repeated attempts. It was felt that the key informants were sensitive in approaching their fellow colleagues and having to explain to them that the research was not commissioned by the bank but being carried out by an 'outsider' on a topic that was still nascent and confidential in

nature. These developments reflected the views of Miller and Dingwall (1997:7) that “often qualitative researchers are required to rethink the objectives of their research, and adjust their projects to the circumstances presented by others”. Subsequently, the researcher adopted research strategies to triangulate the data using alternative data sources and perspectives. The researcher, therefore, alerts the reader that the data collection for the pilot study was confined to documentary sources and informal interviews with the key informants and to be treated with caution.

5.5.2.2 Data collection procedure: Documents

The literature on the use of document research in archaeology and anthropology and ethnographic studies is substantial and recognises the significance of documents as a valuable source of information (cf. Hodder, 2002; Hammersley and Atkinson, 1983). However, there is a limited discussion in the research methodology literature explaining the use of documents in organisational research. Forster (1994:148) provides a comprehensive taxonomy of organisational documents³. An explanation of documents in case study research provided by Yin (2003:85-86) is as follows:

- Letters, memoranda and other communiqués
- Agendas, announcements and minutes of meetings, and other written reports of events
- Administrative documents – proposals, progress reports, and other internal records
- Formal studies or evaluations of the same ‘site’ under study
- Newspaper clippings and other articles appearing in the mass media or in community newsletters

Forster (1994) stresses the importance for the researcher to be aware of the range of documents and the variety of functions performed by the different documents within an organisation. Forster (1994:148) describes this variety of documents and

³ Organizational documentation comes in many forms: company annual reports; public relations (PR) material and press releases; accounts statements; corporate mission statements; policies on marketing strategy; formal charters and legal documents; policies on rules and procedures; human resource management (HRM) strategies; policy directives on training; career management; job mobility and relocation management; formal memos between different groups and departments; and informal and private correspondence between staff and correspondence between respondents and researchers.

their functions as “the wide audience type memo through to more personal or even covert correspondence between individuals or informal groupings”.

This research study has used a mix of *administrative documents* in the form of proposals for a new business model, progress report, internal reports and records and *formal research studies* commissioned by Bank X to Marketing Research companies. Similar to other methods of data collection, there are advantages and limitations of using company documents in organisational research. Forster (1994:148) presents arguments supporting the study of documents:

First, documents are ‘a rich source of insights’ and can often provide researchers with information which may not be available through other methods of data collection, such as interviews and surveys. In the context of case study research, Yin (2003) highlights the importance of studying documents and suggests that the data collection should include a systematic search for documents. In the pilot study of Bank X, documents as the source of data collection provided insights into the bank’s position on customer contact management, channel integration and the activities undertaken in that direction. The documents provided a rich source of information across a breadth of issues which were not all anticipated prior to the study of the documents or during the discussions with the key informants.

Second, detailed information can be collected, such as information on organisational structure and policies, which, in turn, can be used to develop research questions. The range of issues emerging from the study of the documents from the Retail Strategy & Marketing Group helped in determining the information richness of the case and whether it provided ample opportunity to study the research phenomenon. The study of documents, discussion and reflection on the data obtained also guided decisions on further research design and research questions. For example, the decision to focus on a particular customer group of Bank X was a result of the document analysis.

Third, the data collection procedure is inconspicuous as it does not involve interaction with organisation members. As discussed in section 5.5.2.1, the researcher was granted access to the documents only within the bank’s premises and the researcher visited the site for studying the documents and making field notes. This research activity, however, did not disrupt the daily routine of the organisation

members or cause any inconvenience. The interaction of the researcher was limited to one of the key informants, who was the researcher's liaison person at Bank X Retail Strategy & Marketing Group. The researcher planned her visits to the bank's premises with prior agreement with the key informant. All communication between the key informant and the researcher took place through phone and email. The researcher was provided with a desk space within the Retail Strategy & Marketing Group and would obtain the documents from the key informant and work for the day. At the end of the day, the researcher would hand the documents back to the key informant for safekeeping.

Fourth, documents provide a means of data triangulation in order to 'counteract biases and supplement other sources of information' (Yin, 2003; Hodder, 2002; Forster 1994). Similar views are echoed by Bryman (1989) stating that documents can assist in checking the validity of information gathered from other sources and also highlight gaps such as differences between policies and practices. Both, Yin (2003) and Bryman (1989) are unanimous in their views regarding the need to study documents along with other data sources and caution against inferences drawn from documents to be treated as definitive findings. This research study uses multiple sources of evidence and study of documents is but one source for data. The findings of the pilot study were triangulated with findings from the customer data and technology partners' data to search for patterns and themes as well as differences in perspectives.

While the importance of documents as a data source for qualitative research is established, the limitations, however, cannot be ignored. As indicated by Forster (1994:149), documents can be 'fragmentary and subjective', might also lack authenticity or accuracy of the records. The documents used in the study were those provided to the researcher by the key informants from the Retail Strategy & Marketing Group and the researcher's doctoral supervisor who has been associated in research projects with the bank's key informants over a number of years. Therefore, the authenticity of the documents was well supported. The documents were administrative documents such as internal progress reports, presentations, business model proposal reports, commissioned market research reports. These documents were either prepared by members of the Retail Strategy & Marketing Group, or an

independent third party such as consulting firm or market research agencies. In addition to the above, the fact that all the documents provided to the researcher were deemed as 'strictly confidential', it counters the scepticism of 'subjectivity, authenticity or accuracy'. Only documents that were comprehensive in nature such as full proposals or presentations, and part of a series of internal reports that were dated and mentioned authors were used for data collection to eliminate fragmented information. In addition, many of the documents cross referenced each other in the text and helped to establish continuity of information.

Forster (1994) suggests the information in documents to be treated as 'context-specific', checked, verified and triangulated with other forms of data. Finally, collecting and analysing documents can be a very lengthy and time-consuming process and therefore they are subject to a limited use in organisational research (Forster, 1994). The use of documents in this research study was primarily to meet the objectives of the pilot study. Indeed, they were treated as 'context specific' and the data was triangulated with other data sources in the subsequent phases of research.

5.5.2.3 Data collection procedure: Unstructured interviews

Patton (2002:341) states that "the purpose of interviewing is to allow us to enter into the other person's perspective. Qualitative interviewing begins with the assumption that the perspective of others is meaningful, knowable and able to be made explicit". Kinnear and Taylor (1996:315) define the depth interview as, "an unstructured personal interview which uses extensive probing to get a single respondent to talk freely and express detailed beliefs and feelings on a topic". King (1994:15) highlights the difference in interviews between a quantitative study using structured interviews and qualitative interviews. In the former, the interviewee is a research 'subject', whereas in qualitative interviews, the interviewee is a research 'participant', who shapes the course of the interview rather than merely responding to a set of pre-determined questions. Interviews as a method of data collection are used extensively in case study research and are "guided conversations rather than structured queries" (Yin, 2003:89) with a fluid stream of questions (Rubin and Rubin, 1995).

During the pilot phase of the study, unstructured interviews, more in the form of discussions were held with the key informants. This was at the request of the key informants who were willing to share with the researcher the multiple channel integration initiative and its underlying reasons but unwilling to have a more formal discussion that could be tape recorded. This hesitation on their part may well be attributed to the fact that the entire multiple channel integration initiative was highly confidential in nature and in nascent stages and therefore the key informants were hesitant in committing themselves to stating something very explicitly.

The researcher respected the key informants' position on the matter and used the opportunity for understanding the background to the multiple channel integration initiative, build a context to the documents provided and use the same as a reference point for shaping the research study further.

The following section details the data collection procedures followed for the customer data.

5.5.3 Phase 2: Bank X customers

This section begins by presenting the rationale of exploring the customer perspective. This is followed by a discussion of selecting the target customer group to be studied. Then, the response strategies adopted for ensuring a high response rate are presented. The section moves forward to outline the procedures followed for sampling and the use of a screening questionnaire for respondent selection. Thereafter details of the interview guide and its pre-testing and piloting procedures are discussed. Then the data collection procedures using in-depth interviews and critical incident technique are presented.

The second phase of data collection was conducted with the Bank X retail banking customers. The decision of including the customer perspective in the research study was underpinned by the following considerations:

First, the extant literature contends that the customer is at the heart of the CRM process (cf. Hart, Hogg and Banerjee, 2002; Ryals, Knox and Maklan, 2000). Customers and the firm-customer relationships are conceptualised as intangible resources of the firm (cf. Gouthier and Schmid, 2003; Hunt, 1997). Section 2.2.2 in chapter 2 presented a detailed discussion of the same. Since this study explores the channel integration process and the role and contribution of channels in building and

maintaining firm-customer relationships, exploring the customer perspective would add to our understanding of the research phenomenon.

Second, from the multiple channel integration perspective, the design and delivery of positive and consistent customer experience within and across channels is emphasised as an important element of a successful multiple channel distribution strategy (cf. Payne and Frow, 2004; Rheault and Sheridan, 2002; Bradshaw and Brash, 2001). The argument emphasising customer experience is based on the notion that successive personalised and consistent encounters will promote trust and reinforce the relationship, thereby facilitating customer retention and profitability. Despite the importance of customer experience in multiple channel integration, there is, however, little by way of empirical research to illuminate on the subject (see section 3.4, chapter 3).

Third, there is limited research on the customer perspective in the extant research on CRM. A detailed discussion of the same was presented in section 2.5 (chapter 2) and table 5.4 (chapter 5) illustrated the units of analysis within this body of empirical research.

Together these reasons indicated the need to incorporate the customer perspective as an embedded unit of analysis in the case study. As the pilot study established that investigating the channel integration process within the Bank X context would provide an information rich case, the next step of the fieldwork involved data collection with Bank X customers. Since a case has to be bounded within time, events or processes (cf. Yin, 2003), the decision of researching the Bank X customers would ensure a consistency that all customers are bounded by the common experience of Bank X products, services and channels.

5.5.3.1 Selecting the customer segment

The next step involved selecting the customer segment for research. As discussed in chapter 4, retail banks service multiple customer segments through multiple channels as part of their marketing strategy (cf. Foss and Stone, 2003). Data from a pilot study document - Bank X retail marketing: customer management strategy presentation, 2002 revealed the presence of four customer segments: *youth*, *student*, *mass market* and *premium* determined by the financial value and the life stage of the customers. The bank used criteria such as age limit (youth), proof of annual income within

certain bands (premium) and status of being engaged in full time education (student) to distinguish between the customer segments.

The mass market customer segment appeared most attractive for research for reasons of segment size and diversity. This is the largest customer segment of the bank and exhibits demographic and psychographic variation in terms of age, income, products and channel used, life stage needs. Such a customer segment would be appropriate for 'maximum variation' in sampling as suggested in literature by Yin (2003), Miles and Huberman (1994).

5.5.3.2 Sampling, screening and recruitment

This section is in five parts. *First*, it discusses the criteria set for sampling; *second*, the methods used for sampling; *third* the screening and recruitment procedures followed; *fourth*, the ethical considerations guiding the entire procedure and *fifth*, the response strategies adopted to lower non-response rate.

'Maximum variation' sampling as a method of purposeful sampling aims at picking a wide range of cases that would help in identifying important common patterns that cut across variations (Patton, 2002:243-244). For the purpose of this study, there was a need to develop a sample of Bank X customers who would provide a heterogeneous sample to reflect the diversity of the mass market customer group yet share similarities in their experiences.

➤ Setting the criteria for sampling

Prior to begin sampling, an additional procedure to be taken into consideration was setting the sampling criteria in order to make the research in hand manageable in terms of data collection and data analysis. Based on the salient themes emerging from the industry analysis (as detailed in chapter 4), pilot study, research focus and limitations, the following issues required attention:

1. Channel usage: Since this study focused on the four channels of branch, ATM, phone and Internet banking, all the four channels were incorporated for respondent sampling and screening. Therefore, the criteria was set as – *customers using one or more channels from branch, ATM, phone and Internet banking for their personal banking needs.*

2. Bank association and duration of association: The discussion in chapter 4 highlighted that some customers tend to bank with more than one bank at a given time. Therefore, the criterion for the sample was – *Customers banking either with Bank X or with Bank X plus any other bank(s)*. In addition, the criterion for *duration of association with the bank(s)* was set at a minimum of 3 months. It was felt that 3 months was a minimum suitable time for a person to have some experience of interacting with a bank after opening an account and getting familiar with products and services and facilities of branch, ATM, telephone and Internet banking.

3. Product usage: Retail banks offer a vast array of products to the customers (as detailed in chapter 4). In order to make the research in hand manageable in terms of data collection and data analysis, the criteria for the sample was set in terms of five products – *Customers having a current account and one or more of the following products: savings account, personal loans, credit cards, mortgage*.

4. Age: As the mass market customer segment is meant for people over 21 years of age, it was the deciding criteria for respondent eligibility for the research participation.

5. Gender and life stage: Since the mass market customer segment is characterised by diversity in terms of age and corresponding life stage banking needs, the sampling effort was to try and capture this diversity to the extent possible within the limits of this study. The sampling criteria was set as – *male and female customers in four age bands: 20s, 30s, 40s and 50+⁴*.

6. Location: This phase of data collection was conducted in Glasgow because the researcher did not have any assistance from the bank in identifying and approaching the bank customers for research participation. In addition, there were no additional resources – financial or human in extending the fieldwork to other cities. However, despite these constraints, the researcher through a carefully planned sampling and recruitment exercise was successful in acquiring a sufficient number of Bank X

⁴ In deciding the age bands, a middle path approach was adopted. Keynote report 2003:51 on Personal Banking, mentions the age bands as 16-24, 25-34, 35-44, 45-54, 55-64, 65+. Whereas, the pilot study revealed that at Bank X, age bands were mentioned as under 21 as a separate segment (Youth) at one extreme and the 50+ age group (Seniors) at the other end. Therefore, for the purpose of this research study, in order to capture the different life stages and age bands, the age bands were taken as 21-29 (Young), 30-39 (Mature Young), 40-49 (Mature), and 50+ (Senior).

customers as respondents (see section 5.5.3 for respondent screening and recruitment details). Therefore, in order to keep the recruitment manageable, the criteria set for sampling was – *customers residing within Glasgow and the greater Glasgow region.*

➤ *Sampling methods*

The search for respondents grew in a spiral moving out of the University of Strathclyde premises to social circles, offices, and community centres and employed multiple modes of communication. Three sampling methods were used in this phase of fieldwork:

1. *Word of mouth communication:* The first step in the sampling procedure was a blanket search for Bank X customers by generating leads through word-of-mouth. The researcher employed face to face communication, phone calls and emails to friends and acquaintances to identify potential respondents.

2. *Key informants:* Following the suggestions of Holstein and Gubrium (1995) and Spradley (1979), the researcher sought out key informants to assist in locating potential respondents. Emails and posters outlining the research and respondent profile were circulated among friends and acquaintances across offices to be displayed on notice boards. Appendix 5B presents example of a poster used for recruitment procedure.

3. *Personal visits to offices and community centres:* The researcher augmented the sampling efforts by personally visiting offices such as the Glasgow City Council, University of Strathclyde Security Services, University of Strathclyde and Glasgow University Print Unit, Findlay Memorial Church and Inland Revenue Office. This effort involved two-three visits supplemented by phone calls. In the first instance, the researcher met with the receptionist or an office bearer to introduce herself and explain the purpose of the visit. Thereafter, if permission was granted, the researcher left posters (Appendix 5B) to be displayed on notice boards. The poster used a simple and informal language to evoke interest in the research and make it approachable. As a follow up measure, the researcher either paid another visit or telephoned to assess the response. The visit to Findlay Memorial Church was assisted by a key informant who was the church member and organised for the researcher to

meet with other church members to explain the research purpose and try to secure respondents.

In order to *reduce or eliminate response bias* at the time of sampling, the following measures were taken:

1. Instead of asking potential respondents whether they were customers of Bank X, the question was posed as “which bank(s) do you bank with”?
2. The researcher also requested the key informants not to reveal the name of the bank to any persons they approached for research participation request. The purpose of the study was presented as a study of banking activities without mentioning names of any particular banks.
3. The poster circulated at various places also adopted a similar strategy of not revealing the bank’s name.
4. Also, subsequently in the screening questionnaire, a battery of names of banks and building societies were provided to couch the research case bank (see Appendix 5C). Just as anonymity and confidentiality was promised to the respondents, in the same fashion, the anonymity and confidentiality of the bank under study was maintained throughout the fieldwork to eliminate bias.

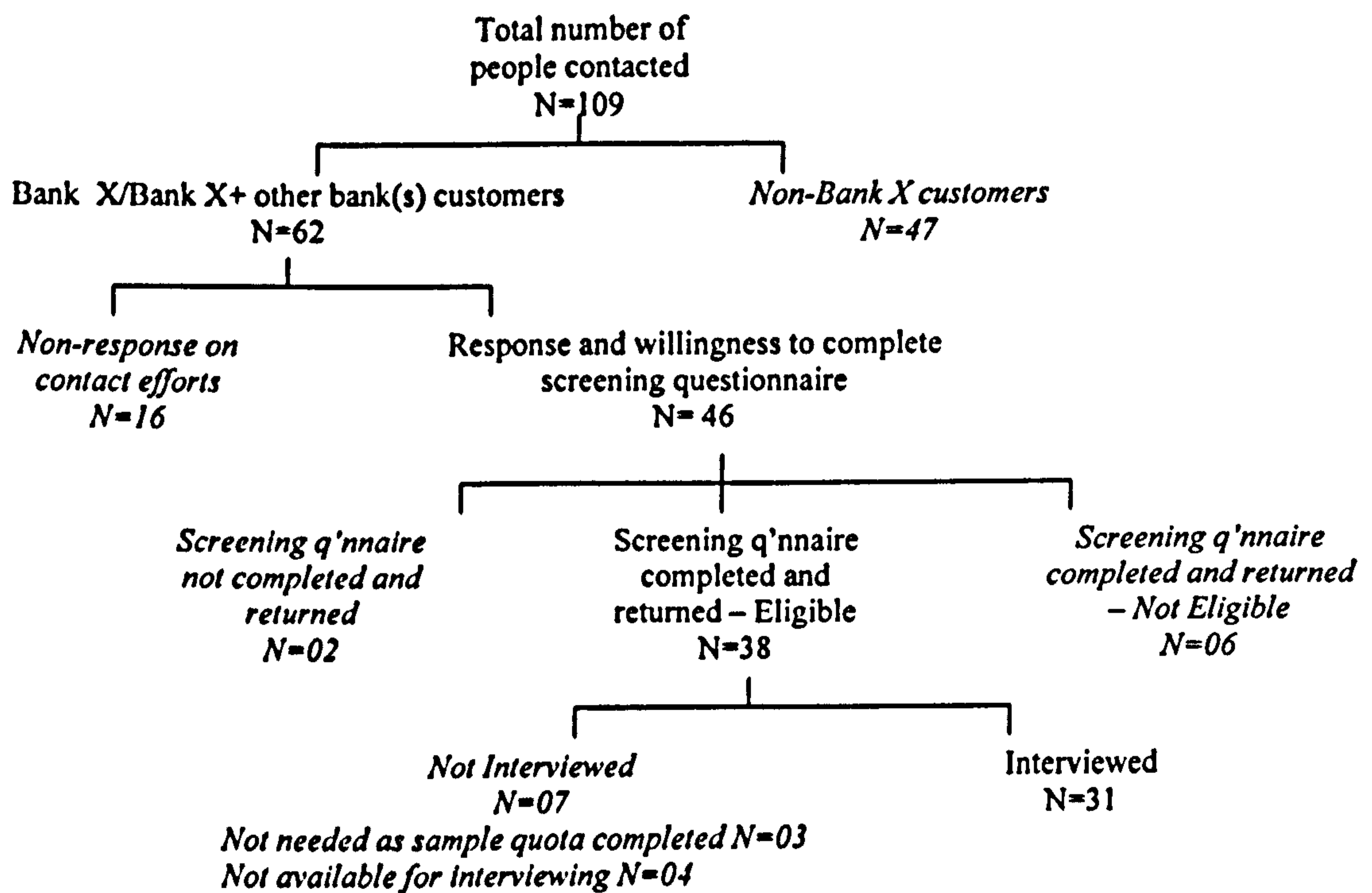
➤ Screening and recruitment

After identifying potential respondents, the next step was to conduct a screening procedure to select the eligible respondents. Yin (2003:78) states that “the goal of the screening procedure is to be sure that you identify cases properly prior to formal data collection”. The screening procedure involved explaining the research purpose and procedure to the potential respondents and seeking their consent for sending the screening questionnaire. Yin (2003:78) suggests that “prior to collecting the screening data, you should have defined a set of operational criteria whereby candidates will be deemed qualified to serve as cases”. The screening questionnaire (presented in Appendix 5C) was used to determine the eligibility of the potential respondent as per the criteria set for the study. The screening questionnaire was a brief two page ‘limited document’ which outlined the research project and what was requested of the respondent (cf. Yin, 2003:78). This questionnaire contained five questions regarding the respondent’s bank(s)/building society(s) association and its

duration, types of products held and duration, channels used for banking activities, and demographic descriptors of age, education and occupation. The screening questionnaire was discussed internally with the two doctoral supervisors. In addition, a senior academic within the Department of Marketing, University of Strathclyde with vast experience in services marketing research gave valuable suggestions in setting the sampling criteria, the criteria for the duration of bank association and product ownership.

In most instances, the screening questionnaire was emailed to the potential respondents for self-completion. In other instances, where respondents did not have email facility, the questionnaire was given to them in person. Once the eligibility of the respondent was established through the completed questionnaire, the next step was to request their research participation. The research participation was requested in the form of an in-depth interview to be held at a date, time and venue subject to the respondent's convenience (cf. Warren, 2002). This procedure was followed for the entire recruitment process. The outcome of the sampling, screening and recruitment procedure is illustrated in figure 5b.

Figure 5b: Sampling, screening and recruitment outcome



Source: Author

As illustrated in figure 5b, a total of 109 people were approached at the initial stage with the aim of identifying either Bank X customers or customers banking with the Bank X and other bank(s). Out of 109, 47 people were non-Bank X customers and banked with various banks. 62 people were identified as Bank X customers. Out of these 62 people, 16 people who were among the leads generated by word-of-mouth, through key informants and visits to offices for poster display did not respond to further communication by the researcher. 46 people, who were identified as Bank X customers, were willing to complete the screening questionnaire after the researcher had explained the research purpose, screening and data collection procedure. Out of these 46 people, 2 did not return the completed screening questionnaire, 6 were ineligible as per the responses provided by them on the screening questionnaire and 38 were eligible for the next phase of data collection. All 38 eligible respondents were contacted for research participation in the in-depth interviews. Out of these 38 respondents, 31 respondents were scheduled for interviewing and 7 respondents were not interviewed. Out of these 7, 4 were not available for interview participation due to time constraints and travel plans and 3 were no longer needed to be interviewed as the required quota for the age group/life stage for 20s, 30s and 40s was met.

In terms of the total number of respondents, literature does not provide any guidelines on the number of respondents or cases for sample size in qualitative research. Mentions of 'theoretical saturation' (Eisenhardt, 1989), 'sample selection to the point of data saturation' (Lincoln and Guba, 1985), 'there are no rules' (Patton, 2002) abound in the literature. While, on one hand, the literature does not provide any guidelines for sample size, however, on the other hand, authors such as Patton (2002), Marshall and Rossman (1995) do acknowledge factors such as the constraints of time, financial and human resources and their impact on the research study. For the purpose of this phase of data collection, the approximate number of 32 respondents was considered in order to represent both genders, allow for piloting the interview guide, reflect patterns and generate sufficient data for analysis. The researcher was guided by the discussion in literature that "the validity, meaningfulness and insights generated from qualitative inquiry have more to do with the information-richness of the cases selected and the

observational/analytical capabilities of the researcher than with sample size” (Patton, 2002: 85).

The data collection was aimed at capturing customer experiences from different life stages and had four age bands as sample criteria. The data collection aimed for a total of 32 respondents, split equally across both genders and age groups, resulting in a quota of 4 female and 4 male respondents per age band, as illustrated in table 5.10.

Table 5.10: Customer data: Final sample

<i>Age band</i>	<i>20-29</i>	<i>30-39</i>	<i>40-49</i>	<i>50+</i>	<i>Total no. of respondents</i>
<i>Gender</i>					
<i>Males</i>	4	4	4	4	16
<i>Females</i>	4	4	4	4	16
<i>Total no. of respondents</i>	8	8	8	8	32

Source: Author

For the 50+ age group among males, however, recruitment was difficult and despite best efforts the quota fell short by 1 respondent. At the final tally, 31 interviews were completed and the details of the interview process are presented in section 5.5.3.4.

➤ **Ethical considerations**

As with forms of research with human subjects, qualitative research requires ethical considerations to be taken care of during the research process (Patton, 2002). This research study was conducted in accordance with the ethical regulations laid out in the University of Strathclyde: Ethical Codes of Practice. To that end, the researcher submitted a research outline to the Department of Marketing Ethics Committee on March 8, 2004 prior to commencing data collection. In this document, the researcher explained the procedures she would be following to ensure that the research conforms to the University of Strathclyde: Ethical Codes of Practice. This document was approved by the Ethics Committee.

Fontana and Frey (1994:662) draw attention to the ethical considerations in interviewing, namely, *informed consent* (receiving consent by the subject after having carefully and truthfully informed him or her about the research), *right to*

privacy (protecting the identity of the subject) and *protection from harm* (physical, emotional or any other kind). For this study, *informed consent* and *right to privacy* were pertinent.

The logic of *informed consent* presumes that the respondents will understand the intent of the research, as it is explained by the researcher or a consent letter (Warren, 2002:89). In this research study, the procedure of informed consent was followed at each step of respondent screening and recruitment:

First, when the researcher approached anyone to enquire which bank the person banked with, in order to determine, whether he or she was a Bank X customer, the researcher introduced herself, her credentials at the University, the research study and the purpose of collecting the information.

Second, if the person happened to be a Bank X customer, then the researcher requested permission to give the screening questionnaire, again explaining the purpose of the same, who would use the information and how the information would be used.

Third, the screening questionnaire also explained the purpose of the study, matters of confidentiality, consent and what is sought from the respondent in terms of time, choice of interview venue.

Fourth, at the time of giving the screening questionnaire, it was explained to the person that if he/she was willing to participate in the study further (in the depth interview) then they could complete the questionnaire and return to the researcher (as detailed in Appendix 5C).

Fifth, at the time of the interview, before starting the interview, the researcher once again explained the purpose of the research study, who would use the information and how the information would be used. Here, matters of confidentiality and anonymity were particularly explained in detail. In addition, as a courtesy to the interviewee, the researcher asked if she had missed explaining anything or whether the respondent would like to have any further information.

Sixth, prior to beginning the interview, the researcher requested for the respondent's verbal consent to the interview and tape recorded the same. The use of verbal consent on tape was in line with the suggestions of Warren (2002) to avoid the contradiction

of having signed consent forms on one hand and promising confidentiality and anonymity on the other hand.

The *right to privacy* for the respondents was ensured in several ways during the research process. *Firstly*, the researcher did not seek any personal information such as name and address as part of data requirement. *Secondly*, in order to capture a sample representative of Glasgow and the greater Glasgow region, instead of collecting address, the researcher requested for residential post-codes from the respondents. *Thirdly*, the researcher assured the respondents that all respondent information shared during the data collection process would remain with the researcher alone and not disseminated to any third party. *Fourthly*, the researcher assured the respondents that their identity would not be revealed and all information collected would be reported anonymously in the thesis.

➤ Response strategies

The use of multiple methods of sampling and adherence to ethical procedures helped in lowering the non-response rate for the data collection. The key informants facilitated access to the respondents, the emails and posters in an informal and friendly tone helped to arouse interest and snowballing through respondents helped in identifying and approaching people for research participation. The researcher explained the research purpose and procedure at every stage of sampling, screening and recruitment. Together these methods helped to build rapport with the respondents, establish the genuineness of the research and the credibility of the researcher. Particular attention was paid to clarify that neither did the researcher seek any personal/ confidential information regarding the monetary aspects of banking practice such as amounts held/transacted, credit or mortgage limits, expenditure amounts, nor will the respondents' identity be revealed. Further, the researcher clarified the academic nature and purpose of the research. The researcher also clarified at every stage of recruitment that neither was the research sponsored by any bank to collect confidential information and nor did the researcher intend to sell the information to any body in any form. These ethical procedures followed in line with the suggestions of scholars such as Patton (2002) gave an assurance of the authenticity of the research and lowered the non-response rate.

5.5.3.3 Interview guide: Development and pre-testing

The general interview guide approach involves “outlining a set of issues that are to be explored with each respondent before interviewing begins. The guide serves as a basic checklist during the interview to make sure that all relevant topics are covered” (Patton, 2002:342). The need and type of an interview guide depends on the type of interview: unstructured, semi-structured or structured interview (cf. Patton, 2002; Fontana and Frey, 1994). For the purpose of this research study, the semi-structured interview approach was felt to be most appropriate. The semi-structured interview guides the discussion along a set of pre-determined themes central to the research study and yet allows the respondent to provide expansive answers to open-ended questions (cf. Patton, 2002). In addition, “the interview guide helps to interview a number of different people more systematic and comprehensive by delimiting in advance the issues to be explored” (Patton, 2002:343). To that end, the interview guide (presented in Appendix 5D) for this phase of customer data collection was developed to reflect the themes of the research objectives presented in chapter 1. The themes of the research objectives, in turn, emerged from the literature review presented in chapters 2 and 3.

The interview guide was structured in five sections (Appendix 5D) and each section comprised a set of questions. A range of question options were used in order to help the respondents express their understanding in their own words (cf. Patton, 2002). Patton (2002:348-352) suggests a variety of question options and several of these were used to form the questions in the interview guide. The first section was the warm up section intended to put the respondent at ease and establish a rapport between the respondent and the researcher. The warm up section posed open-ended *background questions* like “*can you tell me something about yourself?*” so as to initiate a friendly conversation and make the interview appear non-threatening. The second section sought responses on the respondent’s banking practice and products and channels used. The aim was twofold. Firstly, to corroborate the answers provided by the respondent on the screening questionnaire and thereby once again verify the eligibility of the respondent and secondly, it provided the respondent another opportunity to add any information not previously provided in the screening questionnaire. This section used *knowledge questions* to inquire about factual

information and *behaviour questions* about banking activities such as “*which banks have you been banking with and since when?*” (cf. Patton, 2002:350). The third section focused on the bank-customer interaction through different channel and customer experience of the same. This section used the critical incident technique (CIT) embedded within the interview to generate responses regarding any critical positive or negative events. The details about the use of the critical incident technique (CIT) as a data collection technique are detailed in section 5.5.3.5. Since the aim of this section was to generate information regarding critical events and respondents’ experience of them, the use of *experience* and *feeling questions* was felt appropriate for capturing the relevant data. Questions such as “*could you tell me about any positive or negative instances that you experienced*” helped to initiate the discussion of critical incidents. Feeling questions to tap the affective dimension and elicit emotions regarding the experience were used as follow up questions, such as “*how did you feel about it*”. The fourth section explored issues relating to retail banking industry and the channels, the role of technology and bank-customer relations and areas of improvement regarding channels based on customer experience and needs gaps. For this section, *opinion* and *value questions* were posed to elicit the respondents’ opinions and judgements, such as “*what is your opinion on the use of technology in personal banking, such as ATMs and Internet banking*”. The fifth and final section concluded the interview and gathered demographic data for annual salary (Appendix 5E) and residential postcode. The aim of collecting this data was to capture income and geographic heterogeneity in the sample.

The development of the interview guide was further assisted through the use of ‘table shells’ as suggested by Miles and Huberman (1994). The table shells help in identifying what data is being sought, why and what will be done with the data once collected. Appendix 5E presents the table shell developed for customer data collection.

The interview guide was pre-tested through four academics at the Department of Marketing, University of Strathclyde for refining the sequencing of themes and development of the questions. Thereafter, the interview guide was piloted in 4 interviews (2 male and 2 female respondents). The interviews were tape recorded and transcribed by the researcher to check for any inconsistencies or difficulties of

question comprehension by the respondents. Minor amendments were made to the interview guide before conducting the remaining interviews. This exercise of pre-testing and piloting the interview guide helped to develop a research instrument aimed at capturing rich data required for the research study through the in-depth interview.

5.5.3.4 Data collection procedure: In-depth interviews

Given the nature of research questions and the type of data needed for this research study, a semi-structured in-depth interview was considered to be most appropriate for exploring the customers' perceptions and experiences with multiple channels in retail banking. As discussed in the preceding section, the interview guide structured around the key themes to be explored, allowed for open-ended responses from the respondents and ensured that the interview does not digress from the line of inquiry.

The interview process followed the interview guide and posed a range of questions as detailed in the preceding section. Along with the main questions, follow up questions and probes were used where necessary to gain a better understanding of the respondents' perspective. As guided by Easterby-Smith, Thorpe and Lowe (1991:78-80), a range of probes were used:

1. The *basic probe* was used if the respondent digressed from the point.
2. The *explanatory probe* was used for clarifying incomplete information, such as "*what did you mean by lack of control in Internet banking*".
3. *Focused probe* helped to gain specific information and used a question like "*for what activities do you visit the branch or use the telephone banking facility*".
4. The *silent probe* and the *technique of drawing out* were particularly employed for the critical incident technique where the respondent was narrating a positive or negative experience and when in some instances the emotional responses were prominent or the respondent lapsed into silence. The researcher either posed a follow up question like "*can you tell me more about it*" or remained silent until the respondent broke the silence and resumed speaking.

5. Sometimes *giving ideas or suggestions* like “*did you consider speaking to the branch staff*” offered a clue that helped the respondent speak further and brought out more information.

6. Also, *mirroring or reflecting* that involved expressing the respondents’ discussion in the researcher’s words helped in either understanding what had just been said. This was particularly useful at the end of a long monologue and also sometimes helped clarify and do away with any difference in what the respondent said and actually meant.

The interviews were conducted at a date, time and venue suitable to the respondent. The consideration of respondent’s convenience was paramount and therefore the choice of venue for the interview was left to the respondent. Some interviews were conducted during daytime while others were in the evening or weekends. The interviews took place at respondents’ residences, places of work, cafes. In addition, some interviews were conducted in meeting rooms booked at the Department of Marketing, University of Strathclyde, if that was suitable to the respondent. The usual duration of each interview was between 50 minutes to an hour and the longest interview lasted one hour and 30 minutes.

At the beginning of each interview, the researcher once again reminded the respondents the research purpose, the use of the information collected, issues of confidentiality and anonymity. The researcher sought permission for tape recording the interview as a means of note-taking and requested for the respondent’s verbal consent on tape before starting the interview. The researcher, however, was careful to mention to the respondents that if at any stage, they were not comfortable having the interview recorded, they could tell the researcher to stop recording but a need for the same did not arise. In all the cases, the permission to tape record the interview was granted. The use of tape recorder helped to conduct the interview in a natural way where the researcher could concentrate on listening and posing the appropriate questions rather than being pre-occupied with writing extensive field-notes. The questions were posed in a neutral manner with sufficient pauses and the respondents were encouraged to discuss issues in depth.

While the tape recording of the interviews ensured that verbal reports were captured, the non-verbal communication could not be ignored. Fontana and Frey

(1994:661) stress the importance of non-verbal aspects of communication and suggest that researchers note and record the same because 'interview data are more than verbal records and should include, as much as possible, nonverbal features of interaction'. Gorden (1980: 335) discusses the importance of non-verbal techniques in interviewing and suggests four basic modes of non-verbal communication: *proxemic* communication – the use of interpersonal space to communicate attitudes, *chronemics* communication – the use of pacing of speech and length of silence in conversation, *kinesic* communication – including any body movements or postures and *paralinguistic* communication – all variations in volume, pitch and quality of voice. During the interviews, the researcher took note of non-verbal communication. For example, in some instances, respondents took out their wallets and removed their credit, debit or cash line cards to clarify which cards they owned and used. Also, change of tone of voice or volume was noted when respondents described or narrated emotion laden experiences or mimicked someone. Sometimes, long pauses were noted when respondents recalled a particular situation or reflected before answering a question. Body movements in the form of gestures or facial expressions like a grimace or smile accompanied an answer. While listening to the respondents, the researcher took note of these non-verbal forms of communication and brought this information together with the verbal reports during the transcription of the tapes.

While the interview as a means of data collection is used for its ability to generate targeted and insightful data, it also has its share of weaknesses such as bias, poor recall and reflexivity (cf. Yin, 2003). The researcher attempted to mitigate the impact of these weaknesses by adopting certain measures throughout the data collection process:

Bias in the form of *response bias* during sampling, screening and recruitment was envisaged and measures were taken to avoid the same, as discussed earlier. Bias in the interview process could be generated through *poorly constructed questions* (Yin, 2003). The procedures followed during the development of the interview guide attempted to counter this weakness. The pre-testing and piloting of the interview guide, care in wording of questions, use of appropriate probes and transcription of the pilot interviews as a quality check ensured that the questions were refined and appropriately constructed. These procedures also ensured that the researcher did not

pose any leading questions (Easterby-Smith, Thorpe and Lowe, 1991) and helped to reduce *reflexivity* – the respondents giving what the interviewer wants to hear (Yin, 2003). The issue of *poor recall* was a cause of concern to the researcher prior to beginning interviews particularly for the discussion on critical incidents. However, during the interviews, it became clear that if an incident was particularly critical in a positive or negative way, respondents recalled it in sufficient depth and detail. Where necessary, probes were used to assist the discussion. Finally, at the close of an interview, the opportunity for further contact was requested with each respondent for the purpose of clarifying any information that remained unclear after transcription.

The following section details the data collection procedures followed for the critical incident technique.

5.5.3.5 Data collection procedure: Critical incident technique

This section discusses the procedures followed for data collection using principles of critical incident technique embedded in the customer in-depth interviews. The critical incident technique (CIT), wherein ‘informants describe their experiences and feelings attendant to a specific occasion’ has been used considerably as a means of data collection in qualitative research (Burns, Williams and Maxham III, 2000:178). The earliest discussion on CIT can be found in the works of Flanagan (1954:327)⁵ and indicates that the traditional conceptualisation and use of CIT was more as a method of observation. However, in the context of marketing and consumer behaviour, the application of CIT is described by Burns, Williams and Maxham III (2000:179) as: 1) *focus on a particular event or phenomenon*, 2) *elicitation of informants’ detailed narrative text records of their experiences with the phenomenon*, 3) *content analysis of these narrative texts*, 4) *thematic interpretation based on the content analysis*.

⁵ *The critical incident technique consists of a set of procedures for collecting direct observations of human behaviour in such a way as to facilitate their potential usefulness in solving practical problems and developing broad psychological principles. By an incident is meant any observable human activity that is sufficiently complete in itself to permit inferences and predictions to be made about the person performing the act. To be critical, an incident must occur in a situation where the purpose or intent of the act seems fairly clear to the observer and where its consequences are sufficiently definite to leave little doubt concerning its effects.*

The rationale of using CIT as a means of data collection for the purpose of this research study was driven by the nature of research questions, the type of information sought, the strength of CIT in delivering on such research requirements underpinned by conceptual and empirical discussions in the literature:

Bitner, Booms and Tetreault (1990:73) posit that “the CIT is essentially a classification technique employing content analysis of stories or ‘critical incidents’ as data”. In addition, it is mentioned that the incident has to be a discrete episode and provide sufficient detail to be visualised by interviewers (Bitner, Booms and Tetreault, 1990). For the purpose of this research study, it was important to capture the customer experience of using multiple channels for banking activities. Further, it was important to capture both negative and positive experiences to understand customer need gaps, likes and dislikes. It was envisaged that these customer experiences would be in the form of a rich narrative, a discrete episode that forms the data for analysis and the use of CIT, therefore, appeared to be most appropriate to capture such stories of customer experience.

As little is known by way of empirical research about customer experience within and across channels despite its importance for channel integration process and maintenance of bank-customer relationships, the use of CIT aimed to explore the issue of customer experience in-depth. This decision was guided by literature which argues “when the purpose of research is to increase knowledge of a phenomenon about which relatively little has been documented and/or to describe a real-world phenomenon based on thorough understanding, an approach such as CIT seems particularly well suited to the task” (Bitner, Booms and Tetreault, 1990:73).

Particularly within marketing, CIT has been used extensively for services research (example: Bitner, Booms and Tetreault, 1990; Bitner, Booms and Mohr, 1994; Keavney, 1995). The focus of research has been on service encounter between employees and customers. Service encounters have been deemed important in services management because of the customers’ participation in the production and consumption of services. In addition, the customers’ perception of the service encounter has been perceived as an important constituent for evaluating the service quality and service satisfaction (Parasuraman, Zeithaml and Berry, 1985; Bitner, Booms and Tetreault, 1990). Critical incidents in the context of services have been

defined by Bitner, Booms and Tetreault (1990:73) as “specific interactions between customers and service firm employees as especially satisfying or especially dissatisfying”. For the purpose of this research study, the customer interaction in a service encounter is not just with the bank employees (such as branch and telephone banking, call centre staff) but also with automated self-service technology channels (such as ATM, Internet banking). As discussed in section 3.4.4.2.2 (chapter 3), though customer experience with technology and its service outcome and satisfaction has become an important area of study, it has not been explored sufficiently (cf. Jamal, 2004; Dabholkar and Bagozzi, 2002; Meuter et al., 2000; Dawes and Rowley, 1998). As this study focuses on both – channels serviced by human interaction and channels serviced by self-service technology, CIT was considered as an appropriate method to explore customer experiences pertaining to both types of channels.

Bearing in mind the strengths of verbal reports of critical incidents, this research study embedded the use of CIT in the depth interviews with all the respondents. This enabled the data collection to progress naturally as the interview moved from one section of the interview guide to another. As detailed in Appendix 5C, the interview progressed along pre-determined lines of inquiry and the use of CIT was positioned in the middle of the interview. The discussion on the respondent’s banking practice, channels, products and services used and the temporal dimension in terms of previous usage pattern versus current practices provided the necessary context to guide the interview towards discussing positive and negative customer experience. This verbal report was not only information rich but also allowed for probes and follow-up questions where necessary. As discussed earlier in section 5.5.3.3, the use of *experience* and *feeling questions* was felt appropriate for capturing the relevant data. Questions such as “*could you tell me about any positive or negative instances that you experienced*” helped to initiate the discussion of critical incidents. Feeling questions to tap the affective dimension and elicit emotions regarding the experience were used as follow up questions, such as “*how did you feel about it*”. In addition, the respondents’ use of non-verbal communication when narrating the emotional reactions to positive or negative experience could be captured effectively through verbal reports, which are usually missed out in written reports of critical incidents (Van Dolen et al., 2001).

While the use of CIT as an effective research tool in services research is evident, the researcher was also aware of the limitations of CIT and the inherent biases. In a critique of the traditional use of CIT in service research, Edvardsson and Strandvik (2000) argue that studies using CIT have focussed on singular episodes, often narrated by the informant to a stranger in a short interview. These incidents have not focused on customer relationships and often these short narratives are not probed or the magnitude or seriousness of the incident is not elaborated upon (Edvardsson and Strandvik, 2000:84). In order to understand the criticality of the critical incident, in terms of customer reactions and effects on the relationship, (Edvardsson and Strandvik, 2000:88) argue for personal interviews incorporating data on the relationship and the context of the relationship. Further, the researchers suggest the use of three dimensions – emotional reaction, cognitive reaction and behaviour reaction to evaluate the customer reaction. Edvardsson and Roos (2001:265) emphasise the need to consider the elements of *weight* (positive or negative critical incidents), *time, memory* (judgement concerning opinions and judgement concerning behaviour change), *history* and *future of the relationship* based on the occurrence and character of past critical incidents.

In this study, the researcher tried to mitigate the limitations of CIT through the following measures:

1. As mentioned earlier, the use of CIT was embedded in the depth interview. This exercise allowed the critical incident to surface within a specific context and allowed for exploring the linkages between the information preceding and following the narration of the CIT. The purpose was to better understand how the respondent was situating the critical event in relation to his or her overall banking practice and experience.
2. Respondents were asked to recall incident(s) pertaining to banking activities and it wasn't specified as the last service encounter. The aim was to collect a group of incidents and analyse what made them positive or negative as opposed to the normal or routine incidents of banking activities.
3. Cognitive, affective and behaviour reactions were captured in the narration of the critical event in order to gain a holistic picture of the respondents' reaction to the critical event.

4. The ‘criticality’ of the critical incident was explored in terms of the *weight* of the incident (whether positive or negative customer experience), *time and memory* (judgement used by the respondent for opinion and behaviour change). For example, some respondents recalled incidents more than five years old and it signified to what extent the incident had an impact on the respondent’s banking behaviour or opinion about a particular bank or its products, services, channels. In addition, *the future of the relationship* was revealed through actions as a fall out of the critical event such as bank or channel switching behaviour in the case of negative experiences.

Burns, Williams and Maxham III (2000) on the basis of empirical research, highlight the possibilities of biases relating to critical incident technique. The authors suggest that researchers using CIT should take into consideration the impact of the following three factors on the narrative text quality:

1. *Informant factors* – there should be a balanced representation of men-to-women in the research. This study ensured near equal representation through 15 male and 16 female respondents.
2. *Target factors* – to couch the CIT in such a way that the informant is disclosing to a friend rather than a stranger. Since the CIT was embedded in the depth interview and extensive measures had been taken by the researcher for rapport building with the respondents (see section 5.5.3.2), the discussion of CIT was smooth in all cases. The researcher posed the questions in a non-threatening manner and encouraged the respondents to discuss issues in detail in an open manner.
3. *Topic factors* – to select high involvement products or use the CIT for such situations where it can tap into the informant’s high involvement in the circumstances. This study focused on bank-customer relationships concerning banking products, services and channels. Financial services such as retail banking are information intensive, high-risk, with complex pre and post purchase information search and use (Dibb, 2001; Ennew and McKechnie, 1998) such as in the case of personal loans, credit cards and mortgages. In addition, the delivery channels in retail banking have a long term continuing maintenance role, which is fairly unique to the sector (Howcroft, Hamilton and Hower, 2002). Together these reasons contributed to a topic with high involvement and therefore appropriate for the use of CIT to tap into situations and experiences.

Section 5.5.3 has detailed the data collection procedures followed for phase 2 of the research with the Bank X customers. Details of the data analysis procedures including critical incident sorting and classification are discussed in chapter 6. The final phase of data collection was with the technology partners and the procedures followed are detailed next.

5.5.4 Phase 3 – Technology partners

In this section, first, the rationale of data collection with technology partners is discussed. Then the selection of firms for research participation and access to them is detailed. This is followed by a discussion on the development and pre-testing of the interview guide. Thereafter, the data collection procedures followed for face to face and telephone in-depth interviews are detailed.

The term ‘technology partners’ is used here to denote those firms that develop and implement CRM software solutions specifically for retail banking activities. The rationale of exploring the technology partner firms’ perspective was underpinned by the following considerations:

This research study attempts to explore multiple perspectives on a single reality – the multiple channel integration process. Within the CRM literature, CRM is perceived as ‘IT-enabled relationship marketing’ (Ryals and Payne, 2001) and both academic and practitioner literature have discussed the benefits of technology in building and managing customer relationships (Electronic Data Systems, 2001; Payne, 2001). Further, Hart, Hogg and Banerjee (2002:247) conceptualise CRM consultants and software vendor firms as one of the ‘primary CRM stakeholders’ and their importance for CRM business process lies in their ability to facilitate a robust technology implementation. There is, however, little empirical research exploring the technology firm perspective on multiple channel integration, issues of implementation, challenges faced. Where research has explored the technology firm perspective, it has been on the overall CRM business process and not specific to channel integration (as detailed in table 5.4).

Consequently, the next step of the fieldwork involved data collection with technology partner firms and the first step was selecting the firms for research participation.

5.5.4.1 Selection of firms

For the purpose of this research study, the term ‘technology partners’ encompasses a range of firms such as software development firms, firms offering specialist products such as ATMs, customer databases and technology firms working with retail banks in identifying the banks’ technology needs and then developing customised solutions to meet those needs and assisting in technology implementation and employee training to use the technology successfully. The common theme underlying these firms is their focus on retail banking needs that would facilitate multiple channel integration.

The selection and sample of firms called for a consideration of the range of technology firms and their areas of expertise (customised software, packaged software solutions, data warehouse, and channel solutions like ATMs, contact centre with voice, data and image integration). In addition, since the case was bounded by the context of Bank X, the selection of firms had to ensure that the chosen firms not only had a business practice focus on channels and channel integration but also were associated with Bank X in this area. Therefore, a purposive sampling approach (Patton, 2002; Cresswell, 1998) was undertaken to identify firms meeting the aforementioned criteria. To that end, an extensive preparation in the form of desk based research was undertaken to search an initial sample of firms. This exercise unfolded in various ways:

1. A review of industry based literature available on IT research and consulting firms’ websites such as Datamonitor, Gartner, Metagroup, IDC,
2. The researcher subscribed to online email newsletters such as *www.insightexec.com* (from BT-Contact Central), *www.touchpoints.com* (from NCR), *www.crm-forum.com*, for current industry information,
3. The researcher joined online e-groups of IT (specifically CRM) professionals on *www.ittoolbox.com* to follow the industry news and pick up insights,
4. A keyword search on the Internet through search engines like Google on *www.google.com* and databases like ABI-INFORM

➤ **Short listing the firms**

As a result of the information retrieved during the desk research, the following firms were chosen for the sample. The selection was on the basis of their area of expertise.

- Firm A: as a channel partner to retail banks for IT infrastructure support, and voice, data, bandwidth and Internet integration and connectivity
- Firm B: as a channel partner for self service channel (ATMs and deposits through ATMs) and payment solutions (remittance processing and electronic payments)
- Firm C: strategic research and consulting for retail banking, banking automation and payment systems
- Firm D: Acknowledged as a world leader for packaged CRM software solution for retail banking
- Firm E: Leading solution provider for datawarehousing
- Firm F: Capabilities and experience in channel integration implementation for banking
- Firm G: Capabilities and experience in channel integration implementation for banking
- Firm H: Application development capabilities and experience in channel integration implementation for banking
- Firm I: CRM consulting firm

Besides their capabilities and areas of expertise, the two other factors supporting the choice of these firms were:

Alliances and partnerships: Firms A, B, D and E operate in partnerships and alliances to offer solutions that are complementary since each firm has a particular area of specialisation. These partnerships are acknowledged on the corporate websites. Therefore, for the purpose of this research study, capturing perspectives from all these firms would have helped to generate a holistic picture for exploring the research phenomenon.

Association with Bank X: These firms are leaders in their respective line of business and in many instance the only solution provider such as Firm A for phone and Internet integration and Firm B for ATMs to retail banks. In addition, Bank X is a customer of Firm C for market research reports (Bank X listed as a client on the corporate website of Firm C), software solutions and application development from

Firm F and Firm H (Bank X listed as a client on the corporate websites of Firm F and H). Firm I, for instance, was the firm that had been commissioned by Bank X to develop the strategic plan for the multiple channel integration initiative at Bank X.

The other software solutions firm G was included in the sample to provide a perspective alternative to the one emerging from Firm F and H and therefore help in triangulating the findings. After firm selection, the next step was to negotiate access with the firms for research participation.

5.5.4.2 Access to the firms and response strategies

The access to the respondents in each firm was facilitated through multiple procedures. For all the firms, with the exception of Firm A and H, the researcher made phone calls in the first instance and spoke to the receptionist at the firms. The researcher introduced herself, the purpose of call and the research study and requested to be put in touch with an organisation member who might be able to assist the researcher with the query. This exercise resulted in gaining an initial contact person. Thereafter, the researcher spoke over phone to the initial contact person and briefly explained the research purpose. The phone call was followed up with a letter on the University's letter headed paper outlining the research study and what was sought from the firm in terms of research participation. The letter also contained information on the researcher's background, which along with the use of 'University of Strathclyde' letter head, provided credibility during the contact process. Appendix 5G presents an example of the contact letter. Assistance from a known key informant in gaining access was only in the case of Firm A. A senior academic at Department of Marketing, University of Strathclyde introduced the researcher to an initial contact person at Firm A. For Firm H, it was an unusual approach, where the researcher emailed the company CEO through a hotline email address provided on the company website. The researcher received a prompt response from the CEO and thereafter followed up the contact with phone calls and further emails. Consequently, the initial contact person at the firms introduced the researcher to the interview respondents.

This procedure of accessing the initial contact person and thereafter the potential respondent was time intensive and it took over six months of sustained efforts. To quote Burgess (1991:43), "access was negotiated and re-negotiated

throughout the research process”. The researcher patiently followed up with repeated phone calls and emails to secure the respondents. Such a time frame for the initial part of the fieldwork was envisaged given that the researcher was requesting access to ‘corporate elites’ with time constraints.

As a result of this exercise, the researcher secured research participation with four firms. Table 5.11 provides a summary of the participating firms, respondents and their position in the organisation. Firm Alpha’s participation in the fieldwork and contribution to the research study was manifest in the support provided to the researcher in developing a ‘pre-understanding’ of issues relevant to technology partner firms and structuring the interview guide. Doing so enabled the researcher to test her own understanding of the issues by discussing them with two professionals from firm Alpha. The in-depth interviews were conducted with the other three firms – Copco, Delta and Hexa and table 5.11 details the four respondents and their corporate position.

Of the remaining five firms, Firm B and I declined research participation due to their confidentiality agreements and current confidential work in progress in this area. At firms E and G, the researcher, despite persistent efforts could not secure meetings with the appropriate persons as they were travelling intensively on offshore projects. Firm F could not participate in the study because their work was highly specialised and technical in nature and not in line with the focus of this research study.

Table 5.11: Phase 3 – Participating firms, respondents and their position in the organisation

<i>Firm⁶</i>	<i>Area of expertise</i>	<i>Respondent and Position</i>
A <i>Alpha</i>	Channel partner to retail banks for IT infrastructure support, and voice, data, bandwidth and Internet integration and connectivity	➤ Member- Research Team
C <i>Copco</i>	Strategic research and consulting for retail banking, banking automation and payment systems	➤ Managing Director
D <i>Delta</i>	One of the four leading firms for packaged CRM software solution for retail banking as rated by Gartner 2004 ⁷	➤ Financial Services Solutions Director-EMEA (Europe, Middle East, Africa)

⁶ Firm names are pseudonyms to maintain confidentiality

⁷ Gartner’s Magic Quadrant for Business-to-Consumer CRM Suites firms includes Siebel, SAP, Oracle, PeopleSoft – 2004

H <i>Hexa</i>	Application development capabilities and experience in multiple channel integration implementation for retail banking	<ul style="list-style-type: none"> ➤ Chief Executive Officer ➤ Head of Financial Services Practice
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Source: Author

After securing access to the respondents and approval for research participation, a copy of the interview guide was mailed to all the respondents for their perusal before the interview.

➤ **Bias**

In order to reduce or eliminate response bias at the time of sampling, the purpose of the study was presented as a study of banking activities without mentioning names of any particular banks. This procedure was followed both at the time of negotiating verbal access to the initial informants as well as in the letter sent to the firms outlining the research study (see Appendix 5G).

➤ **Non-response rate**

The non-response rate for the research participation was reduced through the following measures:

1. Establishing rapport with the initial contact person and the respondents over a period of time and through phone calls and emails.
2. Extended time allowed for recruitment of respondents and date for interview given their professional profiles and business commitments. At the initial stage of firm selection, some respondents expressed their inability to participate in the research owing to tight work schedules. Therefore, the researcher suggested flexibility of time and left it at the respondent's discretion to choose the month and date as per their convenience. Though this procedure did extend the fieldwork by several months, but it helped to gain research participation from firms that are at the forefront of this business practice.
3. Adherence to ethical considerations of 'informed consent' and 'right to privacy' as suggested in the literature (cf. Patton, 2002; Fontana and Frey, 1994). The researcher was careful to explain the research purpose, the use of the data and what the research participation entailed. Permission for tape recording of interviews was sought in every instance. The issues of confidentiality were discussed at length, such as how

the information would be couched into process and structures and not attributed to named individuals. The researcher also clarified at every stage of recruitment that neither was the research sponsored by any bank to collect confidential information and nor did the researcher intend to sell the information to any body in any form.

5.5.4.3 Interview guide – development and pre-testing

This phase of data collection adopted the semi-structured interview approach in order to facilitate an in-depth discussion along pre-determined lines of inquiry, yet allowing for flexibility for new issues to emerge and be incorporated in the discussion (cf. Patton, 2002; Fontana and Frey, 1994). To that end, an interview guide (see Appendix 5H) was developed with the key themes to be explored during the interview, based on the review of the literature (chapter 2 and 3), industry analysis (chapter 4) and research objectives (chapter 1).

The interview guide was structured in five sections (Appendix 5H) and each section comprised a set of questions. The first section was the warm up section in order to build rapport between the respondent and researcher and initiate the discussion by focussing on the respondent's professional background and experience with retail banking, CRM and channel integration. The second section focussed on the role and contribution of retail banking channels. The third section brought together the concept of CRM and retail banking channels. Issues pertaining to multiple channel integration and customer experience within and across channels occupied the fourth section. The fifth section explored issues of implementation of channel integration in retail banking. The interview guide details the key questions used for each section of the guide. Additional follow-up questions and probes were used during the interviews where necessary.

Similar to the data collection procedure for customers, a table shell detailing the type of information sought and for what purpose was composed to assist the development of the interview guide (cf. Miles and Huberman, 1994). Appendix 5 I presents the table shell developed for technology partner data collection. The interview guide was discussed with two academics at the Department of Marketing, University of Strathclyde for refining the sequencing of themes and development of the questions.

5.5.4.4. Data collection procedure – In-depth interview

The in-depth interviews used for data collection in this phase of fieldwork followed the similar process as discussed in section 5.5.3.4 (the use of in-depth interviews for gathering customer data). This phase of data collection, however, differed from the customer data collection phase in two aspects:

➤ **The respondent type**

The respondents here were organisation members, rather ‘corporate elites’ as opposed to customers. So, the respondents represented an organisation and participated in the research in a professional capacity, whereas the respondents who were Bank X customers participated in an individual capacity and shared their personal experience. The respondents from the technology firms were senior management personnel, such as Managing Director, CEO, Financial Services Solutions Director (see table 5.14), and therefore ‘corporate elites’ given their “link with the operation of power and privilege” (Odendahl and Shaw, 2002:315). The researcher was aware of the challenges and preparations needed for successful data collection with such a group of respondents and took the necessary steps in that direction.

Odendahl and Shaw (2002:309) state that with “elite subjects, the researcher should find out as much as possible beforehand about the particular individual to be interviewed or the organization of interest (through annual reports, policy papers, statements, press clippings) in order to conserve time with the respondent for the gathering of information that is otherwise unattainable”. For the purpose of this research study, the researcher spent extensive time on desk research for each of these firms as part of the firm selection process (see section 5.5.4.1). This preparation was vital to understanding the nature of work undertaken by these firms for channel integration and this information was used as part of the preparation for the interviews.

Further, in order to make the most of the 60 minutes of time allotted for the interview, the researcher provided the interview guide beforehand to the respondents so that they could familiarise themselves with the themes and questions. This procedure served another purpose. It helped the respondents know in advance the

type of issues the researcher was interested in exploring and whether it conformed to the organisation's boundaries of confidentiality.

Elite subjects often conduct "background checks on researcher's credentials prior to agreeing to meet" (Odendahl and Shaw, 2002:310). To that end, the researcher provided information about her identity, doctoral research candidate status, and university affiliation in the letter to establish her credentials (see Appendix 5G). This background information was also provided verbally or through email to every contact person the researcher communicated with in order to negotiate access to the respondents.

➤ **The interview method**

The customer data collection interviews were conducted as face to face interviews whereas the interviews for technology partners had to be conducted as face to face and telephone interviews. The data collection presented itself as a challenge and the researcher had to adapt the data collection procedures accordingly. The firms were located at varied locations across UK. While the researcher was willing to travel to conduct the interviews with the respondents at their firm locations, a new challenge presented itself. In some instance, the technology consultants travelled extensively either to client sites for conducting technology implementation programmes or way on other business needs and therefore they were unable to commit a date and time for a face to face interview at their office. They were, however, very open and approachable for telephone interviews. Therefore, where necessary, the researcher adapted the data collection method from a face to face interview to telephone interview mode. In both situations, however, permission for tape recording the interview was requested and it was granted.

5.5.5 Section Summary: Data collection

This section has detailed the data collection procedures followed for the research study. The section began by outlining the location, duration and sequence of fieldwork. The fieldwork involved data collection from three units of analysis –Bank X Retail Marketing & Strategy group, Bank X customers and technology partners and therefore was divided in three phases.

The first phase of the study was the pilot study of documents and unstructured interviews with key informants at the Bank X Retail Marketing & Strategy group to determine whether the chosen bank presented the opportunity for an information rich case to explore the research phenomena of channel integration process.

The second phase of fieldwork involved data collection with the Bank X customers. The discussion outlined the rationale of conducting data collection with the customers as underpinned by the research focus. In addition, the criteria for sampling, the sampling procedure, screening and recruitment process, ethical considerations and response strategies employed during fieldwork were detailed. This phase of data collection used two sources of evidence – the in-depth interview and the critical incident technique embedded in the depth interview. The details for both procedures along with the details of the interview guide development and pre-testing were presented.

The third phase of data collection focussed on technology partners. Similar to the fieldwork for phase two with customers, the details regarding selection of firms, request for research participation, response strategies used and the development of another interview guide specific to this phase of fieldwork were discussed. The section closed with details of the data collection procedure employed in the form of in-depth interviews. For each phase, the discussion included details of weaknesses and biases associated with each method of data collection and what steps were taken to counter the weaknesses and reduce bias.

5.6 Chapter summary

This chapter was the first of the two chapters on the research methodology followed for this study and presented the research strategy, design and execution. Specifically, the chapter has helped to:

- Delineate the two research philosophical traditions – Positivism and Interpretivism in terms of their key assumptions, strengths and weaknesses. In line with the need for theory building in an under-explored research area and the need for exploring multiple perspectives of a single reality, *the rationale of situating the research study from a realist position (a variant of the interpretivist approach) was detailed.*

- Determine the key themes of qualitative and quantitative research methods, their strengths and weaknesses. In light of the extant conceptual and empirical literature on CRM and the requirements of this research study, *choice of the qualitative research method was established.*
- Present a brief overview of the five traditions of inquiry for qualitative research suggested in the literature. Guided by the research questions, state of theory development, complexity of the subject under research, the need to research the subject in a natural setting (cf. Bonoma, 1985) and the extent of control required by the researcher on behavioural events and focus on contemporary events (cf. Yin, 2003), *the case method was considered to be the most appropriate tradition of inquiry for this research study.*
- Detail the research procedure in terms of case selection and the use of multiple sources of evidence. The choice a *single exploratory case study* with embedded units of analysis was presented. Given the need to explore the reality of the channel integration process emerging from multiple units of analysis, *the use of multiple sources of evidence* was detailed.
- Discuss the data collection procedures followed for the research study by outlining the location, duration and sequence of fieldwork and presented details of fieldwork with the three units of analysis – Bank X Retail Marketing & Strategy group, Bank X customers and technology partners. Particularly, the 20 month intensive nature of fieldwork, negotiation of access, rationale of each unit of analysis and the specifics for each data collection phase were detailed, including details of weaknesses and biases associated with each method of data collection and the steps taken to mitigate the bias.

The following chapter, Chapter 6 deals with issues of data analysis procedures. In addition, the chapter presents a critique of the research method used in this study.

6.0 Introduction

Chapter 6 focuses on data analysis procedures and presents an evaluation of the chosen research approach. This chapter is in three sections. The *first* section discusses data management and the overall analysis framework adopted in this research study. The *second* section presents a critique of the qualitative research strategy. The *third* section evaluates the quality of the thesis case research within the realism paradigm.

6.1 Data management and the analysis framework

6.1.1 Data management

As this research study used multiple sources of evidence across the three units of analysis (see chapter 5), the data management and analysis approach attempted to take into consideration the characteristics of each of the sources of evidence.

6.1.1.1 Documents

A wide range of documents were either made available to the researcher by respondents during the course of fieldwork with Bank X – Retail Marketing & Strategy Group (fieldwork phase 1) or by the participating technology partner firms (fieldwork phase 3). In addition, the researcher made extensive notes during fieldwork phase 1 from the documents that were made available to the researcher only within the bank premises. To the extent possible, the notes were converted into computerised database of document soft copies and others were retained as hard copies. Further, a separate index file of all documents was maintained by the researcher. The management and analysis of the documents followed the guidelines in the literature suggested by Forster (1994):

- *Access*: Access to the documents was sought from the key informants after they were apprised of the purpose of studying the documents and the manner in which the information was to be used to meet the research purpose.

- *Checking for authenticity*: The authenticity of the documents was established in multiple ways, such as, checking for the source, validating authorship, dates to build chronological order, accurate records of events and processes either in progress within the organisation or under discussion. The information collected from the documents was corroborated with data from the interviews with the key informants.
- *Understanding the documents*: Principally, the understanding of the information in the documents was developed through triangulation with other sources of evidence in the subsequent phases of the data collection.
- *Analysing the data*: The data analysis procedure aimed at detecting patterns and themes, comparing and contrasting against other sources of data to develop a holistic picture of the research phenomenon.
- *Utilising the data*: In order to respect and maintain confidentiality, data sources and the individuals were anonymised.

6.1.1.2 In-depth interviews

A total of 39 interviews were conducted across the three phases of fieldwork, of which 36 interviews were transcribed as 3 of the bank X interviews were informal and not tape recorded.

1. The *first* step in the management of the interview data involved verbatim transcription of the interviews, typed as MS Word documents.
2. As a *second* step, a database system was developed whereby the interview transcripts were grouped by age-bands and by gender for the customer data and filed in an online database for easy retrieval. A separate online database was created for the interview transcripts from the technology partner firms.
3. In order to make the volume of the customer interview data management procedure systematic, explicit and flexible for data retrieval (cf. Miles and Huberman, 1994), the *third* step involved the input of the transcribed material into the qualitative research software package NUD*IST (Non-numerical Unstructured Data Indexing, Searching and Theorizing). The technology partner firm data from the four case firms was not included in the NUD*IST data management. Instead, matrices were developed from the interview transcripts and

- typed as MS Word documents. Further, the following steps were followed for the customer data.
4. The *fourth* step involved developing a data document and indexing system in NUD*IST for which the researcher first developed *index tree nodes* for coding the data. In line with the suggestions of Gaham and Hannibal (1998), the nodes were conceptual categories derived from the interview guide and not descriptive categories such as age and gender. The index tree nodes were refined and reshaped as the researchers understanding of the data improved through constant reading and re-reading of the interview transcripts.
 5. The *fifth* step involved coding all interview data under the index tree nodes, and this coding was done manually whereby each text document was broken down into units of analysis and the unit of analysis was specified as *the line*.
 6. As the *sixth* step, after coding of all transcripts was completed under the index tree nodes, the researcher read through the coded database of each transcript material and developed *memos* whereby any *open code* emerging within the coded document was noted separately on the memo.
 7. Subsequently, the *seventh* step involved stepping out of the NUD*IST program and doing further data reduction into MICROSOFT WORD matrices to develop data display formats for within and cross-case analysis and to facilitate pattern and theme searches. Also, the researcher ran string and pattern searches within the NUD*IST program to check for internal consistencies in the two methods of theme and pattern searches and search for rival cases.

6.1.1.3 Critical incident technique

Although the principles of the critical incident technique (CIT) were embedded in the in-depth interviews with the bank X customers in fieldwork phase 2, in terms of data management and analysis, the interview and CIT data were segregated and dealt with separately. For the purpose of the thesis case data, the researcher followed the suggestions of Van Dolen et al. (2001), Bitner, Booms and Mohr (1994) and Bitner, Booms and Tetreault (1990) to sort and code the narratives into separate categories and this procedure was in three stages:

➤ ***Sorting and classification – Stage 1***

First, the incidents were sorted across genders and across life-stages for each depth interview, since the critical incident technique was embedded in the customer depth interviews. *Second*, the critical incidents were sorted into two pre-determined categories – positive and negative critical incidents. *Third*, the incidents were sorted as per customer experience with Bank X (the case study bank) as opposed to experience with any other bank. *Fourth*, an open code was attached to each incident after reading the narrative and determining the key issue being mentioned by the respondent. These open codes were actual phrases used by respondents to denote the context of the incident when the question was posed to them during the depth interview.

From 31 interviews, a mix of positive and negative critical were mentioned in majority of the interviews (n=23) and some respondents (n=8) mentioned not experiencing any particular positive or negative critical events. A total of 35 incidents were narrated by the respondents. Since this research study is using Bank X as the case study context, the analysis focused on incidents specific to Bank X, which totalled 29 in number and 6 incidents pertained to other banks.

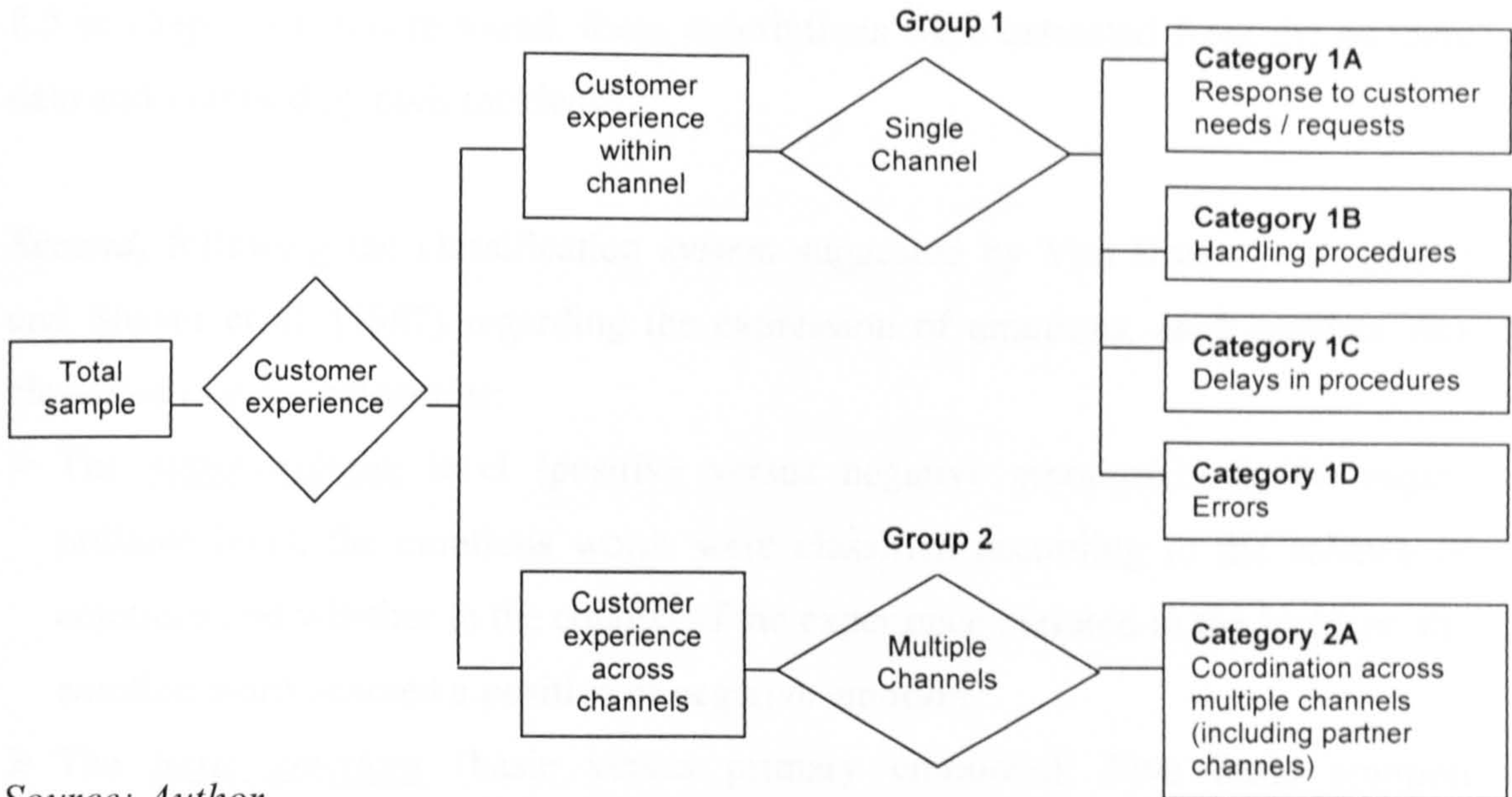
➤ ***Sorting and classification – Stage 2***

Following the analytic induction process suggested by Bitner, Booms and Tetreault (1990) two major groups were determined which would account for all the incidents. Thereafter, categories were delineated within each group so that similar incidents could be clustered accordingly. Five categories of incidents emerged within the two major groups. The inductive analytical process was continued for the final sorting stage for repeated careful readings and sorting of the incidents according to similarities in the reported experiences. Particular attention was paid to identifying the exact nature of the similarity that formed the basis of labelling each category of incidents.

Literature advocates the use of multiple judges for sorting and re-sorting the critical incident narratives to ensure consistency (cf. Bitner, Booms and Tetreault, 1990). To that end, the researcher requested a doctoral researcher colleague to independently sort and categorise the incidents in the five categories across the two

major groups. Inter-judge agreement between the two researchers emerged at 90% for all the incidents. Figure 6a presents a diagrammatic representation of the groups and categories emerging during stage 2 of the incident sorting process.

Figure 6a: Incident group and category classification



Source: Author

In line with the research focus, customer experience within a single channel and across channels was used to determine the two groups for sorting the incidents:

Group 1 – Incidents involving a single channel where the incident involved customer interaction with the bank through a single channel such as branch, ATM, phone or Internet

Group 2 – Incidents involving multiple channels where an incident involved customer interaction with the bank through more than one channel (such as branch and phone or ATM and branch). Thereafter, the incidents were classified under five categories across the two groups, as illustrated in figure 6a. A detailed explanation of each category can be found in Appendix 6A. Appendix 6B and 6C present sample incidents of positive and negative customer experiences identified for each category.

➤ **Sorting and classification – Stage 3**

In the third stage of sorting and classification, the focus was on the emotional content of the customer experience narrated in the critical incidents. This stage of sorting and classification followed the method suggested by Van Dolen et al. (2001) and Shaver et al. (1987) and involved the following steps:

First, within each group and category, each incident was read carefully to determine whether any emotional aspects of the customer experience were narrated, as evident in the use of emotion words by the respondents. Specifically, the sorting procedure focussed on concrete emotion words used by the respondents themselves (see table 8.5 in chapter 8). Where found, these descriptions were extracted from the incident data and itemised by each incident.

Second, following the classification system suggested by Van Dolen et al. (2001) and Shaver et al. (1987) regarding the expression of emotions, each incident was classified in three categories:

- The *super-ordinate* level (positive versus negative emotions): At the super-ordinate level, the emotions words were classified according to the valence of emotions and whether in the context of the experience narrated in the incident, the emotion word denoted a positive or negative emotion.
- The *basic emotions* (basic versus primary emotions): Five basic emotion categories most suitable to capturing emotions in services, as suggested by Van Dolen et al. (2001), Richins (1997), Westbrook and Oliver (1991), Shaver et al. (1987) was used. These five basic emotion categories, which have been empirically tested by the above mentioned authors, are: *pleasure*, *contentment*, *positive surprise* (for positive emotions) and *irritation* and *disappointment* (for negative emotions). For all the incidents where emotion words were used by the respondents, each of these emotion words were categorised by one of the five basic emotion categories.
- The *subordinate* level (more specific/secondary emotions): At the subordinate level, the intensity of the expressed emotion and the overall experience was analysed and distinguished as 'weak' or 'strong'. The intensity of the emotion was also analysed in the context of the outcome of the incident or behavioural intentions expressed by the respondent.

Third, the object responsible for evoking the emotions was included in the analysis to examine linkages between the incident experience, object and associated emotions. Table 8.5 in chapter 8 (where the findings from the customer data are

presented) provides excerpts from the critical incidents for emotions in customer experience.

6.1.2 Data analysis framework

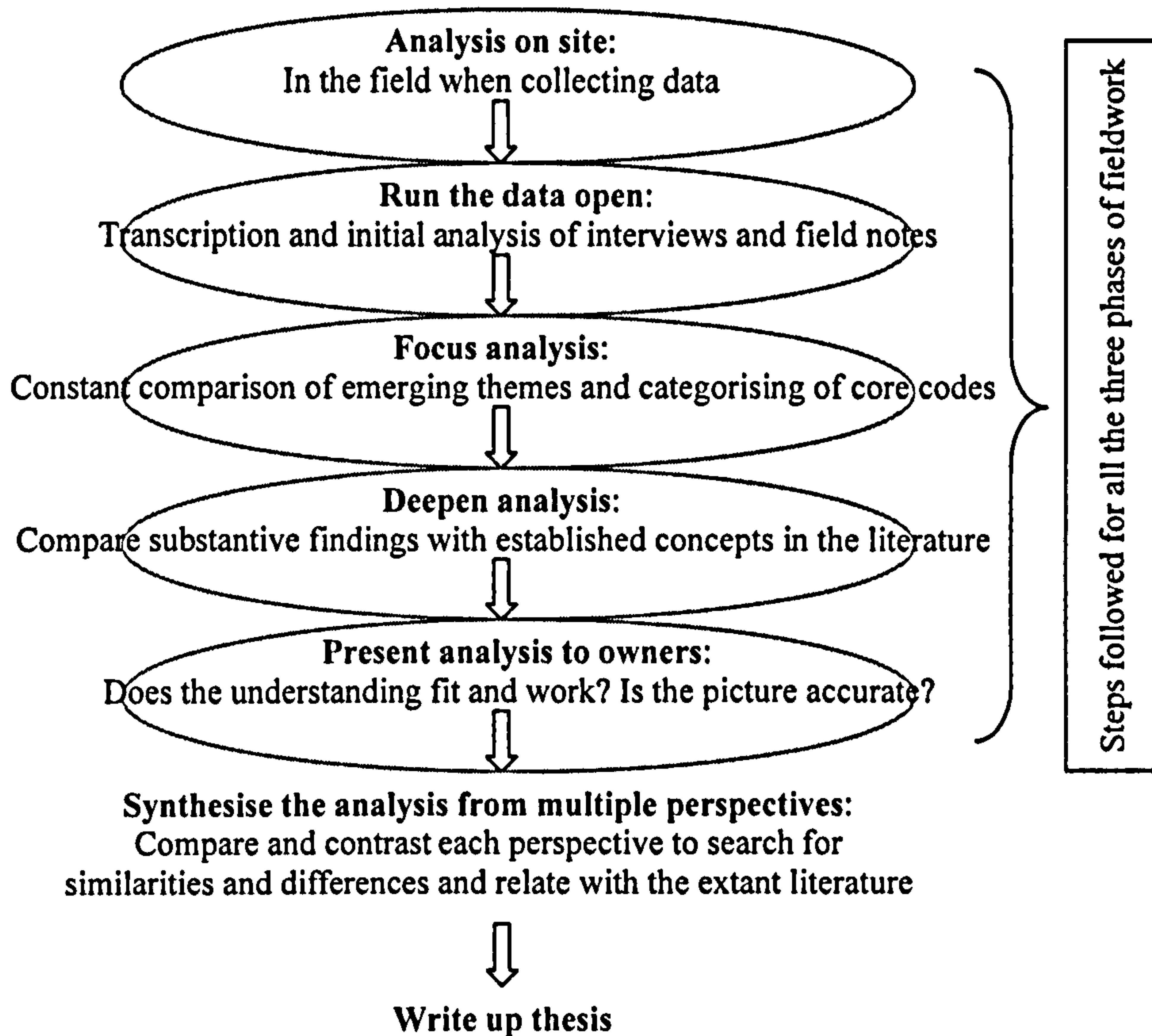
The analysis approach followed for this study is based on the inductive analysis framework proposed by Shaw (1999:65). In line with the arguments put forth by Jones (1985), Shaw (1999) also suggests the use of an inductive analytical approach when the aim of the research is to generate a comprehensive understanding of the research problem. The inductive data analysis approach is rooted in the literature which proposes the reading and re-reading of transcripts and field notes (Easterby-Smith et al., 1991), the use of codes to bring order, structure and meaning to raw data (Strauss and Corbin, 1990), a constant comparison of codes and categories emerging from the data and also with the concepts in the literature (Glaser and Strauss, 1967) and the search for relationships among the emerging data categories (Marshall and Rossman, 1995).

The framework proposed by Shaw (1999) consists of six steps: 1) *analysis on site*, 2) *run the data open*, 3) *focus analysis*, 4) *deepen analysis*, 5) *present analysis to respondents*, 6) *write up thesis*. Since this thesis employed multiple perspectives and data was collected in three phases from each unit of analysis (where the type of data gathered differed across each perspective), therefore, the researcher adopts and extends on the framework proposed by Shaw (1999) in two ways (see figure 6a):

- By following step 1-5 for each phase of fieldwork
- Before writing the thesis, adding a seventh step: *synthesise the analysis from multiple perspectives*

It would be appropriate here to state that though figure 6b presents a linear representation of the analysis process. The reality, however, was quite far from such a straightforward manner and rather went through several loops of going back and forth iteratively and more like a spiral with substantial inter-dependence between each of the steps. The analytical procedure began with the research having an analysis plan but the actual procedure went through several iterations and got refined as the researcher's familiarity with the data and its understanding improved and as subsequent phases of data collection were completed. Each step of analysis is detailed next.

Figure 6b: The data analysis framework



Source: Author, extending on Shaw, 1999:65

➤ ***Analysis on site***

The initial phase of data collection was guided by the researcher’s pre-understanding (Gummesson, 1991) of the retail banking industry and the research issue of multiple channel integration process. During the pilot phase with Bank X, Retail Marketing & Strategy group, the researcher made extensive field notes on site as documents were prevented from leaving the bank premises owing to confidentiality. Additionally, the researcher made notes of the interviews and discussions with the key informants. In the other two phases of fieldwork, the researcher tape recorded the interviews and made written and mental notes. Since each phase of fieldwork ran for a few months (see chapter 5), the process of analysis on site was possible and used to structure subsequent phases of data collection, identify areas of probe for later stages of data collection.

➤ *Run the data open*

All data collected was then either transcribed or recorded as word documents, following specific procedures for documents, interviews and critical incidents, as detailed in section 6.1.1. Doing so, familiarised the researcher with the data and started the process of structuring the data into meaningful units (cf. Easterby-Smith et al., 1991). The researcher used memos (written and free notes and memos created using NUD*IST) to maintain a log of reasons why data was coded in a particular way and for noting open codes in the interview data that was coded using NUD*IST (see section 6.1.1.2). At this stage, certain chunks of data were discarded that were not relevant to the study and data was also reduced into more manageable units.

➤ *Focus analysis*

Using the ‘constant comparative method’ (Glaser and Strauss, 1967), analysis was focused on the issues central to the research problem. This procedure entailed reading and re-reading of all coded data, field notes and memos to compare data with the previously coded data. This exercise led to further understanding and familiarity with the data and generated further new open codes. All coded data was then pulled together into different categories or “families” of codes (Shaw, 1999) which were populated with data. The process of focussing analysis continued until all codes were saturated and no new themes appeared. Thereafter, the focus of analysis moved from *open* to *core* codes around which all analysis and interpretation was centred. Further, within-case analysis and cross-case analysis was performed to further explore any emergent patterns and themes, similarities or differences within the codes and the slices of data. To illustrate with an example, there were 31 interviews with customers which were across four life stages. The research treated each of the 31 interviews as individual cases and performed within case analysis for each interview where data was grouped under the categories or core codes. Then, cross-case analysis was done for four interviews or cases within a single life stage for one gender. Further, cross-case analysis was performed across both genders within a life stage. Then cross-case analysis was performed across the four life-stages.

➤ *Deepen analysis*

The analysis was further deepened by employing the constant comparative method to further study the slices of data and the categories of codes to interpret the relationships between the core categories and seek explanations behind the existing relationships. Then, the researcher returned to the core concepts from the literature and began examining the data, their categories in conjunction with the core literature concepts to seek meaning and nature of the relationships and exploring similarities and differences. This exercise of deepening analysis helped to enhance the validity of the findings by seeking linkages between the literature and the findings, and also by identifying how or whether the findings were contributing to the knowledge development in the literature.

➤ *Present analysis*

Data displays such as matrix displays which included explanatory versus exploratory intent, single case versus multiple case data, by categories or by variables (cf. Miles and Huberman, 1994) were used extensively by the researcher not only as a data management technique but also to allow for an understanding to develop of the key themes emerging across voluminous multiple sources of evidence. Given that data was collected across three perspectives with embedded units of analysis (see figure 5a and table 5.8 in chapter 5), the researcher extensively used *within case analysis* and *cross-case analysis* to distil the data, compare and contrast across perspectives. To that end, in line with the suggestions in the methodology literature, the researcher used a variety of matrix displays (cf. Miles and Huberman, 1994), such as:

- *Time order display* – (within-case display: exploring and describing): to trace the chronology of bank strategy documents in the pilot study to understand sequences and stages in the strategy process, its events and activities,
- *Critical incident maps* - (within-case display: exploring, describing and explaining): customer experience maps from the narratives of the critical incidents during the second phase of data collection to isolate events, acts and consequences and these maps were shared with the respondents to ensure the researcher had understood and captured the issues appropriately (see figure 8c, chapter 8),

- *Thematic conceptual matrix* - (within-case display: exploring and describing): using key themes to develop patterns and themes from the data, supported with illustrative comments drawn from respondent interview transcripts
- *Case dynamics matrix* (within-case display: explaining and predicting) developing patterns and themes by tracing consequential processes, actions, events and their outcomes to build explanations (see table 7.2, chapter 7),
- *Meta-matrices and summary tables* (cross-case display: exploring and describing) for the customer and technology partner firms' data, at the first level, building up large and detailed matrices/master charts by assembling data for each interview (taken as a single case – embedded unit of analysis). At the second level, doing data reduction by *clustering* data under specific themes, letting patterns and themes evolve and drawing up summary tables,
- *Explain through comparative analysis* – (cross-case display: ordering and explaining) for the bank and technology partner firms' data, comparing and contrasting data along the key themes to identify convergence and divergence (see table 7.7, chapter 7),
- *Case ordered effects and outcomes matrix* (cross-case display: ordering and explaining) for the customer data on affective dimensions, sorting the incidents by emotional content, noting the level of emotions and the outcomes of the incidents (see table 8.5, chapter 8)

Additionally, the emergent findings from the third phase of fieldwork with the technology partner firms were synthesised into a draft report and circulated among the respondents to receive feedback as well as build social validity of the findings (cf. Adam and Schvaneveldt, 1985).

➤ *Synthesise the analysis from multiple perspectives*

Previous research by Hart, Hogg and Banerjee (2004, 2002) had identified differences in the way CRM was conceptualised by firms, consultants and CRM software vendors. This research study took its cue for the research focus and design from such extant research and research gaps in the literature where the customer and organisation perspective was not captured in a single study. Therefore, in order to deliver on the research aim, the final stage in the inductive analysis process was the

synthesis of the findings across the multiple perspectives to elicit similarities and differences in the way the research phenomenon was conceptualised and experienced by the three stakeholder groups. This was achieved by building a chain of evidence, noting patterns and themes, following up on isolated mentions to cross-check for further evidence, triangulating data across multiple sources of evidence, comparing and contrasting findings. Doing so enabled the researcher to bring together parts of the picture and fit the puzzle with pieces that led to the development of a composite picture of the research phenomenon.

6.2 Critique of the qualitative research strategy

Patton (2002) suggests a template of 12 themes characterising a qualitative inquiry, which has guided the research design, data collection and analytical strategies for this study as illustrated in Appendix 6D. This section critiques the research design strategy to evaluate whether it meets the characteristics of a qualitative inquiry in line with the 12 themes suggested by Patton (2002:40-41). As part of the *design strategies*, Patton (2002) outlines three themes, namely:

1. *Naturalistic inquiry*

This research study has attempted to explore a 'real-world situation' (cf. Patton, 2002). In this case, the situation is the multiple channel integration process in CRM as it unfolds naturally as a phenomenon. The researcher has not attempted to manipulate or control the behavioural events and remained open to whatever emerges as the research findings.

2. *Emergent design flexibility*

The research inquiry began with a preliminary outline and used a pilot study to refine the research design and ensure that the chosen bank was an appropriate case study. This design flexibility was adopted at both macro and micro levels in the research phase to allow for changes as the researchers' understanding deepened. For example: at the macro level, the decision to have three units of analysis (the bank, customer and technology partner perspective) as opposed to two (bank and customer perspective). At the micro level, within each unit of analysis, there was no rigid pre-

determined design. Instead, decisions on aspects such as sampling and data collection method were constantly worked and improved upon as the understanding of the research phenomenon developed.

3. Purposeful sampling

The objective of using Bank X as the case study to explore the channel integration process was guided by the suggestion to select a “information-rich case to offer useful manifestations of the phenomenon of interest” (Patton, 2003:40-41). The pilot study helped to establish the appropriateness of the selected case. The use of purposeful sampling is further manifest in the screening and selection of customer respondents and the technology partner firms for the subsequent phases of data collection. Such a use of purposeful sampling, therefore, is aimed at generating deep insights about the research phenomenon and not statistical generalisation to a population.

According to Patton (2003), *data collection and fieldwork strategies* formulate the next set of four themes of qualitative inquiry:

4. Qualitative data

In line with the suggestions of Patton (2003:40-41), the data captured in this research study has been in-depth, “with direct quotations about people’s personal perspectives and experiences”, uses a case study approach with embedded units of analysis and multiple sources of evidence.

5. Personal experience and engagement

Patton (2003) suggests the researcher’s direct contact with the people, situation and phenomenon under study. In this research study, the researcher was the only investigator in the field, capturing data at each phase of the study, and thereby meeting the criteria suggested by Patton (2003). Further, in line with the views of Patton (2003) that the researcher’s personal experiences and insights are an important part of the inquiry and critical to understanding the phenomenon; in this study, the pre-understanding developed by the researcher prior to each phase of data collection

and the extensive time of 20 months spent in data collection provided the personal experience and engagement.

6. *Empathic neutrality*

During each phase of fieldwork, the researcher maintained empathic neutrality and showed her openness to explain the purpose of the research before the respondents gave their consent to research participation. Further, the researcher remained aware and respectful to the needs of maintaining confidentiality of the data provided in written and verbal form by the respondents and also did not let any personal bias intrude into the data collection and analysis.

7. *Dynamic systems*

The dynamic nature of a qualitative research strategy can be detected in this research study whereby it has paid attention to the evolving needs of the fieldwork, emergent constraints and therefore changed or adjusted itself to the dynamic nature of the research process. An example of the same is the addition of the third phase of data collection.

Finally, as part of the *analysis strategies* for a qualitative inquiry, Patton (2003) proposes the following five themes:

8. *Unique case orientation*

This research study has used three units of analysis embedded in the case study and within each unit of analysis there have been multiple cases such as the Bank X customers and the technology partner firms. During analysis, the researcher has been mindful of treating each case as special and unique (cf. Patton, 2003) and performed the data analysis at different levels. The first level of analysis has studied each case before performing cross case analysis within each unit of analysis and thereafter across the three units of analysis.

9. Inductive analysis and creative synthesis

Following from the above point, the data analysis paid attention to the details and specifics within and across each case and each unit of analysis to detect patterns, themes and inter-relationships and presented the similarities and differences under the research findings, by highlighting them where appropriate.

10. Holistic perspective

Patton (2003: 40-41) suggests that “the whole phenomenon under study is understood as a complex system that is more than a sum of its parts; focus on complex inter-dependencies and system dynamics that cannot meaningfully be reduced to a few discrete variables and linear, cause-effect relationships”. This research study too, first studies each of the units of analysis and then brings together the findings and implications in a holistic perspective of the multiple channel integration process.

11. Context sensitivity

This research study has been mindful of placing the findings within the context of a UK retail bank and recognises that the findings are bounded by a temporal context. Given that this research study is one of the first systematic attempt of examining the multiple channel integration process, the researcher is cautious in highlighting the emergent themes that merit further empirical investigation in alternative contexts to explore transferability and adaptation rather than propagating generalisations of the findings.

12. Voice perspective and reflexivity

Throughout the research process, the research has not only maintained empathic neutrality but also been reflective about the research focus, the research process, the findings and their implications. Where appropriate, the research has sought external views on each phase of the data collection to refine the research process and adopted a constantly iterative approach by being self-analytical, being aware of the extant academic literature and the retail banking industry developments.

6.3 Critique of case research within realism paradigm

Healy and Perry (2000) propose six criteria specific to the realism paradigm which should be applied to judge the quality of case research within the realism paradigm. The authors argue that since each piece of scientific research is bounded by a specific paradigm, the evaluative criteria should be specific to each of the paradigm and pay attention to the three elements of *ontology*, *epistemology* and *methodology*.

Each of these criteria is discussed next and this research study is critiqued to evaluate whether the thesis case research matches the validity and reliability proposed in the literature.

1. *Ontological appropriateness*: As the first criterion, ontological appropriateness is one of the two criteria of the element of *ontology* and is concerned with whether the research problem deals with complex social science phenomenon involving reflective people. Specific to case research within the realism paradigm, the criteria is applied in the selection of research problem and whether it is a “how” and “why” problem. The relevance of this criterion in the thesis case research is manifest in the formulation of the research problem. An example of the same is the research question posed by the thesis: *How does multiple channel integration process contribute to building and maintaining firm-customer relationships?*

2. *Contingent validity (internal validity)*: The criterion of contingent validity (internal validity) pertaining to the element of *ontology* emphasises generative mechanisms rather than cause and effect relationships. In the context of case research based on the realism paradigm, the emphasis is on theoretical and literal replication with in-depth issues and an emphasis on “why” issues. Specific to the thesis case research, this criterion is met through structuring the interview questions as “how” and “what” and deepening probes with “why” questions to build a composite and in-depth picture.

3. *Multiple perceptions of a single reality*: The third criterion is related to the element of *epistemology* and specific to the realism paradigm proposes that there are multiple perceptions of a single reality and the participants views of the world is not

the reality but an aspect of the reality (cf. Perry, Riege and Brown, 1999). In the context of case research within the realism paradigm, authors such as Healy and Perry (2000) and Yin (1994) propose the use of multiple interviews, supporting evidence, broad questions before probes, and triangulation as means of capturing multiple perceptions of a single reality.

The applicability of the criterion is manifest in the *triangulation* techniques proposed by Denzin (1989) namely: *data, theory, method* and *investigator* triangulation. Additionally, Deshpande (1983) proposes a fifth approach, triangulation of procedures (using both qualitative and quantitative approaches). Specific to the thesis, data, theory and method triangulation have been employed to enhance the quality of the research and comply with the criterion requirements proposed in the literature:

- ***Data triangulation***: refers to the use of different data sources in a study (Denzin, 1989). Specific to the thesis case research, three different data sources were the bank X, customers and technology partners, who formed the three units of analysis. Further, each unit of analysis had embedded units of analysis – multiple respondents within each unit of analysis where each respondent serves as a case checking against the other within one unit of analysis (cf. Eisenhardt, 1991)
- ***Theory triangulation***: refers to the bringing together of multiple theoretical bases and approaching data from multiple perspectives to strengthen the external validity of the emergent theory (Denzin, 1989). In the thesis case research, theory triangulation was approached in two ways: *firstly*, by bringing together RM, CRM, channel literature to build the theoretical base for the research questions, interview guides and *secondly*, building social validity (cf. Adam and Schvaneveldt, 1985) by not only gathering responses from multiple perspectives but also disseminating a draft report of the early findings among respondents to ensure a valid representation of the findings.
- ***Method triangulation***: refers to the use of multiple sources of evidence for between and within-method triangulation (cf. Yin, 2003). In the thesis case research, multiple sources of evidence, namely, in-depth interviews, CIT embedded in interviews, documents and archival records were used for data capture. Each data set was analysed for within and cross case analysis, finding

common patterns and themes or differences and then each data set was compared and contrasted with the next data source for pattern matching and to isolate differences. This entire exercise helped to generate a holistic picture of the phenomenon.

The remaining three criteria are pertaining to the element of *methodology* and are as follows:

4. *Methodological trustworthiness – reliability:* This criterion concerns with the reliability of the methodology used for the research. In line with suggestions in the literature, this thesis case research adheres to the quality suggestions for the criterion by developing a case study database of all material collected during fieldwork and analysis, providing a structured presentation of procedures followed for each phase of data collection, respondent selection, response strategies, ethical considerations, uses quotations in the presentations of findings and presents data analysis and display using table shells and matrices (cf. Miles and Huberman, 1994).

5. *Analytic generalisation:* The fifth criterion of analytic generalisation is concerned with theory building rather than statistical generalisation manifest in theory-testing. The thesis case research enhances its quality and knowledge contribution to CRM and multiple channel theory building by identifying the commonalities and differences in the perception and experience of multiple channel integration across the three stakeholder groups – bank X, customers and technology partners, identifies the issues of importance for multiple channel integration and uncovers the role and contribution of multiple channel integration as a CRM process in building and maintaining firm-customer relationships.

6. *Construct validity:* The criterion of construct validity is concerned with establishing correct operational measures for the concepts being studied. Authors such as Healy and Perry (2000) and Yin (1994) propose the use of prior theory, a case study database and triangulation to build the construct validity for case research situated within the realism paradigm. Specific to the thesis case research, the criterion of construct validity is built into the study through the development of a

retrievable case study database, use of prior theory to develop the interview guides, circulate draft report of findings among respondents, discussion of each phase of data collection and findings with senior academics, and specialists such as process flowchart consultants. Table 6.1 summarises the key points discussed in this section.

Table 6.1: Evaluating the quality of the thesis case research within the realism paradigm

<i>Quality criteria for the realism paradigm</i>	<i>Description of the criteria</i>	<i>Applying the criteria to case research within realism paradigm</i>	<i>Literature source</i>	<i>Applying the criteria to the thesis case research</i>
Ontology – Reality				
1. Ontological appropriateness	Research problem deals with complex social science phenomena involving reflective people	Selection of research problem, “how” and “why” problem	Healy and Perry (2000), Guba and Lincoln (1985), Yin (1994)	<p>➤ Formulating the research questions: <i>How does multiple channel integration process contribute to building and maintaining firm-customer relationships?</i></p>
2. Contingent validity (internal validity)	Open “fuzzy boundary” systems (Yin, 1994) involving generative mechanisms rather than direct cause-and-effect	Theoretical and literal replication, in-depth questions, emphasis on “why” issues, description of the context of the cases	Perry et al. (1999), Yin (1994)	<p>➤ Structuring the interview questions as “how” and “what” and deepening probes with “why” questions to build a composite and in-depth picture</p>
Epistemology – Relationship between reality and researcher				
3. Multiple perceptions of a single reality	Neither value-free nor value-laden, rather value-aware Participants views of the world an aspect of the reality	Multiple interviews, supporting evidence, broad questions before probes, triangulation	Healy and Perry (2000), Perry et al. (1999), Stake (1995), Yin (1994), Eisenhardt (1991)	<p><i>Data triangulation</i> (Embedded units of analysis where each respondent serves as a case checking against the other within one unit of analysis)</p> <p><i>Theory triangulation</i> (bringing together RM, CRM, Channel literature to build the theoretical base)</p> <p><i>Method triangulation</i> (multiple sources of evidence –interviews, CIT embedded in interviews, documents and archival records)</p>

Table 6.1 (Contd.): Evaluating the quality of the thesis case research within the realism paradigm

<i>Quality criteria for the realism paradigm</i>	<i>Description of the criteria</i>	<i>Applying the criteria to case research within realism paradigm</i>	<i>Literature source</i>	<i>Applying the criteria to the thesis case research</i>
Methodology – Techniques used by the researcher to investigate that reality				
4. Methodological trustworthiness - reliability	Trustworthy – the research can be audited	Case study database, use in the report of relevant quotations and matrices that summarise data, and of descriptions of procedures like case selection and interview procedures	Healy and Perry (2000), Yin (1994)	<ul style="list-style-type: none"> ➤ Developing a case study database of all material collected during fieldwork and analysis ➤ Structured presentation of procedures followed for each phase of data collection, respondent selection, response strategies, ethical considerations ➤ Use of quotations in the presentations of findings ➤ Data analysis and display using table shells and matrices
5. Analytic generalisation	Analytic generalisation (theory building) rather than statistical generalisation (theory testing)	Identify research issues before data collection, to formulate an interview protocol that will provide data for confirming or disconfirming theory	Healy and Perry (2000), Yin (1994), Eisenhardt (1989)	<ul style="list-style-type: none"> ➤ Use of prior theory to formulate the research problem and research design on the basis of research gaps identified through the literature review, ➤ Use of prior theory to develop interview guides and pre-test the same to refine before the full data collection within each phase of research

Table 6.1 (Contd.): Evaluating the quality of the thesis case research within the realism paradigm

<i>Quality criteria for the realism paradigm</i>	<i>Description of the criteria</i>	<i>Applying the criteria to case research within realism paradigm</i>	<i>Literature source</i>	<i>Applying the criteria to the thesis case research</i>
6. Construct validity	Establish operational measures for the concepts being studied	Use of prior theory, case study triangulation	Healy and Perry (2000), Yin (1994)	<ul style="list-style-type: none"> ➤ Develop a retrievable case study database ➤ Use of prior theory to develop the interview guides ➤ Circulate draft report of findings among respondents ➤ Discuss each phase of data collection, findings with senior academics, and specialists such as process flowchart and workflow consultant

Source: Adapted from Healy and Perry (2000:122)

6.4 Chapter summary

The purpose of this chapter has been threefold:

- To outline the data management and analytical framework adopted for the research study. Particular, the overall data analysis framework and specifics pertaining to document analysis, interview data indexing and coding in NUDIST and critical incident coding and sorting procedures were detailed.
- To critique the research study against the 12 themes qualifying a full qualitative research study proposed by Patton (2003)
- To critique the research study in terms of the quality of a case based research within the realism paradigm against the 6 criteria proposed by Healy and Perry (2000).

The following chapter presents the findings from the Bank X and technology partner data pertaining to multiple channel integration strategy and implementation.

CHAPTER 7: ANALYSIS AND FINDINGS – I

STRATEGY AND IMPLEMENTATION

7.0 Introduction

Chapter seven is the first of the two chapters presenting the research findings. The findings from the pilot study and the technology partner firms' data are presented in chapter seven. In doing so, this chapter focuses on *research objective # 1* (see section 1.2, chapter 1):

- *To explore the conceptualisation and implementation of multi-channel integration (MCI) in order to identify*
- *Strategic and tactical issues of importance*
- *Similarities and/or differences among firms and technology partners in their opinions and views on the phenomenon and the resulting implications*

This chapter is in four sections. The *first* section presents the research findings from the pilot study conducted with Bank X. The *second* section focuses on the findings from the technology partner firms. The *third* section compares and contrasts the findings from both perspectives. The chapter concludes in the *fourth* section with a discussion of the contribution of the findings in understanding the research phenomenon.

7.1 Pilot study: Bank X retail strategy and marketing

As discussed in chapter 5, section 5.5.2, the purpose of the pilot study was to determine whether Bank X was an appropriate representative case for the research purpose. The choice of the representative case was driven by the objective that the case in itself is secondary as an instrumental case (cf. Stake, 1998) which is intended to provide the context for exploring the research phenomenon in a bounded system and in a natural setting. The pilot study was conducted with the Bank X retail strategy and marketing group and used unstructured interviews/discussions with the key informants to guide the research design, understand the context and lead towards the confidential documents made available to the researcher for further data (see

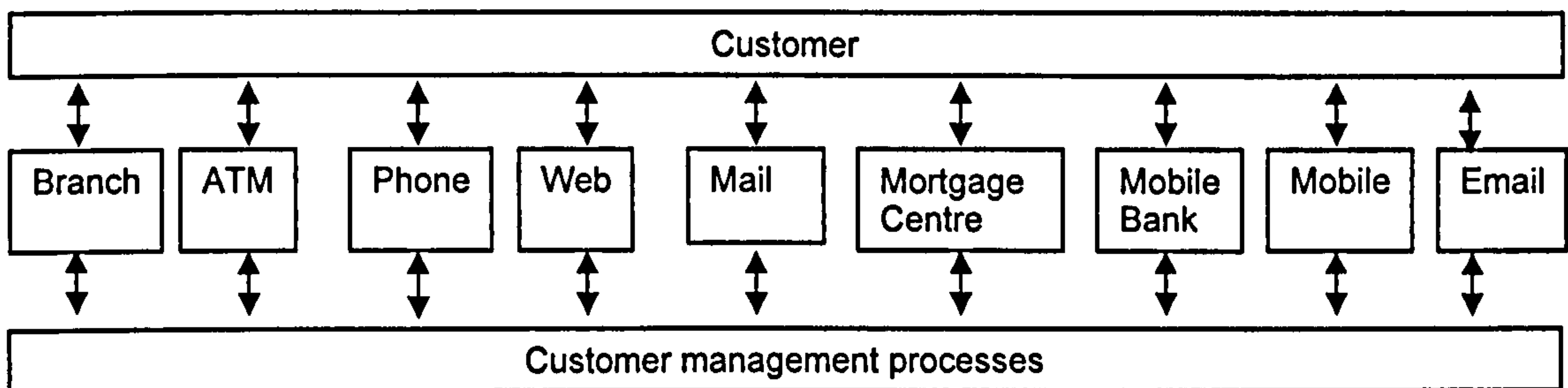
section 5.5.2 for details on data collection procedure). The data analysis and findings are presented along three broad themes:

- The conceptualisation of multiple channels and their roles
- Customer contact management and multiple channels
- The conceptualisation and implementation of multiple channel integration

7.1.1 Conceptualising multiple channels and their roles

Data from the discussions with the key informants, the documents provided to the researcher and information available on the corporate website indicates that Bank X uses nine different channels to interact with its customers, as illustrated in figure 7a.

Figure 7a: Bank X - Multiple channels for customer management



Source: Based on information from key informants, bank X document on customer management strategy (2002) and the bank X corporate website

Along with the evidence of multiple channel usage, salient themes emerge from the data regarding the conceptualisation of the channels, their roles and usage.

7.1.1.1 Conceptualising channels

By and large, the channels were referred to by the key informants and within the documents individually as branch, ATM or direct mail communication. There was no evidence found regarding the conceptualisation and overt mention of the channels as automated or non-automated/mediated channels.

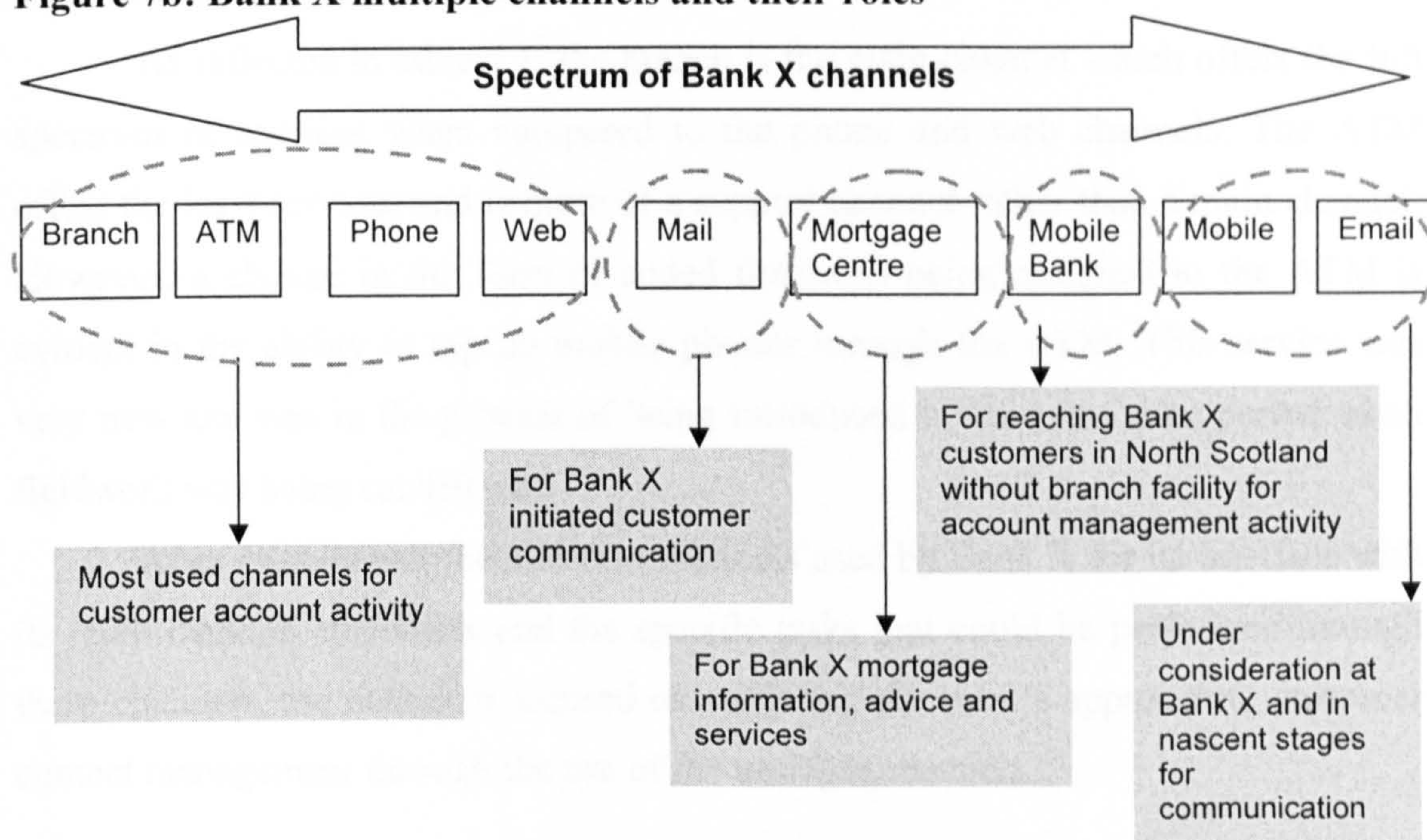
There were, however, two exceptions, namely, the phone and Internet channels whereby *phone banking was referred as Direct Banking*, conveying that this was a direct channel of communication between the customer and the Bank X contact centre staff. Additionally, *Internet banking was referred as Digital Banking* conveying the electronic medium of the channel. These two terms of reference, Direct Banking and Digital Banking appeared consistently across discussions with

the key informants, the document data, the corporate website, and other forms of communication such as direct mail leaflets used by the bank to communicate with its customers regarding promotions, services or channel related information. In order to preserve the confidentiality of Bank X, the researcher is restricted from providing examples of the same.

7.1.1.2 Channel roles and usage

As discussed in 7.1.1, Bank X uses nine different channels for customer interface. However, as it emerges from the data, these nine channels have specific roles and can be grouped in five broad categories depending on their roles, as illustrated in figure 7b.

Figure 7b: Bank X multiple channels and their roles



Source: Author, based on data collected during fieldwork

With reference to figure 7b:

- *Branch, ATM, phone* and *web* can be grouped as the category of channels used predominantly for customer account management activities and services, whereby the customer can interface with the bank through any of these four channels.
- Direct *mail* is used for Bank X initiated customer communication such as letters pertaining to the account activity, monthly account statements, information on product and services.

- The *mortgage centre* is independent of the bank branches and deals exclusively with mortgage related information, advice and customer service which a customer can visit for mortgage related queries.
- The *mobile bank* is a limited van service made available to geographically remote customers in Northern Scotland without branch facilities for account related activity.
- *Mobile phone* and *email* are two new channels for customer interface under consideration.

In line with the research focus on the four channels – branch, ATM, phone and web, further details on the specific usage/tasks assigned by Bank X to each of these channels for customer account management activity and services was established, which is presented in table 7.1.

As reflected in table 7.1, the branch is the main channel which offers the full spectrum of services when compared to the phone and web channels. The ATM offers the least services and is more of a support channel rather than a main channel. However, a change in the form of added functions being assigned to the ATM is evident in the ability to top up mobile phones through the ATM. This service was very new and was in the process of being introduced in the same time period when fieldwork was being carried out.

After establishing the different channels used by Bank X for its interface with its retail banking customers and the specific tasks that could be performed through these channels, the next step focused on exploring the bank's approach to customer contact management through the use of the multiple channels.

Table 7.1: Bank X channel usage for customer account management

<i>Retail banking account based activity</i>	<i>Branch</i>	<i>ATM</i>	<i>Phone</i>	<i>Web</i>
Open an account	◆	---	---	---
Deposit money	◆	---	◆	◆
Paying bills	Pay in at the counter			
	Cheque/Cash in the Quick Deposit box		◆	◆
	Pay in at the counter			
	Cheque/Cash in the Quick Deposit box			
Access cash (also cash back with debit cards from large retailers)	Set up a standing order			
	Set up a direct debit	◆	---	---
Transfer money	◆		◆	◆
	Do a transfer at the counter			
	Set up standing order for regular account transfers			
	Cheque/Cash in the Quick Deposit box			
Order and collect foreign currency	◆	---	---	---
Notify change of address	◆	---	◆	---
Know the account balance	◆	◆	◆	◆
Set up, amend or cancel direct debits, standing orders	◆		◆	◆
Order a cheque book or pay in book	◆		◆	◆
Request a full or mini statement	◆	◆	◆	◆
Stop a cheque	◆	(only mini statement)		(print statements)
Report lost or stolen cards	◆	---	◆	---
Top up mobile phone	---	◆	---	---

Source: Author, based on data collected during fieldwork

7.1.2 Customer contact management and multiple channels

In exploring Bank X's approach to customer contact management, the findings can be isolated under three broad groups:

- The importance attributed to customer contact management
- Customer contact management perceived as a strategic initiative
- The intended role of multiple channels in facilitating customer contact management

7.1.2.1 The importance of customer contact management

Evidence of the importance attached to customer contact management by Bank X retail strategy and marketing group becomes apparent in several ways:

a) Multiple sources of evidence

Reference to customer contact management and its three aspects could be found across *multiple sources of evidence* – a range of documents detailing aspects of the phenomenon as well as mentions by the key informants during the unstructured interviews and discussions.

b) A structured approach

The references to customer contact management, the importance attached to it and the demonstration of the fact that Bank X retail strategy and marketing group was actively working in this area was manifest in the approach to the phenomenon that were mentioned during the discussions by the key informants as well as detailed in the documents made available to the researcher. Evidence of *a structured approach* could be detected in the discussion of a strategic plan, current practice, need gaps and range of activities in progress or planned to fulfil the strategic objectives delineated by the Bank X retail strategy and marketing group.

c) Temporal dimension

Additional evidence of the importance attached to and the adoption of a structured approach to customer contact management could be detected in the *chronological sequence of activities* in progress or planned and their documentation. The evidence

of a long term commitment by the Bank X retail strategy and marketing group to working on customer contact management strategic initiatives was apparent in the sequence of activities and their documentation. The time period of the documentation ranged from October 2002 to September 2003 detailing some of the activities completed or planned. The pilot study was conducted from September to November 2003. The consistent and continuous focus on the strategic initiatives that were either in progress or planned signify a *temporal dimension* of the phenomenon.

7.1.2.2 Customer contact management as a strategic initiative

The pilot study data indicates that the Bank X retail strategy and marketing group conceptualise customer management as a *strategic initiative*, as illustrated by the following document text excerpt:

“...prospect and customer management strategy originated in the late 1999 as a core element of the retail/customer value programme...it is a strategy providing an overall framework within which individual projects can be pursued...agreed as a key retail priority....”

(Customer management strategy, 2002:2)

The rationale behind customer management as a strategic initiative and being an element of the customer value programme becomes apparent from the following excerpt from another document:

“...is embarking on an ambitious program to develop its future CRM capabilities. Driving this is the need to move from the current multiple product based approaches to customer management within X, to a future single customer centric approach across the whole of the group...there is a growing recognition that customers need to be managed in a way that creates the optimum value both financially for X and for customers themselves. That does not mean that X should offer exactly the same products, services and experiences to all customers but that it should optimise its products, services and experiences mix to meet the needs of its most valuable customers in a way that optimises value creation. This process of mutual value creation lies at the heart of sustainable value based customer management”

(Document on the new business model, 2003:7)

Further, across the documents, it becomes apparent that customer contact management is conceptualised as an *element* of the overall customer management

strategy, comprising of three aspects, namely, *customer segmentation*, *customer contact* and *customer experience*. Additionally, *strategic needs* pertaining to each of the three aspects are identified by the Bank X retail strategy and marketing group.

Table 7.2 presents a summary of the findings on the approach to customer contact management by the Bank X retail strategy and marketing group, manifest under customer segmentation, customer contact and customer experience. For each of the three aspects, the data from the key informants' discussion and the documentation reveals current practices, unmet needs that have been considered as strategically relevant by the Bank X retail strategy and marketing group and in order to fill the need gaps, the strategic initiatives that are in progress or planned.

The data not only provides evidence on the importance of customer contact management within the Bank X retail strategy and marketing group but also the importance ascribed to channels in facilitating customer contact management and delivering on the strategic initiatives.

Table 7.2: Multiple channels and customer contact management

Customer contact management	Current practice	Unmet needs that are strategically relevant	Strategic initiatives in progress or planned
<p>1. Customer segmentation</p>	<p>➤ Primarily product focused segmentation <i>“Customer information and understanding in retail banking has resided across a variety of channels, marketing functions and product management teams. Each has developed a view of the customer in relation to its own responsibilities”</i> <i>(Customer management strategy document, Oct, 2002, p.4)</i></p>	<p>➤ Need to address the differences existing between customer groups on the basis of channel usage and contact ability ➤ Implications for differentiated business potential <i>(Customer management strategy document, Oct, 2002)</i> ➤ Need to identify and contact key customer groups <i>(Customer contact strategy document, Aug, 2003)</i></p>	<p>➤ Development of channel based customer segmentation, such as: - Branch based customers, - Remote customers (who never visit the branch, use other channels for banking), - Active phone customers, - Active digital (Internet) customers <i>(Customer management strategy document, Oct, 2002)</i></p>
<p>2. Customer contact</p>	<p>➤ Communication mainly through direct mail and supported by outbound telephone calls <i>(Customer contact analysis, June, 2003),</i> <i>(Unstructured interviews /discussions with key informants, Sep, 2003)</i></p>	<p>➤ Need to increase the percentage of eligible customer base receiving mailings ➤ Implications for sales, customer retention and return on investment at customer level ➤ Need to match communication methods with preferred channels ➤ Need to update inaccurate customer information to increase contactable customer database <i>(Customer contact analysis, June, 2003)</i> ➤ Need to target communication at a customer level and co-ordinate across channels <i>(Customer contact strategy document, Aug, 2003)</i></p>	<p>➤ Cross-channel contact strategy ➤ Cross-channel customer contact rules ➤ Customer planning and the process of direct marketing ➤ Customer contact analysis - effect of current direct mail <i>(Customer contact strategy document, Aug, 2003)</i></p>

Table 7.2 (Contd.): Multiple channels and customer contact management

Customer contact management	Current practice	Unmet needs that are strategically relevant	Strategic initiatives in progress or planned
<p>3. Customer experience</p>	<p>Conceptualised as:</p> <ul style="list-style-type: none"> ➤ <i>providing choice</i> (products, channels, relationship approach) ➤ <i>consistency in service</i> (within and across channels) ➤ <i>understanding and responding to needs</i> ➤ <i>delivering value</i> <p>(Customer management strategy, 2002)</p>	<p>As part of an integrated customer contact strategy:</p> <ul style="list-style-type: none"> ➤ Need to improve the customer experience by ensuring that the right customer is targeted at the right time via the right channel ➤ Need to identify and fill ‘opportunity gaps’ in customer communication <p>(Customer management strategy document, Oct, 2002) (Customer contact strategy document, Aug, 2003)</p>	<ul style="list-style-type: none"> ➤ Development of customer experience scenarios and principles to ensure positive experience (Unstructured interviews /discussions with key informants, Sep, 2003) (Customer experience principles, Aug, 2003) ➤ Specific research projects examining account opening experiences, exploring the ‘youth’ segment experience of relationship intentions of banks (Unstructured interviews /discussions with key informants, Sep, 2003)

Source: Author, compiled from the Bank X documents and discussions with key informants’ data

7.1.2.3 Role of multiple channels in facilitating customer contact management

As presented in table 7.2, the issue of channels emerges consistently across the three aspects of *customer segmentation*, *customer contact* and *customer experience* particularly for unmet needs that are strategically relevant and for strategic initiatives either in progress or planned.

With regards to *customer segmentation*, in addition to the traditional product based customer segmentation, the Bank X retail strategy and marketing group recognises the need to acknowledge differences in customers' use of channels and their contact ability across channels in order to understand the implications for differentiated business potential. To that end, the need for developing a channel based customer segmentation (underpinned by channel usage and contact ability) is proposed. As part of the strategic initiatives, the Bank X retail strategy and marketing group proposes four customer groups namely: *a)* branch based customers, *b)* remote customers (who never visit the branch, use other channels for banking), *c)* active phone banking customers and *d)* active digital (Internet) banking customers. By 'active', the Bank implies customers who are not merely registered for phone and/or Internet banking but use the channels for conducting their account management activities. Further evidence of the importance attributed to the channel based customer segmentation approach can be found in the independent commercial research projects commissioned by the bank to investigate this customer profile, their needs and preferences as mentioned by the key informants as well as discussed in the documents on customer strategy.

In terms of *customer contact*, the conceptualisation is from the outbound, bank-initiated customer communication perspective. Again, the usage of multiple channels by customers for their account management activities appears to have led to the need to identify the customers' channel preference and match the bank's communication methods with the same. The focus on developing a cross-channel contact strategy and delineating cross channel customer contact rules to deliver on fulfilling the identified unmet needs is outlined as a strategic initiative to be undertaken by the Bank X retail strategy and marketing group.

The conceptualisation of *customer experience* also reinforces the importance attributed to the channels whereby providing channel choice and consistency in

service within and across channels are perceived to be central to creating and delivering a positive customer experience. Repeatedly across discussions with the key informants and within the documents, the need for targeting customers through right channels is echoed as a critical element of positive customer experience. The need to understand the current customer experience in order to identify communication gaps and the development of customer experience scenarios and principles to ensure positive customer experience were the type of strategic initiatives in progress.

The approach of the Bank X retail strategy and marketing group was to undertake a series of initiatives for the three aspects of *customer segmentation*, *customer contact* and *customer experience* which, though independent, would be inter-related to deliver on the overall customer contact management strategy. And for each of the three aspects, the importance of multiple channels in facilitating customer contact management becomes apparent.

7.1.3 Multiple channel integration

Evidence on the conceptualisation and implementation of multiple channel integration emerges from three key themes: 1) the development of a new business model at the Bank X retail strategy and marketing group in order to deliver on the customer value programme, 2) the proposed business model indicative of the way multiple channel integration is being conceptualised, 3) the implementation of multiple channel integration is to an extent indicated by the sub-processes and workflows detailed in the business model.

7.1.3.1 Conceptualising a new business model

In order to deliver on the overall customer management strategy and customer value program, the Bank X retail strategy and marketing group had undertaken a series of strategic initiatives which were either in progress during the time of data collection or planned for future action. One such initiative involved the development of a new business model in line with the requirements of the customer management strategy and customer value program. To that end, an external CRM consulting firm (whose identity cannot be revealed owing to confidentiality issues) had developed a

document outlined the proposed business operating model with detailed processes. This document was under consideration at the Bank X retail strategy and marketing group during the time of data collection, as stated by the key informants during their discussions with the researcher.

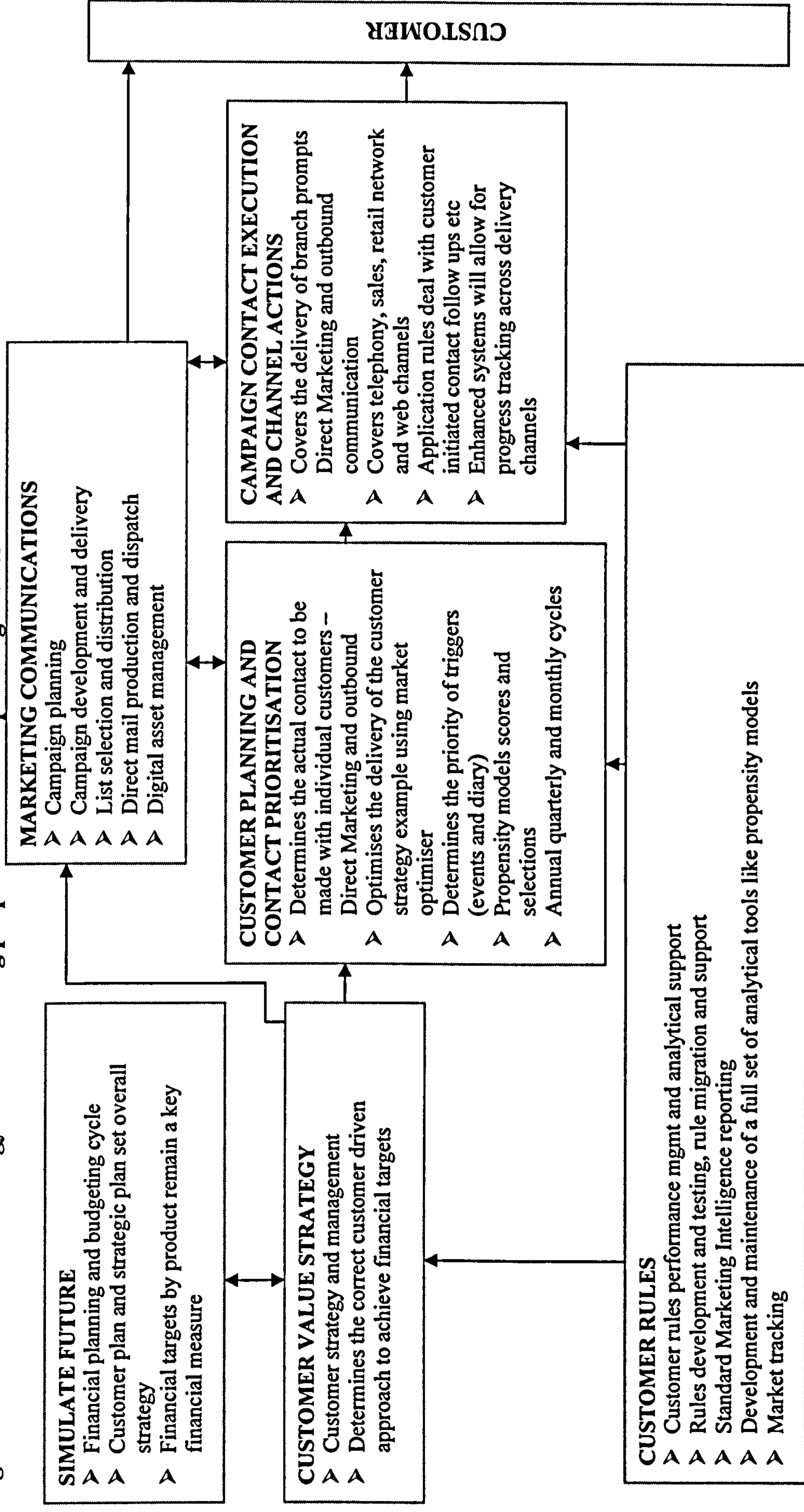
The proposed business model is conceptualised as a blueprint comprising of six broad areas/domains that interact together to deliver on the customer value programme and is illustrated in figure 7c. The objective of the proposed business model (presented as figure 7c) is reflected in the following text excerpt:

“..It shows exactly how the processes that underlie the business operating model will work together to optimise value, and how they should be translated into everyday marketing campaigns and contacts with customers to be carried out by Bank X customer facing infrastructure”

(Bank X retail strategy and marketing business operating model document, June, 2003:7)

As illustrated in figure 7c, in order to fulfil the objective stated above, each of the six domains/areas of the business model are intended to focus on a specific aspect: the development of future scenarios for financial planning falls under *Simulate Future*, which, in turn, leads to the next domain of *Customer Value Strategy* which focuses on the value creation opportunities from the products and channels. While the planning, development and implementation of all customer marketing communications is assigned under the domain of *Marketing Communications*, the development of business rules for actions and activities for campaigns and customer contacts is conceptualised under a separate domain of *Customer Rules*. The development of annual and quarterly customer focussed direct marketing and outbound communication is put together under the domain of *Customer Planning and Contact Prioritisation*. The domain of *Contact Execution and Channel Action* is intended to streamline all customer events and responses across channels in order to deliver a positive customer experience.

Figure 7c: Bank X retail strategy and marketing proposed business operating model



Source: Bank X retail strategy and marketing proposed business operating model document, June, 2003

7.1.3.2 Conceptualising multiple channel integration

The data indicates that the customer contact needs and consequent planning for multiple channel integration at the Bank X retail strategy and marketing group appears to be conceptualised along the following two broad themes:

➤ ***Integration of outbound marketing communication***

The integration of outbound marketing communication focuses on direct mail. The production and distribution of direct marketing communication at Bank X is carried out by an external firm. Given the growing problem of junk mail and the reduced effectiveness of communication, the Bank X retail strategy and marketing group realises the need to target the customer with carefully selected communication that is relevant to the customer. In line with the overall customer contact management strategy, the issue of *targeting communication at a customer level and co-ordinating across channels* emerges as an unmet need that is strategically relevant in order to develop cross-channel contact rules and strategy; as presented in table 7.2 and also supported by the following document text excerpt:

“Research has shown clearly that multi-channel communication strategies are more effective at driving customer behaviour through the different stages of the purchase cycle. Bank X should reassess how it carries out marketing communications across multiple channels, particularly as it only has a limited number of contact opportunities per year”.

Source: Bank X retail strategy and marketing business operating model document, June, 2003

Consequently, within the new business model, the need and planning for an *integrated multi-channel marketing* is proposed.

➤ ***Integration of customer contact across the retail network and channels***

The Bank X retail strategy and marketing group is promoting the use of phone and web channels for customer account management activities. This, in turn, has led the group to recognise the need to capture cross-channel customer channel usage and customer events, in order to develop a channel based customer segmentation, cross-

channel customer contact rules and strategy and improve the customer experience, as presented in table 7.2.

In order to achieve all of the above, the data on the business model indicates the types of processes and workflows under consideration to implement multiple-channel integration.

7.1.3.3 Implementing channel integration

The data on the proposed business model provides evidence on two aspects of implementing multiple channel integration, which are not technology focused:

- 1. In the business model, from the **strategic planning perspective**, the domain of **contact execution and channel action** (see figure 7c) appears to identify and map process issues of gathering information on customer channel contact and events and relaying the information to the channels for streamlining customer contact rules and strategy.*
- 2. Additionally, from an **organisation structure perspective**, the data provides evidence on determining workflows focusing on the identification of process owners, their roles and responsibilities in delivering on this aspect of the business model.*

➤ Identifying and mapping processes

The domain of *contact execution and channel action* illustrated in figure 7c identifies three key processes that would shape the activities planned under this domain and facilitate the integration of contact and communication.

Table 7.3 presents a summary of the three processes, the process descriptions, the sub-processes and their descriptions and the sub-process owners, as outlined in the document detailing the proposed business model. Additionally, the process maps developed in the proposed business model document illustrate the flow of the sub-processes. The process maps are presented in Appendix 7A, 7B and 7C.

The data pattern for each of the three processes reveals the development of a *closed loop and iterative process path* beginning with the planning and execution of campaigns and contacts in the *first process*, delivery of the actions through the channels in the *second process* and ending with channel action feedback and learning in the *third process*.

Table 7.3: The processes planned for contact execution and channel action in the proposed business model

Process	Process Description	Sub-processes	Sub-process Description	Sub-process Owner
P1 Identify planned action	<i>“ ...bring together all planned action prompts and marketing campaigns for the following business day for allocation to the appropriate channel...”</i>	➤ Identify planned actions	<i>“ ...bring together all planned action prompts and marketing campaigns for allocation to the appropriate channel...”</i>	Contact Execution Analyst
		➤ Identify recent customer events	<i>“ ...identify known (events detected by the operational transaction management system) and hidden (events detected by other systems such as branch) events..”</i>	Contact Execution Manager
		➤ Establish appropriate action prompts	<i>“ ...identifies known or hidden customer events that happened since the last monthly contact plan and its associated action prompts were planned (and that would cause the planned action prompts for the next working day to be modified or stopped, or new action prompts to be added) ...”</i>	Contact Execution Manager
		➤ Identify channels	<i>“ ...identifies the channel(s) to which the prioritised (next best action) prompts for the next working day will be allocated...”</i>	Contact Execution Analyst
		➤ Trigger re-plan	<i>“ ...triggers a re plan where known or hidden customer events have so changed the quarterly or monthly contact plan...or where the customer’s circumstances have changed so much that the action prompts planned for them are no longer relevant...”</i>	Contact Execution Analyst

Table 7.3 (Contd.): The processes planned for contact execution and channel action in the proposed business model

Process	Process Description	Sub-processes	Sub-process Description	Sub-process Owner
P2 Deliver to channels	“...gather together all the channel action prompts for each channel, matches it with any associated marketing communications material and creates channel action files containing the action prompts and associated marketing communications materials for the next working day”	➤ Gather channel action prompts	“...gathers together all the channel action prompts (across all customers) for the next day, for each channel...”	Contact Execution Analyst
		➤ Gather matching communication	“...gathers together all the marcomms or digital assets associated with the action prompts for each channel”	Contact Execution Analyst
P3 Channel action feedback and learning	“...gathers feedback from the channels about the effectiveness of the channel action prompts, analyses it for insights, trends and opportunities and feeds it back into the overall customer planning process”	➤ Identify appropriate channels	“...identifies the appropriate channel(s) for each action prompt and any associated marcomms”	Contact Execution Analyst
		➤ Create channel action files	“...creates a channel action file containing the action prompts and any associated marcomms or digital assets for the channel. The channel action file will typically set out the individual action prompts and associated marcomms and digital assets for each customer for the next working day”	Contact Execution Analyst
		➤ Gather channel action feedback	“...gathers known customer events resulting from carrying out a channel action prompt, e.g. a product enquiry as the result of a planned marcomms or from customer’s general behaviour for further analysis”	Contact Execution Analyst
		➤ Analyse channel action feedback	“...analyses the gathered customer events to identify which ones were the result of a planned channel action prompts and which not. For events which were not planned and which are just part of the natural variation in customer behaviour, the process identifies what triggered the event to happen where possible”	Contact Execution Manager

Table 7.3 (Contd.): The processes planned for contact execution and channel action in the proposed business model

<i>Process</i>	<i>Process Description</i>	<i>Sub-processes</i>	<i>Sub-process Description</i>	<i>Sub-process Owner</i>
		<ul style="list-style-type: none"> ➤ Identify learning points 	<p>“...identifies general learning points from the use of the channel action prompts that should be applied to future action prompt development and to the choice of action prompts applied to particular channels, products customer and their various combinations”</p>	Contact Execution Manager
		<ul style="list-style-type: none"> ➤ Feedback learning points 	<p>“...feeds back the learning points to the appropriate channel, product or customer segment owner and to the action prompt development and customer planning processes to be incorporated into future plans or trigger, action prompt, rule combinations”</p>	Contact Execution Manager

Source: Derived from Bank X retail strategy and marketing business operating model document data, June, 2003:62-76

➤ *Determining work flows*

With regards to determining the work flows, the data from the document on business model provides the following evidence:

Process ownership

As illustrated in table 7.3, from an organisation structure perspective, each of the sub-processes is assigned to specific process owners. In this case, two hierarchies can be detected - contact execution analyst and contact execution manager.

Hierarchical structure

Further evidence of a hierarchical structure comes into light in the context of organisation roles within the customer management group with specific reporting lines and responsibilities. For the multiple channel integration of communication and customer contact, data from the business model document provides evidence of four key persons: 1) *Contact execution analyst* reporting to the contact execution manager, 2) *Contact execution manager* reporting to the Head of customer management, 3) *Head of customer management* reporting to the Director of channel delivery, 2) *Director of channel delivery* reporting to the Managing Director of retail strategy and marketing.

Principal and supporting responsibilities

Along with evidence of a hierarchical structure, data also provides some evidence of responsibilities assigned to specific organisational positions, which are further categorised as principal and supporting responsibilities. Table 7.4 outlines the organisation roles/processes matrix for each of the six domains proposed in the business model. The responsibilities for each of the processes under the domains are allocated to organisation management members. With reference to the multiple channels and the domain of *contact execution and channel action*, according to the data from the document, the principal responsibility is allocated to the contact execution manager (illustrated in table 7.4 in bold font) and other organisation management members undertake supporting responsibilities (illustrated in table 7.4 in normal font).

The data and evidence on the workflows and organisation structures albeit brief highlights key issues regarding: a) the need for a structured development of the organisation structure to deliver on the responsibilities of the specific domains in the proposed business model, b) given the interactive nature of the domains to deliver on the overarching customer management strategy, the need for shared responsibilities across domains to avoid a siloed approach. Indeed, the document itself acknowledges the need for detailed work in developing the organisation structure and process responsibilities which is illustrated by the following document text excerpt:

“The future retail strategy and marketing organisation should be the subject of a proper organisation development study that covers organisation architecture, high level design, detailed design, work and job design and work climate development across the entire organisation”.

(Bank X retail strategy and marketing business model document, June, 2003:78)

Table 7.4: Organisation role/process matrix

Organisation role and.....									
	Customer value strategy manager CVS	Customer planning manager CP	Customer rules development manager CR	Contact execution manager CE	Marketing operations manager MO	Projects manager PR	Other		
Reporting to								
Processes within domains	Head of customer management	Head of customer management	Head of customer management	Head of customer management	Head of customer management	Head of customer management	Head of customer management	Head of customer management	Head of customer management
Domain 1 <i>Simulate Future</i>	x	x	x	x					x
Domain 2 <i>Marketing communications</i>		x		x	x				x
Domain 3 <i>Customer value strategy</i>	x		x		x			x	x
➤ Customer and competitor analysis									
➤ Analyse value drivers	x		x		x			x	
➤ Manage customer value	x		x		x			x	
➤ Formulate 3.5Y growth programme	x		x		x			x	x
➤ Prepare annual value optimisation plan	x		x		x			x	
➤ Refine quarterly value optimisation plan	x		x		x			x	
➤ Refine monthly value optimisation plan	x		x		x			x	
Domain 4 <i>Customer rules</i>									
➤ Develop statistical models	x		x		x			x	
➤ Specify business rules			x		x			x	
➤ Create triggers, action prompts and rules			x		x			x	

Table 7.4 (Contd.): Organisation role/process matrix

<i>Organisation role and....</i>									
	Customer value strategy manager CVS	Customer planning manager CP	Customer rules development manager CR	Contact execution manager CE	Marketing operations manager MO	Projects manager PR	Other		
	<i>....Reporting to</i>								
	Head of customer management	Head of customer management	Head of customer management	Head of customer management	Head of customer management	Head of customer management	Head of customer management	Head of customer management	Head of customer management
Processes within domains									
Domain 5 Customer planning and contact prioritisation		x			x				x
Prepare annual contact plan		x			x				x
Prepare quarterly contact plan		x			x				x
Prepare quarterly contact plan		x			x				x
Domain 6 Contact execution and channel action									
➤ Execute campaigns and contacts	x				x				x
➤ Deliver to channels									x
➤ Channel action feedback and learning									x

Source: Based on information in the business model document, June, 2003: 81-85

7.1.4 Bank X as a representative case

The data analysis and findings presented here provide the evidence in support of Bank X as a representative and information rich case for this research study. The following issues were salient in indicating the appropriateness of Bank X as a case to explore the research phenomenon:

- *The use of multiple channels* within the Bank X retail strategy and marketing group. Data provided evidence on a range of channels used by Bank X for streamlining customer account management activities as well as indicated the new channels under consideration. Specifically, in terms of the research focus, the use of four banking channels, namely, branch, ATM, phone and Internet for customer account management activity by Bank X, as discussed in section 7.1.1
- *The approach to customer contact management and multiple channel integration as strategic initiatives.* An important theme emerging from the pilot study highlighted the consideration of customer contact management at Bank X as a strategic issue which requires attention in order for the bank to provide a positive experience to its customer when they interface with the bank through various channels. To that end, the Bank X retail strategy and marketing group had undertaken activities that mapped current practice, identified need gaps and strategic initiatives that were either in progress or planned for future action. Importantly, from the research focus perspective, the issue of multiple channels occupied a central position in the strategic objectives and initiatives.
- *The integration of multiple channel marketing communication and customer contact across channels as a key element of the customer management strategy.* In line with the research focus, the data provided evidence on the conceptualisation and implementation of multiple channel integration and highlighted the issues under consideration.
- *The development and consideration of a new business model to deliver on the objectives outlined for the customer management strategy.* Further research

evidence revealed the details of a new business model, which, despite its early stages, highlighted the work in progress at the Bank X retail strategy and marketing group for fulfilling the objectives of the *customer management strategy*.

- In all of the above, a *structured approach* to customer contact management at the Bank X retail strategy and marketing group came through quite strongly as data could be matched across multiple sources of evidence to reveal a consistency in the pattern of issues and activities that also matched the research focus.
- Additionally, a *long term commitment* of the Bank X retail strategy and marketing group was evident as traced through the chronological order of the documents, events and activities.

Together, these issues provided the context of an information rich case that is bounded in a natural setting where events have unfolded over a period of time, revealed issues that were considered important within the Bank X retail strategy and marketing group and merit further exploration. Further from the research focus perspective, the emergent issues appeared worthy of exploration to compare and contrast perspectives with other stakeholders in the channel integration process – the technology partner firms for their conceptualisation of the multiple channel integration process and the Bank X retail banking customers regarding their experience of the same.

After presenting the findings of the pilot study, the following section presents the data analysis and findings from an altogether different perspective, nevertheless an important stakeholder in the multiple channel integration process – the perspective of the technology partner firms.

7.2 The technology partner firms' perspective

As stated in chapter 5 (section 5.5.4), data collection was undertaken with three case firms. Prior to the data collection, a fourth firm had assisted the researcher through discussion and document support to build the 'pre-understanding' and this firm is

mentioned as firm Alpha. The three case firms who participated in the depth interviews are hereby referred to as firms Copco, Delta and Hexa. It is to be noted that each of the case firms participating in the research not only have a business practice focus on specific areas of retail banking, technology and channel integration, but also were associated with Bank X in these areas, as discussed in section 5.5.4 in chapter 5.

Before discussing the findings, two issues are salient: a) Some issues are discussed in depth by particular respondents on the basis of their subject matter expertise, whereas, for some other issues, convergence or divergence of opinions has been captured across respondents, b) Bounded by their own confidentiality agreements, the technology partner firms were unable to elaborate upon details of multiple channel integration specific to Bank X, and consequently aggregated their experience of retail banks, giving specific bank examples, where possible without breaching the terms of confidentiality.

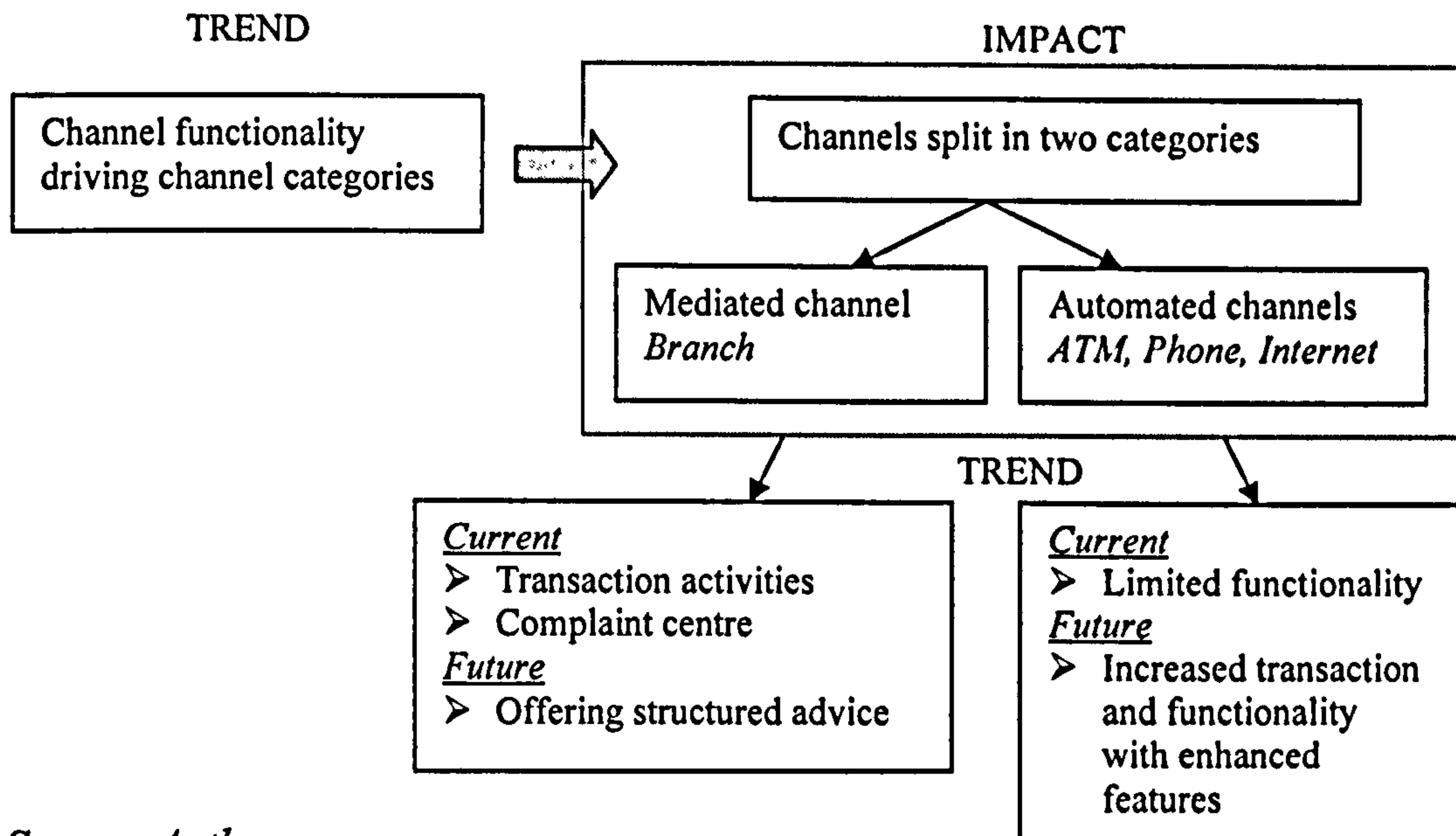
Similar to the pilot study conducted with the Bank X retail strategy and marketing group, the following three main themes guide the presentation of the findings from this phase of fieldwork conducted with the technology partner firms:

- The conceptualisation of multiple channels and their roles
- Customer contact management and multiple channels
- The conceptualisation and implementation of multiple channel integration

7.2.1 Conceptualising multiple channels and their roles

The data reveals the trends and their impact which guide the conceptualisation of multiple channels and their roles. Figure 7d illustrates the same and subsequently each trend and its impact is discussed as it emerged during the discussions.

Figure 7d: Multiple channels and their roles: Trend and impact

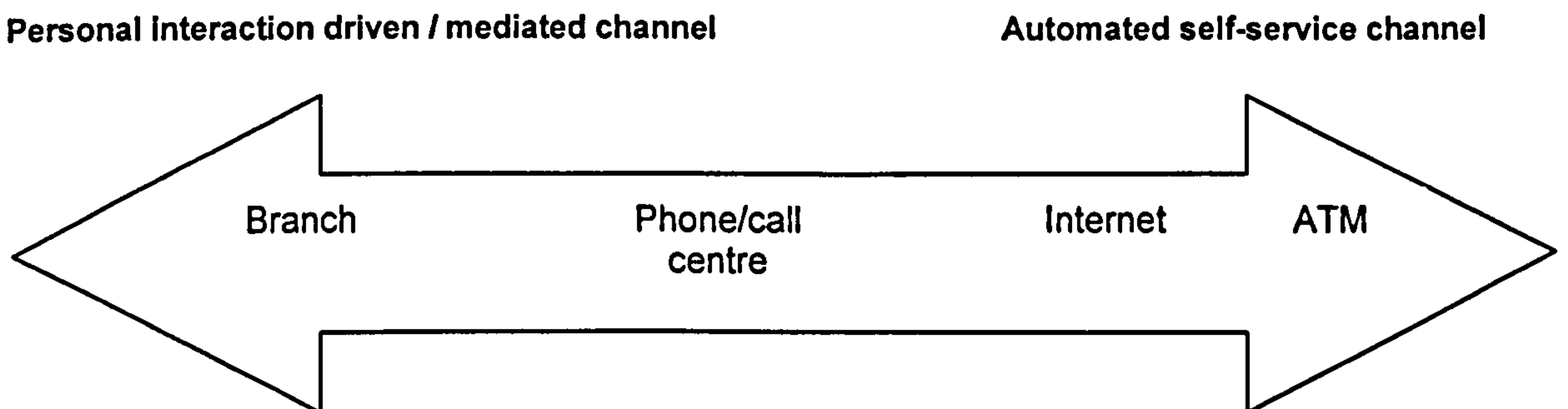


Source: Author

7.2.1.1 Categorising channels

The research findings provide evidence that technology partner firms categorise channels as *mediated channels* and *automated self-service channels*. The channels appeared to be positioned along a spectrum from personal interaction driven/mediated channels to technology driven/automated channels. As illustrated in figure 7e, the branch was perceived to be highly personal interaction driven whereas Internet and ATM were perceived as purely technology driven self-service channel. The phone/call centre was positioned in the middle of the spectrum, as it combined both technology and indirect personal interaction offered through the call centre agents.

Figure 7e: Spectrum of the banking channels



Source: Author

7.2.1.2 Channel functionality driving channel categories

The division of channels into categories was described as a result of the changing channel roles in terms of the *functionality* offered by each channel. On the basis of the growing change in the type of activities that can be performed through the four banking channels (branch, ATM, phone and Internet), the respondents stated that banking channels are now getting split into two broad categories:

- *Mediated channels* such as branch and call centre *for offering structured advice* to the customers
- *Automated or self service channels* such as ATM, phone and internet *for everyday cash and payment transactions and enquiries*

Further, the branch, phone and Internet were grouped together as *main channels* and the ATM was discussed as a *supporting channel*, given its limitations in terms of interaction ability and functionality on offer.

7.2.1.3 Branch as a mediated channel

Insights on both, the current and evolving trends for branch as a channel emerged during the interviews. The financial services practice head from firm Hexa highlighted the current state of the branch and described it as a ‘complaint centre’. In his opinion:

“I think the branch offers more personal satisfaction, but it has become a complaint centre because banks are deliberately reducing the footprints through their attitude “you don’t have to come here, use the phone or Internet” so people end up going only to complain about something or in an emergency situation”

[Financial services practice head, Firm Hexa]

The above interview excerpt presents a perspective on the fall out of channel migration initiated by banks whereby banking activities that were previously performed at the branch are increasingly offered through automated/self-service channels and the resulting implications for the branch as a channel. This interview excerpt presents the negative aspect of the current trends in branch functionality.

In contrast, the following excerpt from interview with respondent from firm Delta provides insights on the evolving trends for branch as a channel:

“We are seeing a whole scale shift in the way a branch is laid out or templated. So previously where you had bullet proof glass and cash agents or teller advisers offering services like taking deposits or making payments and also in some cases where you had the business advisers or other advisers sitting around in open plan areas. Now we are seeing in the true transformation of the branch, we are seeing the elimination of all of the teller functions. We are seeing the branch transformed into a pure consultative channel where people will literally go to get advise on how to open an account, how to get a mortgage and no longer go to perform a simple function like deposit a cheque or withdraw micro amounts of funds”.

[Financial services solutions director – EMEA, Firm Delta]

The above interview excerpt highlights the efforts from a services marketing perspective in terms of the physical servicescape, which together with the activities that can be performed by customers at the branch will contribute to changing the role of branch as a channel. Additionally, it also signals an effort on the banks’ part to mitigate the negative effect of the channel migration by providing customers an opportunity to walk into the branch and seek consultation as opposed to having to seek the information through self-service channels such as phoning a call centre or browsing the Internet.

The above insights highlight the changes underway for a personal interaction intensive channel such as the branch and the migration of certain functionalities from the branch to automated channels. The following interview excerpt, however, reflects the need for caution when banks migrate activities from a personalised channel like branch to alternative automated/self-service channels:

“It is never safe for the bank to assume that the customer can do every thing through the phone and Internet”.

[Financial services practice head, Firm Hexa]

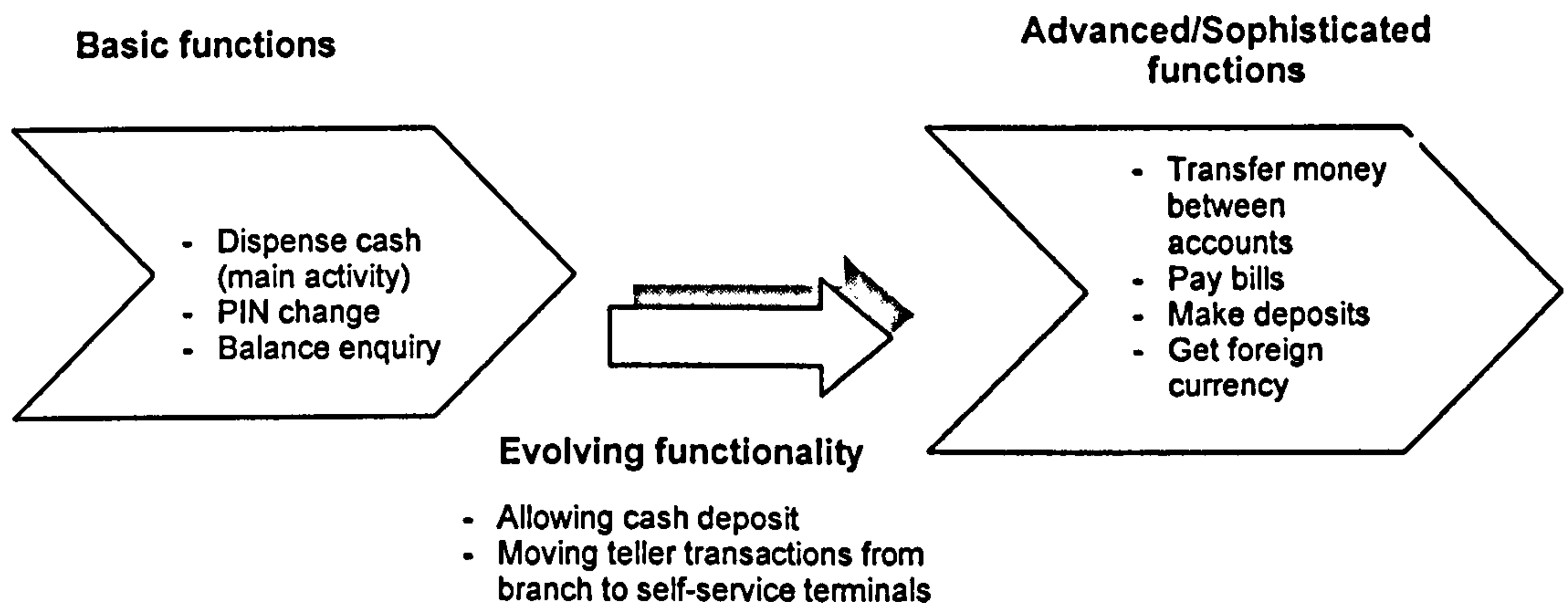
Elaborating upon the above thoughts, the respondents drew attention to the rate and level of technology adoption by customers and their level of comfort with the technology and its use for banking activities. This point came up for further discussion in the context of CRM and customer contact management and the findings are presented in section 7.2.3.

7.2.1.4 ATM as an automated self service channel

Regarding ATM as a banking channel, the Managing Director of firm Copco explained the evolving channel functionality in terms of “*basic functions*”, “*advanced/sophisticated functions*” and “*evolving ATM functionality*”⁸, as illustrated in figure 7f.

The evolving ATM functionality was explained in the context of the spectrum of banking functions that can be performed through the ATM. As illustrated in figure 7f, *cash withdrawal, PIN change and balance enquiry* were stated as basic functions and activities such as *transfer of money between accounts, payment of bills, making deposits, getting foreign currency* were described as advanced/sophisticated functions. The transition from basic to sophisticated functions emerged as the evolving functionality of the ATM channel from two important aspects: *firstly*, the ability to make cash deposit because this activity could be performed only at a branch and *secondly*, the migration of branch-based teller transactions (example: moving money across accounts, getting foreign currency) to self service terminal like the ATM.

Figure 7f: Evolving functionality of the ATM channel



Source: Author, based on findings

Elaborating upon the global versus UK trends for ATM channel, the Managing Director of case firm ‘B’ purported that though the basic function of dispensing cash is universal, the ATM market is different across countries. Specific to the UK retail banking industry, the respondent highlighted three issues:

⁸ Respondent verbatim quote

- Limited advanced functionality such as allowing deposits, ticket sales, mobile top ups when compared to other European countries
- Large number of through-the-wall (offsite) machines at places such as airports, shopping malls
- Increasing ATM deployment by non-bank IADs (independent ATM deployers) usually with a surcharge of £1.50 for cash withdrawal, located at pubs, clubs, small supermarkets and convenience stores

The above insights indicate two interesting aspects regarding ATM trends in the UK: *first*, on a positive note, there is attention to enhancing customer convenience through the deployment of more ATMs. *Second*, however on a negative note, there is little growth in terms of banks offering advanced functionality through the ATM channel.

7.2.1.5 Phone and Internet channels

Regarding the phone and Internet, the recurrent theme emerging in the findings was that of the phone and Internet still evolving as banking channels. As articulated by the Chief Executive Officer from firm Hexa:

“For banks the whole point of focus currently is that they are giving the customers a call centre number but capturing the full efforts of contact made by the customer is very easy and should be the logical next step”

[Chief Executive Officer, Firm Hexa]

The above quote is indicative of the evolutionary nature of the phone as a banking channel. When compared to the other automated self-service channel, it was interesting to note that the ATM was seen as a support channel compared to the scope of interaction facilitated through phone and Internet. And at the same time, in terms of opportunities explored by banks regarding channel functionality, the perception was that the three channels were at a similar level. The following quote sums up the general view:

“Banks are no more behind on the ATM as they are on Internet or telephone either”
[Managing Director, Firm Copco]

The evolving channel roles in terms of their functionality determined the two categories of channels – mediated channels and automated self service channels. Further, the need for cutting the costs of transactions and servicing customers was mentioned consistently by the respondents as the driver behind migrating customers from a personal interaction intensive channel such as branch to automated self service channels. This issue of reducing cost, in turn, leads to changing channel roles and it was put into perspective by the financial services solutions director from firm Delta, as:

“Channel roles are changing as there is a shifting balance of priority between the different engagement touch points”

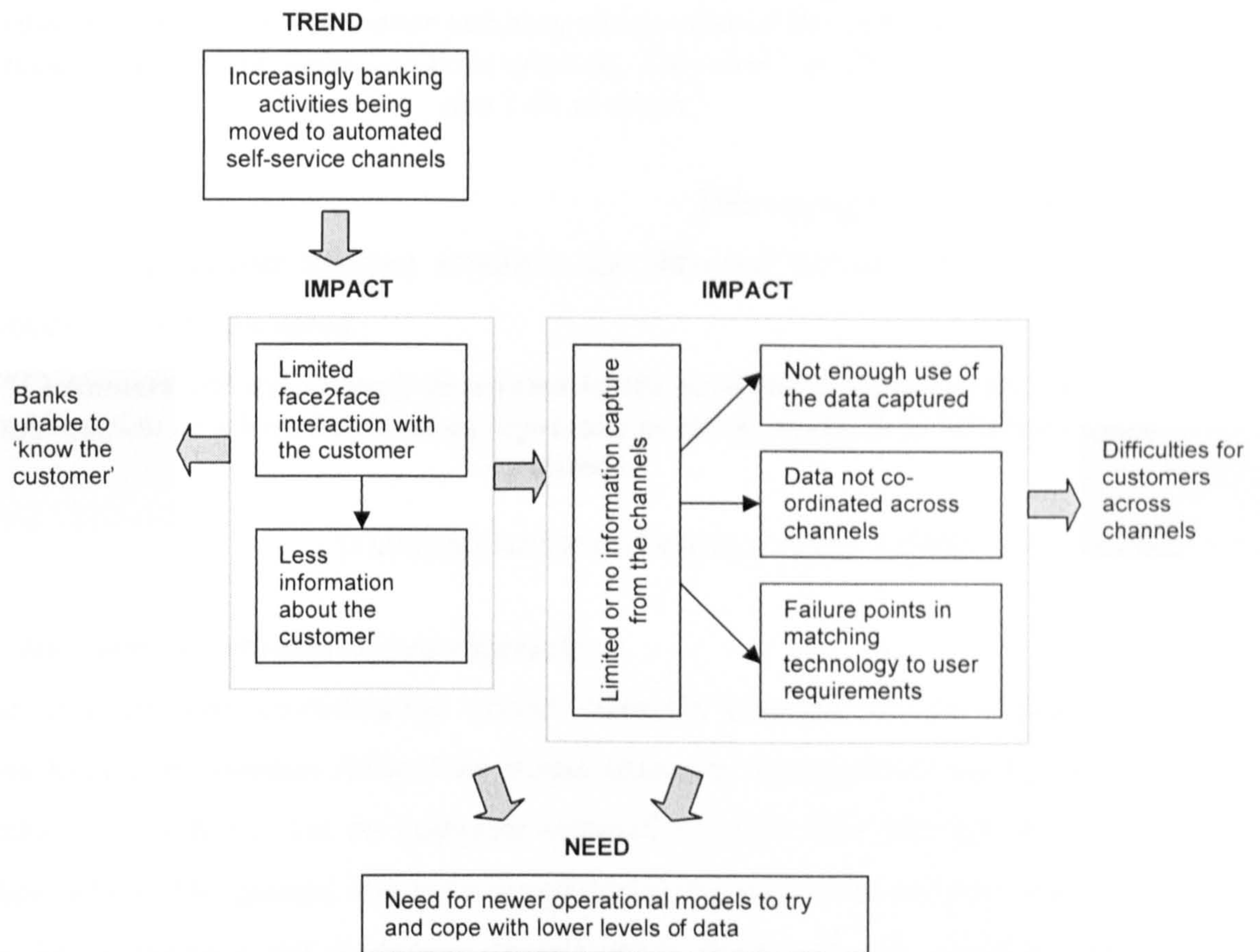
[Financial services solutions director – EMEA, Firm Delta]

The above mentioned issues clarified how the technology partner firms conceptualise multiple channels and their roles in retail banking. The next set of discussion highlights how the technology firms perceive the banks are deploying multiple channels for customer contact management.

7.2.2 Customer contact management and multiple channels

Further to the categorisation of channels as mediated channels and automated self-service channels, the findings reveal the implications of increasing automated self-service channels on customer contact management and CRM. The emergent issues are illustrated in figure 7g:

Figure 7g: Automated channels and implications for contact management



Source: Author

With reference to figure 7g, limitations become evident for both – the customer and the bank: *customers face difficulties when dealing across channels* and the *banks unable to know the customers*.

7.2.2.1 Customers facing difficulties across channels

Customers facing difficulties across channels due to the limited or no information capture from the channels. Three salient issues emerge:

➤ *Not enough use of the captured data*

An example of the same was discussed by the Managing Director from firm Copco in the context of ATM as:

“Banks don’t do much with CRM at the ATMs as they might. Typically, when you go to an ATM, you get exactly the same set of options as any other. So they haven’t

used any knowledge about you that they have from the stuff you put in. They haven't used any of that information to tailor the offering that they give you if that is in the form of advertising say the bank's own advertising for promoting certain products or even for that matter tailoring the screens of the ATM so they maybe go immediately to the things you most often do. They don't do that. So actually they don't do so much"

[Managing Director, Firm Copco]

Citing another banking situation, the financial services solutions director from case firm Delta stated:

"Customers are increasingly frustrated by the need for duplicating the entry of information or where banks inappropriately position products to existing or new customers"

[Financial services solutions director – EMEA, Firm Delta]

➤ *Data not co-ordinated across channels*

The lack of data co-ordination across channels emerged as the second issue contributing to customer difficulties across channels. Respondents stressed that the banks' current focus was on customer acquisition rather than building the existing relationships. The general viewpoint emphasised the need to co-ordinate data across the data warehouse and marketing department to track customer profiles, products held and their needs, and match products and services to customer requirements to fulfil cross-selling and up-selling initiatives and thereby signal the banks' interest in servicing new and existing customers. To illustrate the point, examples of everyday banking transaction situations and communication were mentioned:

The death problem is a very significant problem and most financial services companies would now classify letters to people who have passed away as being one of their most significant problems in their customer contact management. So credit card offers being made or other offers. It becomes even more acute in situations where the bank has been made aware that an individual has passed away and yet through the marketing department and other areas of the business the data hasn't been updated. So it's a strange topic to be talking about but it's a very-very significant topic for retail banking at the moment.

[Financial services solutions director – EMEA, Firm Delta]

"The most frustrating thing for the customer is to find out that the data and technology across channels is not integrated and having to go to a branch, then go online, again find something difficult. Or be called up repeatedly by call centre sales

agents promoting their credit cards when you already own one from that bank. It surprises me that somebody who is making a call from the call centre does not have access to a computerised database that can give the actual history of the customer's transactions, last customer touch point. That doesn't seem to be there universally including big banks like A, B, C⁹ ”

[Chief Executive Officer, Firm Hexa]

➤ ***Failure points in matching technology to user requirements***

The third issue deemed relevant for contributing to customers difficulties was mentioned as failure points in matching technology to user requirements. As explained by the financial services practice head from firm Hexa:

“Banks tend to falter on the technology curve. There will be failure points which banks are unable to manage and that is a critical reversal of all the efforts gone into adopting that technology and leads to high level of customer dissatisfaction as a consequence of poor adoption of technology. If along with technology adoption, if they have not worked out down to the last minute detail the customer satisfaction points along the transition path, they are in the danger of falling over when the technology is running ahead of customer requirements”.

[Financial services practice head, Firm Hexa]

An example of matching the relevance of technology to specific customer age groups was highlighted by the financial services solutions director from firm Delta while discussing migration of banking activities to automated, technology driven, self-service channels and the use of call centre phone agents for product promotion and communication:

“Yes from the banking point of view, particularly private banking, investment banking and the large insurance groups, the 50+ age group is a critical area. Particularly in terms of their social interaction, they predate and they are not used to some of these techniques or approaches. So it is a very interesting problem for banks to get this right”.

[Financial services solutions director – EMEA, Firm Delta]

7.2.2.2 Banks unable to ‘know the customers’

The migration of everyday banking activities to self-service channels means that banks get fewer opportunities for face-to-face interaction with their customers.

⁹ Names of bank mentioned by the respondent have been anonymised for maintaining confidentiality

Additionally, the above implication, when coupled with limited or no data capture of customer contact through the automated channels results in less information about the customers. The following interview excerpts highlight the resulting implication:

“Agents of the financial services organisations are no longer able to form social bonds with their customers”

“Banks are tending to move away from the ability to ‘know your customer effectively’ and move away from the ability of having other customer knowledge which may be relevant to positioning products or positioning technology”

[Financial services solutions director – EMEA, Firm Delta]

The Managing Director from firm Copco echoes the viewpoint about using customer knowledge for matching product and technology positioning to customer needs and uses the example of ATM to illustrate his point:

When you take cash, it could provide big letters at the top the amount of cash you normally withdraw so that you don't have to trawl through the screen as it would know what you normally ask for or it might actually give you a list of recent transactions on the screen without you actually having to request for it. I think the banks are missing the opportunity to advertise to their customers more. Now I am looking at it from the banks' perspective rather than the customers' perspective. I think if the bank knows exactly who you are should be for example asking if you want to renew your car insurance or house insurance or asking if you need a loan. It should be able to do that based on what it knows about you and none of that really happens. So in that sense the banks are missing an opportunity. I am not convinced really that from a customer's perspective you are missing out on a whole lot. So there isn't much missing from the customer perspective but more from the bank perspective, say from the revenue point of view or to cross sell.

[Managing Director, Firm Copco]

Likewise, another example of banks not using customer knowledge for matching products to customers was given by the financial services solutions director from firm Delta, where he discusses the point from a customer's perspective:

“So you are offering a particular product to a new customer but you are not offering to me – a loyal, existing customer. I have already got my mortgage with you, why are you not offering me 2% off on my mortgage? Customers are being offered a product which they already have. ‘Would you like to take out a mortgage or loan with us? I already have a loan or mortgage with you’”.

[Financial services solutions director – EMEA, Firm Delta]

The findings above have highlighted the drawbacks and limitations resulting from the increasing migration of banking activities to automated, self-service channels. The issues and thoughts expressed by the respondents are best summed up by the following interview excerpts:

“Different channels are suited for different things. It is more to do with optimising the channels rather than moving people between channels. You have to get a balance between the channels rather than everybody should go this way. What you do is migrate the transactions which were expensive on one channel and the ones that don't provide you any benefit but other things you need to keep them as there is no easy way of servicing them”

[Managing Director, Firm Copco]

“The major drawback to this self-service, this automation, this separation of transactions between channels is the de-linkage between customer knowledge, customer relationship and customer behaviour”

[Financial services solutions director – EMEA, Firm Delta]

7.2.2.3 Using critical life events for capturing customer data

While the previous set of findings highlighted the limitations and drawbacks of automated channel, interestingly, in an isolated mention, one of the respondents based on his firm's research¹⁰ shared data points about banks using critical life events for capturing customer data. With reference to figure 3, where the need for newer operational models is stated to try and cope with lower levels of data, the respondent shared examples of strategic initiatives undertaken by retail banks in the UK to counter the lower level of data resulting from lesser and fewer mediated customer interactions. As stated by the respondent from firm Delta:

“You are going to see your customer a lot less however you are going to..one thing you do know is that when you are having a mediated customer interaction is that the customer is proactively after a service. What that specifically means is that you are in a situation where you need to be able to bring to bed data about customer knowledge about products or services you may have in a much more intelligent

¹⁰ This research was a collaborative effort between case firm 'C' and another banking technology firm and the research report has been recently made available in the public domain. In order to preserve the confidentiality of case firm 'C', the names of both firms and the title of the research report is omitted from being mentioned here.

manner so whether it be through the call centre or be through the branch or be it through some form of structured home visit. **So you need to have new ways of collecting data which are proactive around the customer.** So some things the banks are doing in order to transform this”.

[Financial services solutions director – EMEA, Firm Delta]

Table 7.5 presents examples of new interaction models that are facilitating data capture centred on customer critical life events.

Table 7.5: Data capture centred on customer critical life stage events-examples

<i>Customer critical life stage event</i>	<i>Value based service offered by the bank</i>	<i>Intentions to capture data about:</i>	<i>Using the customer knowledge emerging from the captured data to:</i>
Getting married	Offering to buy flowers for a wedding for a financial review	In exchange of meeting the costs of flowers, the bank gets information on the customer’s changing banking habits and activities, such as: <ul style="list-style-type: none"> ➤ Forming a current account with the spouse ➤ Taking out a mortgage to buy a house ➤ Needing a loan to repay the wedding costs ➤ Taking a loan to pay for honeymoon expenses 	Get a complete financial picture of the customer and thereby recommend financial products, even though the bank and the customer have not had an in-depth structured relationship
Drawing up a will	Offering a free will with a financial review	In exchange of the £100-150 solicitor’s expense for drawing up a will, the bank gets information on the customer’s: <ul style="list-style-type: none"> ➤ Financial liabilities ➤ Possessions ➤ Assets 	

Source: Author, based on fieldwork data

While the automated channels have resulted in certain drawbacks and limitations for customer contact management, the above mentioned findings indicate how banks can mitigate the effect of lesser interaction with customers by using

mediated channels to capture critical customer information through critical customer life events.

7.2.3 Multiple channel integration

All the respondents were unanimous in stating that the delivery of consistent service across all the channels within the financial services organisation would convey to the customer that the channels were well and truly integrated because then the customer can access any channel for meeting his or her requirements. Likewise, the bank would be able to capture and use the customer information emanating across touch-points/channels to service the customer. While service marketing issues such as segmenting customers on channel usage and their geographical mobility and mapping customers' service expectations were deemed relevant, the respondents took the discussion further and identified issues from the *technology, bank employees, and regulatory compliance* perspective. Based on their experience, the respondents stated that the issues pertaining to technology, bank employees, and regulatory compliance were vital for banks in order to deliver a consistent service across channels, and assist banks in addressing the marketing issues of customer segmentation, mapping and product/service positioning and matching.

7.2.3.1 Issues for consideration

Given their subject matter expertise, different respondents articulated different imperatives, which during the data analysis have been distilled into the following four issues of consideration:

1. Consistency across data warehouse, marketing and credit risk environment
2. Addressing policy implications such as Basel II
3. Recognising facets of channel integration
4. Empowering bank customer-service staff

➤ *Consistency across data warehouse, marketing, credit risk environment*

Building on the discussion about the lack of co-ordination in data and information across channels, the respondents also explained the absence of linkage between the

data warehouse and the marketing department. An illustrative example of the same was mentioned by respondent from firm 'Delta':

“There are service situations where de-linkage of data in the financial services company for example, some one is having the house repossessed and on the same day they are being offered a premium credit card by the same company. And there are many instances of these types of things taking place. And it is those three domains for the customer information – the CRM environment, the data warehousing environment, your credit risk environment and it is the need to bring all that together in a consistent manner. We haven't got the IT linkage with Marketing and the closed loop behaviour between Marketing and the delivery channels is a major issue”.

[Financial services solutions director – EMEA, Firm Delta]

Along with mentions of information consistency across the data warehouse and the marketing department, the element of integrating the credit risk environment was mentioned by the respondents in the context of the new regulatory compliance proposed by the Basel Accord and known as Basel II¹¹.

➤ *Addressing policy implications –Basel II*

Further to the point discussed in 3.1.1, during the discussion, initially the respondents did not mention the specific term 'Basel II' and referred only to 'credit risk environment'. The researcher, in the course of her preparation for this fieldwork and engagement on a project (independent from this research study) with a technology firm came across policy issues pertaining to 'Basel II' being factored into marketing strategy and technology innovation plans by retail banks globally. At this stage, the research on her own initiative explored the subject further and decided to include an open-ended question in her discussion guide on the implications of Basel II. The aim was to ensure that any relevant data may not get excluded from the doctoral research. This move turned out to be a positive one and revealed important insights. Table 7.6 presents the policy implication of Basel II for the retail banking industry, the

¹¹ Basel II is a revised framework on international convergence of capital measurement and capital standards developed by international banking supervisors. The aim is to make capital risk management and risk assessment more sensitive and promote enhanced risk-management practices among international banking institutions

(Source: <http://www.federalreserve.gov/generalinfo/basel2/default.htm>, and An explanatory note on the Basel II IRB risk weight functions, Bank for International Settlements, July, 2005)

implication for banks in terms of strategy and implementation to meet the requirements of the regulatory compliance and importantly the implications for multiple channel integration. Further, the opportunity for data warehousing and customer data management presented by the Basel II policy introduction is summed up best by the following interview excerpt:

“Basel II is very-very important. You have picked on probably the single biggest opportunity the banks have at this point in time...and there has never been a business case before in data warehousing and financial services. There were little things, and toys and projects that people have invested in. They are big, big IT projects but they have never delivered the complete vision of data warehousing. So Basel for the first time, not to meet the Basel standards but in order to leverage the data that Basel requires we have got one of the most exciting changes in financial services for the last 30 years”.

[Financial services solutions director – EMEA, Firm Delta]

Table 7.6: Basel II policy and its implications for multiple channel integration

<p><i>Basel II Policy and the banking industry - Illustrative interview excerpt</i></p>	<p><i>Implication for the banks with illustrative interview excerpt</i></p>	<p><i>Implication for multiple channel integration</i></p>
<p>“There will be a consolidation of assets and there will be a shift out of certain types of assets – retail loans versus corporate loans depending on the asset base. A differential pricing strategy given the bank’s understanding of the market it is a question of using the capital efficiently and though that can be modelled, one would know that only through experience because that is customer centric and inherently fuzzy. It would lead to further segmentation of the banking industry due to the requirements of B-II particularly from capital costs, and risks”.</p> <p>[Financial services practice head, Firm Hexa]</p> <p>“So within the Basel II, as you know it represents credit risk, operational risk and from the point of view of market risk. What Basel II represents in simple terms for financial services organisations is</p>	<p>➤ Change in the operational model</p> <p>“Firstly, the operational model of the bank has to change for Basel because credit is involved in every single process. So credit is involved in making a deposit, credit is involved in opening an account. Credit is involved in marketing an offer. So the first thing we have is the opportunity to use Basel as a catalyst to deliver some of the changes we have been describing already because we have got to make investments around the operational model. You haven’t got a choice with Basel, you have got to do it”.</p> <p>[Financial services solutions director – EMEA, Firm Delta]</p> <p>➤ Change in the front-office processes</p> <p>“The second thing about Basel is that all of the front office processes are going to change. You are going to sell in a different way so you have to change all the technologies, the operational model in the front office - everything will change”.</p> <p>[Financial services solutions director – EMEA, Firm Delta]</p> <p>➤ Change in data capture and management</p>	<p>➤ The need for a cohesive convergence of banking finance, marketing and technology in order to deliver appropriate products and services to the customer.</p> <p>➤ A structured approach to the type of customer information captured (customer knowledge), the method of capturing that customer information (channels) and using the information from the data warehouse to tailor customer interaction and experience.</p>

to massively raise the barrier of entry of individual financial organisations into the banking franchise. You are not going to have independent mortgage companies that are able to differentiate their product on cost because the diversified financial groups that has retail and corporate can offset debt against equity is going to be a much more sustainable model from a point of view of these risk exposure”

[Financial services solutions director – EMEA, Firm Delta]

customer. So you have to be very granular and be able to say what individual products your customers have so that my deposit savings can be offset against my mortgage in order to produce a Basel positioning. Now what that means is that now I can for the first time ever leverage granular customer information to improve the customer interaction that I am going to have with the customer”.

[Financial services solutions director – EMEA, Firm Delta]

Source: Author

➤ *Recognising facets of integration*

Four facets of integration are identifiable from the data:

Vertical and horizontal integration

Vertical integration was described by respondents as *integration of information and technology within each channel*, and *horizontal integration* was stated as *integration of information and technology across the channels*. The empirical evidence from the following interview excerpt contrasts the two facets of integration and its status in current business practice:

“CRM for each channel seems to be working-they have got it vertically integrated but they need horizontal integration across channels which is what the customer wants and needs”

[Chief Executive Officer, Firm Hexa]

Back-office and front-office integration

The respondents conceptualised back office as the aspect of banking, hidden away from the customer, yet relevant to fulfilling customers' banking transaction needs, such as cheque processing units, credit card account management. As explained by the respondents:

“The back office scope of work is focused on issues such as tracking the net asset value of investments, how effectively does MIS¹² come down to the portfolio managers, what information would be needed to make a decision and whether it is emanating from the system. That is very internal to the bank unlike the customer facing front office, which is a whole lot bigger. When you do something back office, your customer set is limited to people within the bank with similar experiences”

[Chief Executive Officer, Firm Hexa]

“The front-office is customer facing and the technology solutions have to try and solve problems of customer contact management across the numerous banking business processes and deliver in a consistent manner with the transformation and modern operational needs of a bank. So for instance delivering more effective self service into the Internet channel so that we can migrate customers into those lower cost channels but at the same time deliver new fact find and customer interaction strategies and technologies that the financial advisers have newer levels of

¹² MIS: Management Information Systems

interaction with the customers on the basis of data and knowledge. So we are really working across the whole of the front office paradigm”

[Financial services solutions director – EMEA, Firm Delta]

During the course of the interviews, the respondents often referred to the back and front-office integration, again in terms of technology and information for each channel and referred to the same as *‘achieving a closed loop behaviour between back and front-office’* whereby the customer gets consistent information and treatment in his/her interactions with the bank, within and across channels .

➤ *Empowering bank customer service staff*

In a move from the focus on technology and regulatory compliance issues, an isolated mention drew attention to the issue of empowering bank customer service staff to deliver a positive customer experience:

“And as with a particular bank, it was impressive to see that the teller with a simple looking machine could use the customers’ bank card to access all the account information, change address, close certain direct debits. She was empowered to do it all except one thing for which she had to make a phone call and make sure that the cheque book gets delivered to the correct address. So it was not just processing but changing the nature of the account – the basic characteristics of the account from the marketing end. So essentially she was changing the information on the centralised database and direct from the marketing end which makes it more efficient which is not usually the case. So basically you are looking for ways in which the marketing person gets access to customer information right down to the centralised database which is static and one has to clear the entire loop for that to happen. Otherwise what would have happened was that the customer would have been waiting while the teller would have gone to do all the stuff at different points where the information is accessed”

[Financial services practice head, Firm Hexa]

The above interview excerpt provides empirical evidence of the implications of empowering the bank customer service staff to access information from a central database. It reflects the speed of servicing the customer, the efficiency of the customer service staff that results from granting her access to the central database. In addition, the integration between the data warehouse and marketing department cuts

down some of the difficulties of channel and customer contact management discussed earlier in section 7.2.2.

7.2.3.2 Barriers to integrating channels

The barriers to integrating channels were articulated along three broad themes:

1. Magnitude of the initiative
2. Technical hurdles
3. Priorities, perceived value and costs

➤ *Magnitude of the initiative*

The sheer scale and scope of work in terms of the volume of customer data was mentioned by the respondents as the biggest hurdle to attempting a full-scale horizontal integration of customer data across channels. The following interview excerpts build the point:

“The size of the data warehouse needed for the sheer volume of data is daunting and trying to determine the starting point – it has to be a slow, iterative approach rather than the full-scale big bang theory”

[Chief Executive Officer, Firm Hexa]

“The biggest problem for realising the multi-channel vision, a new vision – it is not debating the architecture or debating the operational model or debating the processes or the data requirements – it is understanding where to start. So what do I do first? Do I separate out my manufacturing and distribution arms? Do I re-engineer my branch? Do I change my operational model? Do I organise and cleanse my data? And I don’t think that at this stage anyone has the right answer to it. The problem literally is of actual physicality, the size of the project and actually pulling it all together is the biggest barrier to doing it”

[Financial services solutions director – EMEA, Firm Delta]

Interestingly, one of the respondents distinguished between smaller/newer and bigger banks¹³ and was of the opinion that smaller banks can benefit from agility:

¹³ When probed, the respondent distinguished the size of the bank along the parameters of number of customers

“Multi-channel integration will be better with smaller banks because they start with a smaller customer base which helps to build a new system rather than trying to re-engineer a system that has been there for decades”

[Chief Executive Officer, Firm Hexa]

➤ ***Technical hurdles***

The respondents from firm ‘D’ whose expertise lies in building technology platforms and integration architectures for complex back-office banking needs distinguished between *‘technology to build’* and *‘technology architecture for delivering the solution’* and stated:

The biggest challenge – how do you design a customer oriented process capturing learning, knowledge and CRM. In my mind, CRM is on the flip side of knowledge management. The challenge is in architecting it rather than delivering the technology because technology is available.

[Chief Executive Officer, Firm Hexa]

Basic technology related errors are not much because there are now good testing systems. More and more errors are technology architecture related which does not anticipate and satisfy customer expectations and those errors are more costly because the customers will not complain, they will simply close the account and go away. Because if you tell them that this is how the central processing system works, and you have no access to the central processing system so the complaint is basically bounced off. So what will the customer do? Close the account and leave and look for a bank that does not have a similar approach. So any answer that hides a technology failure is only a short term solution for the bank. Architectural failures are much more difficult to understand and solve without incurring huge costs”

[Financial services practice head, Firm Hexa]

➤ ***Priorities, perceived value and costs***

Besides the barrier of knowing where to start and dealing with the technology issues, the cost of the integration initiative was mentioned consistently by respondents from all the three case firms. Interestingly, respondent from case firm ‘C’ linked the cost factor to other equally relevant issues, namely, prioritisation of the initiative efforts and the perceived value of undertaking the same. Using the example of the ATM, which is perceived as a support channel, he illustrated his point:

There are a mixture of things. I don't think they see the value to be that great and also there are some technical hurdles which are not massively complicated if not totally straightforward. So if you combine that with how important they feel that it is.

For them, it is not that important if it is a little bit complicated, that is a disincentive. So those are the two big things. Also in terms of CRM, I don't think they see that the ATM is the most important channel to be doing things with it. They probably think it is more important that there are things with the branch and the telephone and thirdly the development of the Internet and then fourth is the ATM to be integrated with the system. There are higher priorities the banks might have as there are always things that are more important. I think that is partly right and also they might be that there is some effort required to do it. So quite often they don't get around to doing it.

[Managing Director, Firm Copco]

After presenting the analysis and findings from the two phases of research – a) the pilot study with the bank X retail strategy and marketing group and b) the technology partner firms, the following section compares the two perspectives to explore convergence and divergence of opinions on the research phenomenon.

7.3 Comparing the two perspectives and the resulting implications

The findings from the bank and technology partner firms were presented along three key themes: a) conceptualising multiple channels and their roles, b) customer contact management and multiple channels, c) multiple channel integration – conceptualisation and implementation. For each of these three themes, different issues emerge across both the bank and technology partner firms. Collectively, these issues highlight the implications for multiple channel integration strategy and implementation as detailed below and summarised in table 7.7.

Conceptualising multiple channels and their roles

While the retail strategy and marketing group of *Bank X* identifies each channel separately as branch, phone or Internet banking, an interesting contrast is evident in the terminologies used by the technology partner firms. The *technology partner firms* classify channels as mediated or automated channels on the basis of the evolving channel functionality. Importantly, in stating the same, the technology partner firms appear to distance themselves from the banks and present this categorisation on the

basis of the evolving retail banking industry trends. Further, the ATM is perceived by both, Bank X retail strategy and marketing group and the technology partner firms as a support channel. However, the point of differentiation between the two perspectives is that the technology partner firms' appear to convey that while the functionality of ATM is evolving, there is however, limited functionality exploited by the banks in the UK. Additionally, the technology partner firms articulated the limited functionality of the phone and web channel. This, in turn, is a reflection of actual practice as can be found in the case of Bank X. As suggested by the data, banks are using multiple channels for customer contact, the branch continues to be the main channel, channel functionalities are evolving, ATM, phone and web as channels are active with limited functionalities. In such a situation, from the multiple channel integration perspective, there appears to be a need for identifying gaps in channel roles and exploring the channel's potential and viability to fulfil the gap.

Customer contact management and multiple channels

Together, the Bank X perspective and the technology partner firms' perspective help to draw a composite picture of multiple channels, their role in customer contact management, the potential challenges of the same and therefore the resulting implications for channel integration strategy and implementation.

From the *Bank X perspective*, we learn the importance of customer contact as a strategic need and the role of multiple channels in facilitating customer management by developing customer segmentation based on channel usage, identifying customer channel preference and shaping customer experience. While the Bank X perspective highlights the positive role of multiple channels in customer contact management, the *technology partner firms' perspective* alerts us to the potential dangers posed to customer contact management and bank-customer relationships through an increased use of automated channels as part of multiple channel provision. Based on their experience of working with the retail banking industry, the technology partner firms alerted to the consequences of automated channels along two key areas: a) At an operational level, the lack of social bonds between the bank and its customer, limited or no information and process coordination, failure in matching technology to user requirements, b) At an overall

strategic level, the de-linkage between customer knowledge, customer relationship and customer behaviour. With regards to channel integration strategy and implementation, two issues appear important: a) Getting a balance between automated and mediated channels, their assigned roles for customer contact management. b) Ensuring mobility of not just customer account data but also interaction data across channels to deliver seamless customer service in order to mitigate the negative implications of migrating customer interaction to automated channels.

Multiple channel integration – conceptualisation and implementation

Similar to the above two themes, issues identified across both perspectives, though different, come together to present an holistic picture and highlighted the need for addressing diverse areas in order to successfully plan and implement multiple channel integration.

From the *Bank X perspective*, multiple channel integration is conceptualised along two main lines: a) Integration of outbound marketing communication, b) Integration of customer contact across the retail network and channels. Interestingly, however, at an overall level, the focus on multiple channel integration is from the bank's perspective - the bank initiated customer contact as manifest in the workflows, business operating model. There is no discussion on customer initiated contact. From the *technology partner firms' perspective*, two facets of multiple channel integration are identified: a) vertical (within channel) and horizontal (across channel) integration, b) front-office (customer facing) and back office (data processing and administration) integration. Together, both these perspectives indicate the need to address the different facets of multiple channel integration in order to fulfil the objective of 'end to end customer management'.

With regards to implementation, from the Bank X data, we learn the need to identify and map processes to streamline customer contact across channels as well as identify process owners, their roles and responsibilities to deliver on the same. These issues are core to within the organisation. In contrast, the technology partner firms draw attention to: a) *issues within the organisation*, such as, ensuring consistency in information across the data warehouse, marketing department, credit risk

environment, recognising the facets of integration and empowering bank customer service staff through access to information and b) *issues outside the organisation*, such as addressing Basel II policy issues and their implications on banks. Therefore, from the multiple channel integration strategy and implementation perspective, the range of issues highlighted by both perspectives indicate the need to be cognizant of issues within and across the organisation as well as external policy issues while planning for and implementing integration.

Table 7.7 summarises the discussion and presents the salient themes across both perspectives and the implications for multiple channel integration strategy and implementation.

Table 7.7: Comparison of the two perspectives and the resulting implications for multiple channel integration

Key themes	Comparing the two perspectives		Emergent implications for multiple channel integration strategy and implementation
	Bank retail group	Technology partners	
1. Conceptualising multiple channels and their roles	<ul style="list-style-type: none"> ➤ Identify each channel separately - Branch, ATM, Phone (Direct), Internet (Digital) Banking ➤ Broad spectrum of channels for a range of roles – customer account management, communication, interface, ➤ Branch as the <i>main</i> channel offering full spectrum of services for customer account management and interface ➤ ATM as a <i>support</i> channel 	<ul style="list-style-type: none"> ➤ Classify channels as <i>mediated</i> (branch) and <i>self-service/automated</i> channels (Internet, ATM) ➤ Channel classification derived from the evolving channel functionality <ul style="list-style-type: none"> ➤ Mediated channels for structured advice ➤ Automated channels for account management, enquiries ➤ ATM as a <i>support</i> channel whose functionality not fully explored within UK ➤ Internet and phone perceived to be in evolutionary stages and not reached maturity 	<ul style="list-style-type: none"> ➤ Identifying gaps in channel roles and exploring the channel's potential and viability to fulfil the gap
2. Customer contact management and multiple channels	<p><u>Recognise</u></p> <ul style="list-style-type: none"> ➤ Customer contact management as a strategic need ➤ The critical role of multiple channels in facilitating customer contact management <p><u>Acknowledge</u></p> <ul style="list-style-type: none"> ➤ Lack of sufficient understanding of customer needs and requirements ➤ Need to distinguish between outbound and inbound customer contact <p><u>Starting</u></p> <ul style="list-style-type: none"> ➤ To apply channel based customer segmentation – in terms of channel usage, and customer contact ability through a channel 	<p><u>Highlight</u></p> <ul style="list-style-type: none"> ➤ Increasing push of self service / automated channels due to channel migration ➤ The negative implications for customer contact management and customer experience <ul style="list-style-type: none"> ➤ Lack of social bonds, limited or no information and process coordination, failure in matching technology to user requirements ➤ De-linkage between customer knowledge, customer relationship and customer behaviour 	<ul style="list-style-type: none"> ➤ Getting a balance between automated and mediated channels, their assigned roles for customer contact management <p>Ensuring mobility of not just customer account data but also interaction data across channels to deliver seamless customer service in order to mitigate the negative implications of migrating customer interaction to automated channels</p>

Table 7.7 (Contd.): Comparison of the two perspectives and the resulting implications for multiple channel integration

<i>Key themes</i>	<i>Comparing the two perspectives</i>		<i>Emergent implications for multiple channel integration strategy and implementation</i>
	<i>Bank retail group</i>	<i>Technology partners</i>	
3. Multi-channel integration	<ul style="list-style-type: none"> ➤ Research evidence indicates that the channel integration strategic initiatives appear unidirectional - focussing on bank initiated contact as manifest in the workflows, business operating model 	<ul style="list-style-type: none"> ➤ Reflected in the consistent service offered by a bank across all channels 	
3.1 Conceptualising multiple channel integration	<ul style="list-style-type: none"> ➤ Integration of outbound marketing communication ➤ Integration of customer contact across retail network and channels 	<ul style="list-style-type: none"> ➤ Identify two facets of MCI <ul style="list-style-type: none"> ➤ Vertical and horizontal integration ➤ Back-office and front-office integration 	<ul style="list-style-type: none"> ➤ Need to address the different facets of multiple channel integration in order to fulfil the objective of 'end to end customer management'
3.2 Implementing multiple channel integration			
3.2.1 Strategic and tactical issues for consideration	<ul style="list-style-type: none"> ➤ Identify the need for changes in operations, processes, sub-processes, workflows, organisation structure 	<ul style="list-style-type: none"> ➤ Ensuring consistency in information across data warehouse, marketing, credit risk environment ➤ Addressing Basel II implications ➤ Recognising the facets of integration ➤ Empowering bank customer service staff through access to information 	<ul style="list-style-type: none"> ➤ To be cognizant of issues within and across the organisation as well as external policy issues while planning for integration
3.2.2 Barriers to implementation	-----	<ul style="list-style-type: none"> ➤ Magnitude of the initiative ➤ Technical hurdles ➤ NOT "technology to build" BUT "technology architecture to deliver the solution" ➤ Priorities, perceived value and costs 	

Source: Author

7.4 Research findings: Conclusion and contribution

Taken together, the exploratory findings from the pilot study conducted with the Bank X retail strategy and marketing group and the findings from the technology partner firms' presents a few interesting insights as was detailed in the preceding section. Both perspectives helped not only uncover multiple facets of a theme but also understand the implications for multiple channel integration strategy and implementation. This final section in the chapter concludes with the key themes emerging overall from both the perspectives that not only provide research evidence for issues discussed conceptually in the literature but also contribute to the literature and thereby enhance our understanding of the research phenomenon.

First, extant literature suggests multi-channel integration as a strategic initiative, (Payne and Frow, 2004; Friedman and Furey, 1999), but this has been mainly prescriptive with little empirical support. In this research study, supporting evidence is found whereby multi-channel integration is conceptualised as a strategic need/business imperative among both stakeholders – bank, technology partners. Research evidence extends our understanding by uncovering differences in the conceptualisation of channel usage, integration and how it impacts the perception of the strategic initiative, and thereby adds to the small but growing body of literature on channel integration, namely, Banerjee and Hart (2005a), Payne and Frow (2005, 2004), Friedman and Furey (1999), Moriarty and Moran (1990).

Second, in line with the views in extant literature, research provides evidence on the provision of multiple channels for customer interaction. As in the case of bank X, a spectrum of channels offering specific activities and services for customer interface were identified. The technology partner firms too mentioned the use of a spectrum of channels for banking activity. The research evidence, however, extends our understanding of multiple channel provision and usage by isolating the outcomes with negative implications for firm-customer relationships when there is a mismatch between channels, tasks and customer needs.

Third, the research findings provide empirical evidence supporting the discussions in the extant literature regarding factors for consideration that can enable successful multiple channel integration such as ensuring access to customer information across channels and organisation structures. The research uncovers

additional factors such as the need for addressing Basel II policy implications and ensuring consistency in information across the data warehouse, marketing department and credit risk environment. By doing so, the research findings enhance our understanding of the factors to be considered for integration implementation by identifying the policy implications and highlighting the need for multi-disciplinary research encompassing marketing, finance and information technology. In doing so, the research identifies context/industry specific macro-environmental factors that can impact on the CRM process and therefore need to be taken into consideration while planning a strategic initiative.

Fourth, extant literature has discussed the barriers to CRM implementation (cf. Raman and Pasupati, 2004; Hart, Hogg & Banerjee, 2002) but none specific to multiple channel integration. The research evidence from the technology partner firms' identifies barriers to multiple channel integration implementation. This empirical evidence contributes to our knowledge of the same by: 1) isolating technology architecture issue as barriers to implementation as opposed to absence of technology solutions and by 2) identifying non-technology issues that act as barriers to implementation such as magnitude of the initiative and priorities, perceived value and costs. Table 7.8 summarises the key points of the literature and presents the research evidence and contribution to knowledge as discussed above.

Table 7.8: Strategy and implementation: Contribution of research findings

<i>Extant literature mentions...</i>	<i>Research provides evidence...</i>	<i>Research contributes to knowledge...</i>
Multi-channel integration as a strategic initiative (Payne & Frow, 2004, Friedman & Furey, 1999) ...but this has been mainly prescriptive	➤ Multi-channel integration is conceptualised as a strategic need/business imperative among both stakeholders – bank, technology partners	➤ By uncovering Differences in the conceptualisation of channel usage, integration and how it impacts the perception of the strategic initiative
Multiple channel integration as choosing an appropriate combination of channels, creating a unified view of the customer experience, when customers interact with more than one channel (Knox et. al.,	➤ Provision of multiple channels for customer interaction	➤ By isolating the outcomes with negative implications for firm-customer relationships when there is a mismatch between channels, tasks and customer needs

2003:27)		
<p>Factors for consideration that can enable successful multiple channel integration implementation (Payne & Frow, 2004; Knox et al., 2003)</p>	<ul style="list-style-type: none"> ➤ Supporting the factors discussed in the literature, and ➤ Uncovering additional factors such as <ul style="list-style-type: none"> ➤ Addressing Basel II policy implications ➤ Ensuring consistency in information across the data warehouse, marketing department and credit risk environment 	<p>By identifying</p> <ul style="list-style-type: none"> ➤ The implications of policy issues such as Basel II on multiple channel integration strategy and implementation <p>By highlighting</p> <ul style="list-style-type: none"> ➤ The need for multi-disciplinary research encompassing marketing, finance and information technology
<p>Barriers to CRM implementation –</p> <ol style="list-style-type: none"> 1. lack of : information sharing across departments, end-user input to planning, flexibility in software, end-user skills (Pashupati & Raman, 2004) 2. organisation change, understanding CRM objectives (Hart, Hogg & Banerjee, 2002) 	<ul style="list-style-type: none"> ➤ Barriers to multiple channel integration implementation 	<p>By isolating</p> <ul style="list-style-type: none"> ➤ Technology architecture issue as barriers to implementation as opposed to absence of technology solutions <p>By identifying</p> <ul style="list-style-type: none"> ➤ Non-technology issues that act as barriers to implementation

Source: Author

The following chapter presents the research findings on customer experience of multiple channels.

CHAPTER 8: ANALYSIS AND FINDINGS – II

CUSTOMER EXPERIENCE

8.0 Introduction

Chapter eight presents the findings on customer experience of multiple channel usage as derived from the data collected from the Bank X customers. In doing so, this chapter focuses on *Research Objective # 2* (see section 1.2, chapter 1):

- *To study customers' experience of multi-channel usage in order to understand*
- *The implications for multi-channel integration strategy and implementation*

This chapter is in six sections. *First*, a brief overview of the respondent profile is presented. *Second*, the facets of customer contact are delineated. *Third*, the findings for multiple channel usage for bank initiated customer contact and their implications are presented. *Fourth*, the empirical findings for customer initiated contact and use of multiple channels are discussed. *Fifth*, the implications for bank customer relationships are discussed. The chapter concludes with a discussion of the findings in light of the research objective.

8.1 Respondent profile

Chapter 5, section 5.5.3.2 presented the details of sample selection and recruitment. With reference to table 5.10 in chapter 5, a total of 31 respondents across the four life stages were interviewed. Based on the data collected through the recruitment screening questionnaire and depth interviews, Appendix 8A, 8B and 8C provide an overview of the respondent profile in terms of age, gender, annual salary band, education, occupation, banks used for banking activities, duration of banking, banking products held and channels used. Heterogeneity in the sample in terms of banks banked with, products held and channels used is evident in the sample breakdown, presented in Appendix 8A, 8B and 8C. What is noteworthy is the long-term association with Bank X that emerges consistently in the data.

8.2 Facets of customer contact

Analysis of the empirical findings provides evidence of both *outbound* and *inbound* customer contact using multiple channels. Carrying forward the conceptualisation of customer contact evident in the pilot phase of the study presented in chapter 7, *outbound customer contact* refers to the *bank initiated customer contact* for either communication pertaining to everyday customer account management such as mailing of monthly statements, mortgage statements, promotional material in the form of direct mail as well as contacting customers to schedule customer service reviews. On the other hand, *inbound customer contact* refers to the *customer initiated communication with the bank* for products and services. Empirical findings for both facets of customer contact are presented here.

8.3 Bank initiated contact and multiple channel usage

Research findings provide evidence of the following forms of bank initiated customer contact:

- Communication through the use of *direct mail* to promote banking products and services, mail promotional material to customers seeking cross-selling and up-selling opportunities
- *Branch staff* such as tellers promoting products and services such as the Internet banking facility, mortgage rates of interests, credit cards
- *Call centre staff* phoning customers with products and services promotional deals or inviting customers for customer service reviews

Given the focus of this research study on the four channels of branch, ATM, phone and Internet, the research study captures customers' experience of the bank initiated customer contact though the use of multiple channels such as branch and call centre staff as opposed to the use of direct mail in line with the conceptualisation of multiple channels adopted for this study, as detailed in chapter 2 and 3. Customer experience of the bank initiated customer contact is characterised by the following salient themes on service gaps emerging consistently from the data.

8.3.1 Service gaps

Two key areas of services gaps become evident from the findings: *a)* Increased selling orientation of the bank, *b)* Offering products/services without understanding customer needs. Both types of service gaps are discussed here.

➤ *Increased selling orientation of the bank*

Customers themselves labelled the use of branch and call centre staff by the bank to promote products and services and the nature of customer service reviews as '*increased selling orientation of the bank*'. The interview excerpts presented in table 8.1 illustrate the point. For customers each of these channels signified a particular purpose that was service specific and when they encountered a sales activity through that channel, they felt this denoted a sales orientation of the bank as demonstrated in the consistent usage of the words 'sell', 'selling' in the interview excerpts. Table 8.1 presents the interview excerpt source, the context of the experience – whether a teller interaction at the branch or encounter with bank staff during the customer service review, the interview excerpt, and any implications becoming evident during the interview. Customers felt that each channel was meant to serve a specific role. When the teller attempted a cross-selling or up-selling activity without actually seeking the customer's approval or complete knowledge of the customer's financial picture such as offering a credit card or mortgage when the customer actually possesses both, this was not received positively by the customers. Such a selling effort created a negative disposition towards the bank and in certain cases lead to the *avoidance of that channel* - the branch in this case and/or mode of customer contact – the customer service review. In a couple of instances, the customers voiced their desire to be the ones initiating contact with the bank depending on their needs rather than the banks contacting the customers about new products and services.

Table 8.1: Increased selling orientation of the bank - Interview excerpts

Source	Context	Illustrative interview excerpt	Implication
DI#6 Female-20s	Teller interaction at the branch	<i>I am getting annoyed when they try to sell products to me, which has happened to me a couple of times when I was queuing at the branch, I was in a hurry and I told her [teller] that I couldn't really invest this time in listening to her, you know, it would have been better if they emailed me or sent me something in the mail to go through the material more carefully but I don't like these on spot sales. When you tell the teller that you cannot really sit and listen, it is like they are not listening to you. And they can be a bit pushy because I know this is the sales system.</i>	Not pleased with the situation "I don't like these on spot sales"
DI#17, Male-30s	Teller interaction at the branch	<i>"Because every time you go there – say you are trying to put a cheque in and they try and sell you a mortgage every time (emphatic) who is your mortgage with? You can come in and you know I just detest it". You can tell that banks make them do it. I think it is part of their job now that they have to try and force sell these things. It really turns me off. I just can't stand people trying to sell me things when I have not asked people. I would always try and go for somewhere that didn't try and force sell you things. You just want to put the cheque in and go home".</i>	Avoid going to the branch and for customer service reviews
DI#11, Female-30s	Customer service review	<i>"They invite you to these meetings just to sell you things. I'd rather be the one going to them for speaking about my money rather than they call me when they only want to sell me some insurance or some thing else".</i>	Wants to initiate contact herself as per her needs "I'd rather be the one going to them for speaking about my money..."
DI#14, Male-30s	Customer service review	<i>"There are ways and means of doing it and there is a way to gently give someone advice and not sell to someone and I feel perhaps in a couple of instances and this is not every member of the staff, two three members of staff trying to sell you something, not advice you and I think they will get greater results in my experience, much better results trying to advice someone and let them make the choice. But I felt as if they were trying to push me".</i>	None mentioned by respondent

Table 8.1 (Contd.): Increased selling orientation of the bank - Interview excerpts

Source	Context	Illustrative interview excerpt	Implication
DI#30, Male-40s	Teller interaction at the branch	<i>When you go to the bank, you go for a certain reason – you put money in, you take money out, or to pay a bill. You don't want them to sell you something, it was the same with telephone banking, that moved on from the service to selling. You go to a teller and that is the reason I don't like going in, you go to take money out and then do you want a credit card, do you have a credit card, I can give you a great rate for 9 months interest free credit. How do they know that I use interest-free credit or pay my bills in full at the end of the month? I am more interested in the perks of the credit card rather than interest free credit. So stuff like that. It is just a selling game now".</i>	Avoids going to the branch
DI#15, Female-40s	Customer service review	<i>If you are having problems and you want help or when you are in with your customer adviser and they say we will contact in 6 months and see if you have improved any and you agree then that is different but I don't agree personally to keep going for these interviews. I think sometimes we just tend to think somebody is trying to sell us something rather than genuinely look after us. I don't think I need any other products".</i>	Avoids the customer service reviews and wants to initiate contact herself <i>"I must admit I absolutely hate going for is the interviews. I just like to contact when I need to"</i>
DI#20 Female-40s	Customer service review	<i>I tend to feel that when you go for these reviews that you end up coming out with something that you didn't particularly want. You tend to go in and they say 'oh your overdraft is quite large, let us get you a loan to pay that off'. You sometimes feel that you get pressured into things when you go and sit face-to-face. I suppose it is the way to be able to service the customer to try and get the problems sorted out. It is good to offer that but it is hard to remember that it can sometimes get to people. They need to think of other ways of doing that, what people would prefer to do".</i>	Not keen on the customer service review, tries to avoid them

Source: Author

➤ **Offering products/services without understanding customer needs**

Often the offer of a product/service by the branch teller or call centre staff was inappropriate in a sense that the offer was made without an understanding of the customer needs. These attempts at cross-selling or up-selling by particular channels such as branch or phone/call centre turned out to be inappropriate in the following ways:

- Product/service offered not meaningful or of value to a customer or a particular customer segment
- Product/service offering insensitive to the customer life stage and the emotional impact of the same, such as offering death insurance to the 50+ age group and inappropriateness of the channel used such as phone call or direct mail
- Channel attempting cross-selling or up-selling without complete information on the product/service
- Bank staff attempting cross-selling and up-selling without determining customer needs

Table 8.2 provides excerpts from interviews to illustrate the points.

Table 8.2: Product/service offerings and customer needs - Interview excerpts

Source	Illustrative interview excerpt	Implication
DI#1 Female-30s	<i>"You do get calls when there are some new products they want you to buy for example some sort of a protection plan, that's when you get calls. And you know that the call is from the call centre because at that time if you question them with some query that you have they are not able to provide you with any information. They say bluntly that sorry we are just dealing with this promotion and later there are no follow up calls".</i>	Channel attempting cross-selling or up-selling without complete information on the product/service
DI#11 Female – 30s	<i>"Actually it is ironic that as a student they don't give you enough and now that I don't need it, they are offering me extended overdrafts. When you need it they don't necessarily give you anything. I don't need it now. I don't need a £1000 overdraft".</i>	Offer not of value to the customer or customer segment
DI# 17 Male-30s	<i>"Its like do you want a credit card? Or take our mortgage challenge, without even asking whether I already have a mortgage. I don't need more of the</i>	Offering without knowing/enquiring about customer needs

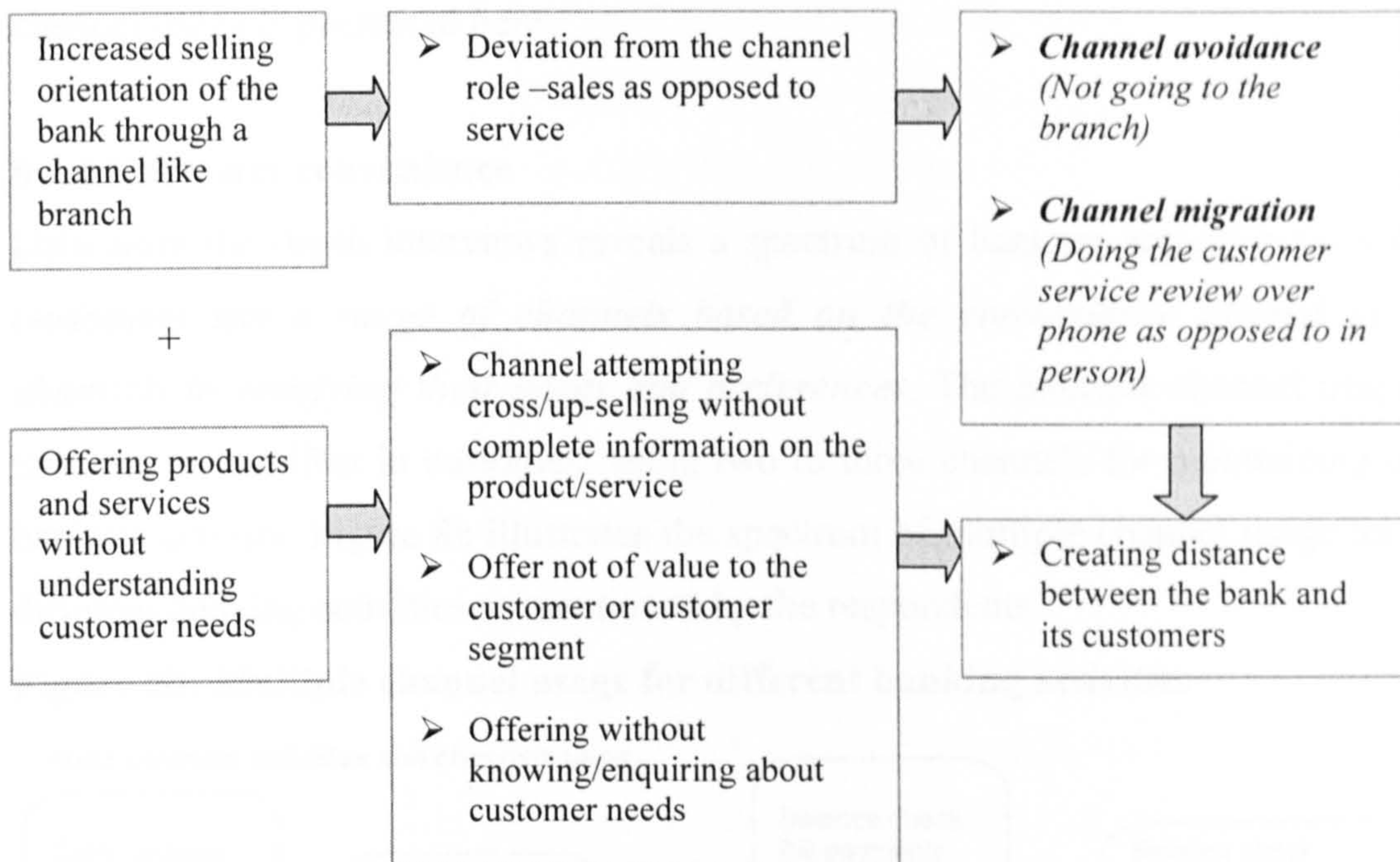
	<i>same</i> "	
DI#25 Female-50+	<i>"They are always trying to sell something like insurance. Death insurance because we are getting to the age where we are going to die"</i>	Insensitive to the customer life stage and the inappropriateness of the channel used

Source: Author

8.3.2 Implications for multiple channel usage and customer relationships

The service gaps evident in the bank initiated contact and discussed above appear to have implications not just for the channel usage but also the bank-customer relations. Drawing upon the preceding discussion, figure 8a illustrates the implications.

Figure 8a: Service gaps in bank initiated contact and their implications



Source: Author

According to the respondents the increased selling orientation of the bank leads to a deviation from the channel role of servicing customers and moves to focus on selling new products and services to the customers through the branch tellers. Research evidence indicates channel avoidance and incidents of channel migration as a consequence of the same. Similarly, the use of channels such as the branch and phone for offering products and services without understanding customer needs created several service gaps as discussed in the preceding section and illustrated in figure 8a. As suggested by research evidence, such branch initiated contact initiatives

end up creating a distance between the bank and the customer in the sense that either customers avoid a particular channel or look for an alternative channel or form an unfavourable impression of the bank, as manifest in the interview excerpts.

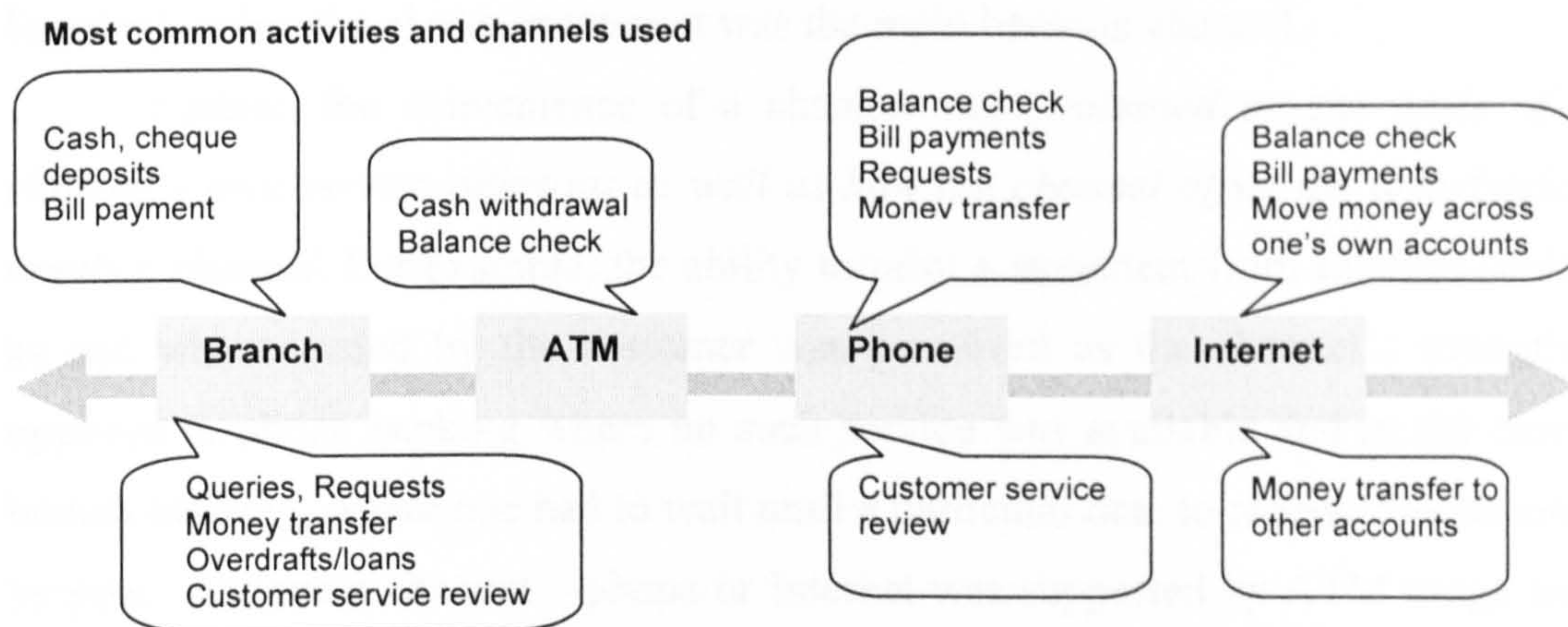
8.4 Customer initiated contact and facets of multiple channel usage

Research evidence indicates two facets of multiple channel usage within customer initiated contact. Based on the data analysis of the type of activities driving multiple channel usage and the nature of customer experiences (positive and negative), these two facets of multiple channel usage have been labelled as ‘customer convenience’ and ‘customer compulsion’. The analysis and findings for each facet of multiple channel usage is presented here.

8.4.1 Customer convenience

Data from the depth interviews reveals a spectrum of banking activities for which *customers use a range of channels based on the convenience offered by the channels in satisfying their needs and preferences*. The multiple channel usage in this case is manifest in customers using two to three channels for maintaining their banking activity. Figure 8b illustrates the spectrum of multiple channel usage for the different banking activities as mentioned by the respondents.

Figure 8b: Multiple channel usage for different banking activities



Less common activities and channels used

Source: Author

8.4.1.1 Multiple channel usage by matching needs with channel offerings

Analysis revealed that in each case a customer had a *main channel* from either of bank branch, phone banking or Internet banking. The choice of the main channel was driven by factors such as *location* (branch), *access* (Internet facility, branch banking hours), the *(non) availability of an activity* through a particular channel. In addition, preference of one channel over another was underpinned by factors such as *security* (Internet), *ease of usage* (registration procedure for phone banking) or a *personal issue* (difficulty with remembering passwords for phone/Internet banking). The main channel was used together with a second *supporting channel* such as ATM for cash withdrawal and possibly a third or even fourth supporting channel from branch/phone/Internet *depending on the match between the service available through the channel, the customers' need and convenience of using that particular channel.*

Further, differences in multiple channel usage were revealed across the four life stages, whereby the customers from the younger age group (20-29) and with annual salary below £20,000 and from the 50+ age group tended to have the bank branch as a main channel with ATM as a supporting channel. When probed, the 20s age group cited "*less money, less need to interact with the bank*" and the 50+ group stated "*lack of any real need to consider alternatives to branch banking*".

In contrast, multiple channel usage as a feature of customer convenience was more evident in the 30s and 40s age groups. For both these age groups (males and females), either the phone or Internet was the main banking channel.

Further, the convenience of a channel was *evaluated on the basis of the channel's own service offerings as well as how the channel offset the drawbacks of another channel.* For example, the ability to print a statement from Internet banking as and when needed by the customer was perceived as the channel's strength as opposed to phone banking where no such service was available and in the case of branch banking, where one had to wait until a particular date to receive the statement by post. The main channel – phone or Internet was supported by ATM usage and a rare visit to the branch for activities such as loan request or ordering and collecting foreign currency as these activities were not available through phone and Internet.

8.4.1.2 Issues for multiple channel integration

Following on the theme of multiple channel usage for customer convenience, a strong sub-theme that emerged from Internet and non-Internet banking users alike, was the suggestion of integrating services between branch and Internet banking to promote Internet banking usage. Appendix 8D presents a profile of the Internet banking non-users and users in the respondent sample and the type of banking activities performed by them through Internet banking. On the basis of their unmet needs and concerns, the users and non-users of Internet as a banking channel express the *integration of services* between the two channels (branch and Internet) for two key areas:

➤ ***Branch assisting in educating customers about Internet banking usage***

With reference to Appendix 8D, the non-users: a) who had registered for Internet banking but did not use, and, b) the ones who were not doing Internet banking but open to the idea, expressed the need for a reference point that would guide them in the use of the Internet for their banking activities. And the branch as a channel was their choice as a reference point because it physically represented the bank with provision of interacting with the branch staff for guidance as opposed to receiving written instructions in the mail and trying to follow them on one's own.

A range of suggestions emerged during the data gathering process regarding educating people about Internet banking and the different aspects. These aspects ranged from basic information on how to apply for Internet banking, ways of using the Internet banking facility for a range of banking activities, to educating people about the malicious software, type of protection customers need to take at their end to avoid compromising their personal financial information to hackers.

Further, there were suggestions of providing support and information at the branches through computer and Internet demonstrations by branch staff on Internet banking, providing kiosks within the bigger branches where people could learn more about Internet banking and how it can be useful for them. In another suggestion, a respondent recommended that the bank could consider putting all the information on a user friendly CD-ROM that customers could either take home or go through at the branch and use as a learning tool.

Among the users, when probed, the users stated that they had migrated to Internet banking on their own initiative and learnt it themselves. Several of the non-users, who were open to the idea of Internet banking wanted more information particularly about the perceived security risks. In fact, the security of information passed over the Internet was by far the biggest concern voiced by the respondents across genders and life stage groups. There was no difference between Internet banking users and non users regarding their concern with the security of information. Differences, if any, were evident in the approach to security by respondents who used Internet banking extensively and were familiar with features such as firewalls, anti-spam software. This group of respondents took the security issue in their stride and tried to be cautious of spam mails soliciting account information. At the same time, they expected the bank to provide a very high level of security for online banking and educate them about security issues.

Following from the security of information, the respondents raised their concern about the protection available to customers in case of information misuse by a third party. Respondents said they were not aware of precautionary measures. During the interview, it was probed, whether they had come across any information on the same in outbound communication received from the bank. The respondents said that either they could not recall getting any information, or they read the fine print and were not clear on it and felt the branch and the branch staff could help them understand these things better. The overarching need articulated by the respondents was to have clear and precise information from the bank regarding procedures to be followed and the extent of help to be provided by the bank in the event of any misuse. Table 8.3 presents interview excerpts illustrating the point.

Table 8.3: Integrating services between branch and Internet banking to promote Internet banking usage – Interview excerpts

Source	Interview Excerpt	Implication
DI#7 Male-20s	“Nobody educated me about that. One day if I go the bank [branch] and the bank [branch] has a section of Internet banking and they say <i>ok if you want me to teach you how, just come over and I will show you, may be once a day or twice day – a morning or evening session.. In the beginning of course you have to educate people to do that otherwise they don’t want to do that”</i> .	Branch assisting in educating customers about Internet banking usage
DI#21 Male-40s	<i>They could at the branch set up the Internet kind of thing so that people could get used to setting up their account there. I wouldn’t have held back if they had said that you visit the branch and set up the account there, probably I would have set it up faster. Some branches could offer you these facilities that you go there, they guide you, train you through the site. So if you don’t have Internet at home, you can instead of waiting in the queue just sit there and do your transactions.</i>	
DI#26 Male-40s	“like a CD-ROM that can explain everything about Internet banking, watch at home or go to the branch and view it”	
DI#3 Female-20s	“If there is a building like the branch – something solid and people you can actually contact then you are assured that you are dealing with someone”.	Be able to seek help at the branch in case of mistakes with Internet banking
DI#12 Male-30s	“With doing transactions through Internet banking, to be able to go to the branch and tell them the date and the transaction and can you check if it is right or wrong”.	
DI#13 Female-30s	“With doing things through the online banking, if things go wrong then I would want to speak to someone for peace of mind that it has been fixed, rather than me attempting to fix it and hoping that it is done. So no if I did something wrong, then I would like to be able to go to the bank [branch] and getting them to fix it”.	

Source: Author

➤ ***Be able to seek help at the branch in case of mistakes with Internet banking***

Besides integrating services between the branch and Internet for educating customers with Internet banking usage and security issues, the second aspect for integration of services mentioned by respondents was the role of the branch in alleviating customer concerns in case of mistakes with Internet banking. The mistakes or errors in conducting banking activities were further categorised in two ways:

1. Customer caused errors and the options available to customers to rectify mistakes made by them. The respondents stated that since they were still learning to do the online transactions, they were apprehensive of making mistakes and resolving them. Again, there was an expectation from the bank to help them in a likely event of the same, for instance money getting credited to a wrong account during online money transfer.

2. Technology malfunction and its fallouts whereby several respondents said that they were apprehensive of doing more than just checking account balance through Internet banking because of the fear of a technology malfunction and its unknown consequences. Specifically, they mentioned that if the onus of error was not on the customer, then there was no tangible proof to support their claim should anything go wrong. Additionally, the respondents were not comfortable with the option of communicating with a channel such as phone and call centre where the customer has no record of the communication and for a follow up has to speak with different call centre service staff and is needed to repeat the query or request or complaint.

In both situations, again the need for integrating services between the two channels - branch and the Internet was voiced because the branch offered the physical form of the bank where the customer could go for problem solution in case of such eventualities of errors with Internet banking.

The above discussed research findings reveal an interesting facet of channel integration suggested by the customers, namely, the integration of services across channels, whereby a physical channel such as the branch supports the development of a virtual channel like the Internet and facilitates channel migration.

8.4.2 Customer compulsion

‘Customer convenience’ referred to multiple channel usage for different banking needs depending on the customers’ convenience, needs and preferences. In contrast, the sorting, coding and analysis of the critical incidents revealed a second facet of multiple channel usage, i.e. *multiple channel usage for a single banking activity* (such as, visiting the branch and phoning the call centre to report the theft of bank cards). This second facet of multiple channel usage is labelled as ‘*customer compulsion*’ on the basis of the type of channel related experiences narrated by the respondents.

A total of 29 critical incidents pertaining to Bank X were reported by the respondents which were sorted and classified as per the procedures detailed in chapter 6, section 6.1.1.3. Table 8.4 presents the group and category classification by type of incident outcome.

Table 8.4: Group and category classification by type of incident outcome

	<i>Positive</i>		<i>Negative</i>		<i>Row Total</i>	
	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>	<i>No.</i>	<i>%</i>
<i>Group 1 – Incidents involving a single channel</i>						
1A Customer needs / requests	06	50.00	05	29.41	11	37.93
1B Handling procedures	02	16.66	03	17.64	05	17.24
1C Delays in procedures	01	8.33	03	17.64	04	13.80
1D Errors	01	8.33	02	11.76	03	10.34
Sub total group1	10	83.33	13	76.47	23	79.31
<i>Group 2 – Incidents involving multiple channels</i>						
2A Co-ordination across multiple channels (including partner channels)	02	16.66	04	23.53	06	20.69
Sub total group 2	02	16.66	04	23.53	06	20.69
Column Total	12	41.37	17	58.63	29	100.00

Source: Author

As illustrated in table 8.4, a greater number of incidents involving a single channel were reported (n=23, 79.31%) as compared to incidents involving multiple channels (n=06, 20.69%). Specifically, the manner in which customer needs/requests were dealt within a channel or in case of service failures the measures taken within the channel to rectify the situation led to the incident being recalled as a positive or a negative experience. Further, in majority of the incidents involving a single channel, branch as a channel featured prominently for both service failures and service recoveries. Importantly, the role of branch as a channel in generating positive or

negative experience became prominent despite only 5 (17.24%) respondents reporting branch as the main channel for banking activities. The critical incidents in group 1 (table 8.4) and their experiences are distinguished from the incidents in group 2 not just by the difference in the number of incidents, and single versus multiple channel involvement but also the nature and cause of multiple channel usage.

Though the number of incidents involving multiple channels was small, however, an interesting finding appeared that all the 06 incidents were reported as negative experiences and within them, 02 incidents were initially negative experiences which turned into positive experiences for the respondents due to their own initiative of interacting with the bank through multiple channels to resolve the matter. Further, the type of events central to the incidents and the resulting experience are heterogeneous and demonstrate varying degree of complexity ranging from a straight forward banking activity like ATM cash withdrawal to a more complex situation such as theft of bank cards. However, what sets apart this small number of incidents in group 2 from the others in group 1, is the involvement of multiple channels throughout the entire incident and the emergent implications for multiple channel integration and bank-customer relationships.

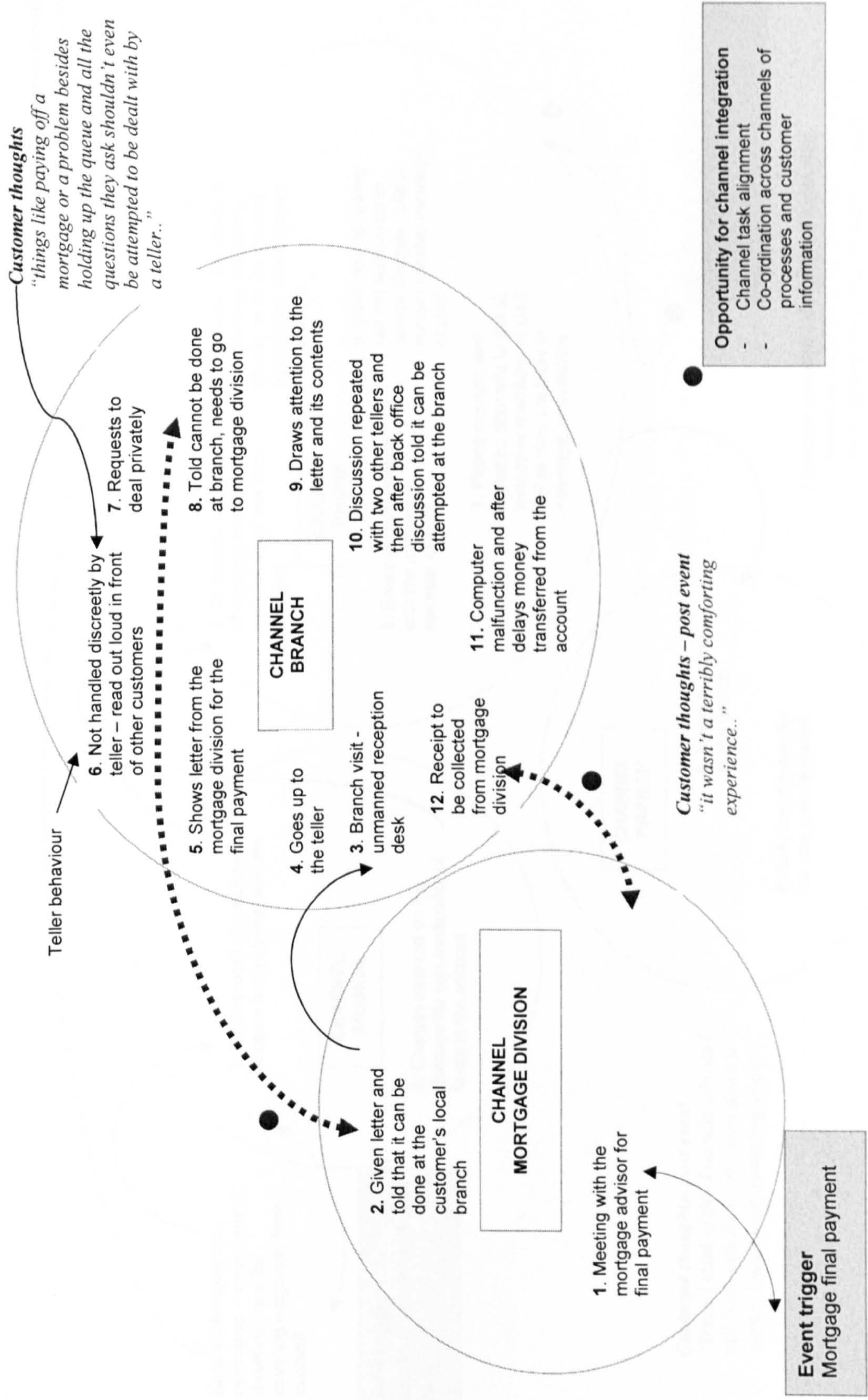
8.4.2.1 Service deficiencies driving multiple channel usage

In line with the research focus, each of these incidents of experiences involving multiple channels were further analysed by mapping each incident individually to trace the customer experience. A template for mapping the customer experience was developed and followed for all the six incidents¹⁴. Figures 8c to 8h illustrate the six customer experience maps next.

¹⁴ *First*, the event trigger was located. *Second*, the number of channels involved in the incident were mapped. *Third*, the sequences of activities occurring within each channel were outlined. *Fourth*, activities that required crossing over from one channel to another were denoted by the use of arrows. *Fifth*, supporting information regarding channel staff interaction or procedural matters was noted on the map where relevant. *Sixth*, any thoughts experienced by the respondents during the course of the experience, which they mentioned during the narration of the critical incident were noted on the map. *Seventh*, the resulting map was analysed by itself and along with the critical incident data to ensure that all issues were mapped correctly. *Eighth*, any evident service gaps or service recoveries across channels were noted on the map. *Ninth*, the opportunities for channel integration emerging from the map analysis were noted on the map.

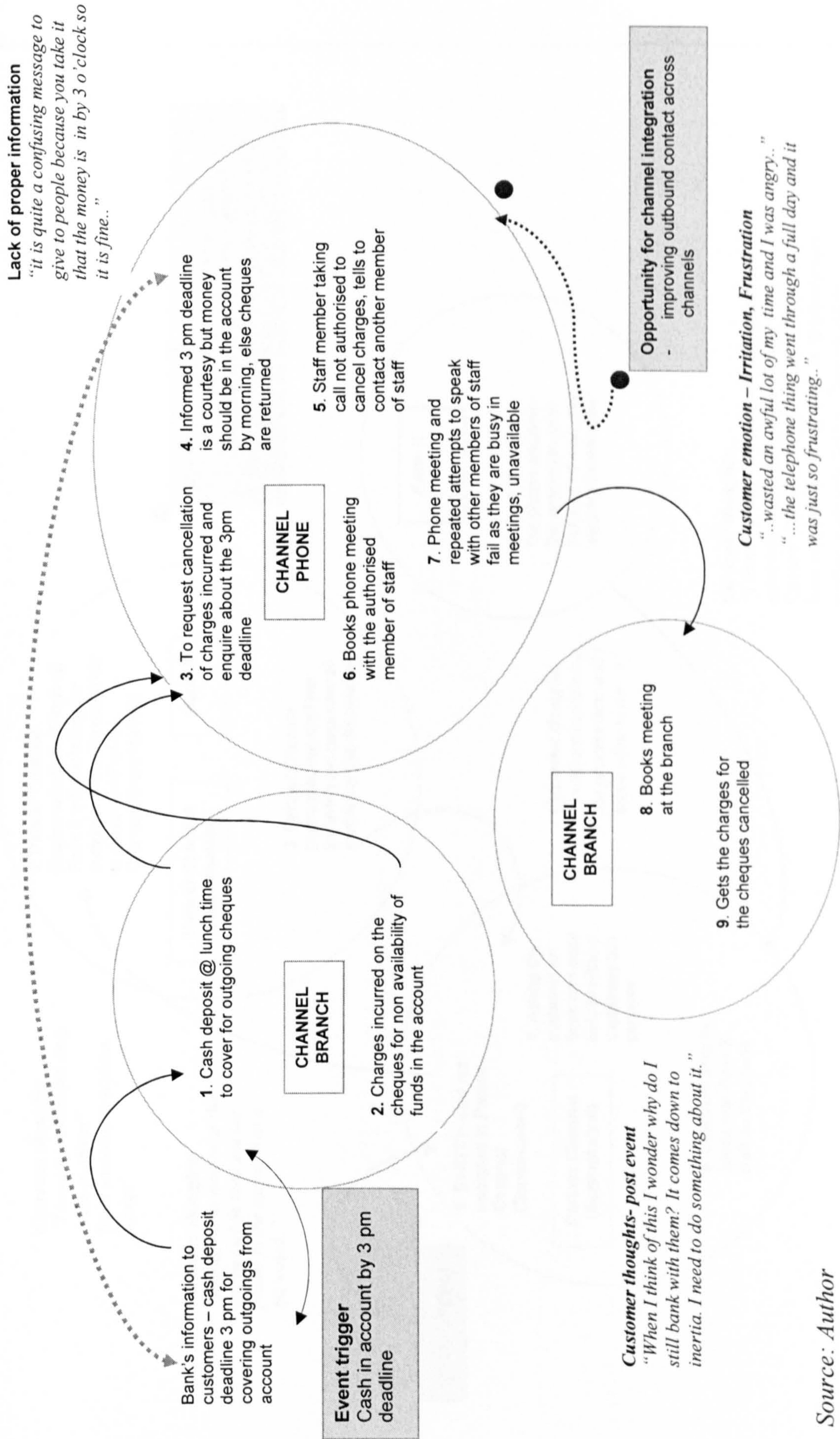
In each of the customer experiences mapped (see figure 8c to 8h), the involvement of more than one channel is evident right from the event trigger to event solution. Analysis of all the customer experience maps reveals a common pattern across the incidents – the lack of appropriate processes pertaining to customer information and co-ordination of activities that *compelled* customers to use multiple channels in each of the incidents to resolve the matter. This phenomenon is in contrast to the multiple channel usage driven by customer convenience, where customers have chosen to use a range of channels for different banking activities. Whereas, in this case, *the service deficiencies encountered by the customers have led them to use another channel to complete a single banking activity and therefore this aspect of multiple channel usage is distinguished and labelled as 'customer compulsion'.*

Figure 8c: Customer experience of multiple channel usage - Map 1



Source: Author

Figure 8d: Customer experience of multiple channel usage - Map 2



Source: Author

Figure 8e: Customer experience of multiple channel usage - Map 3

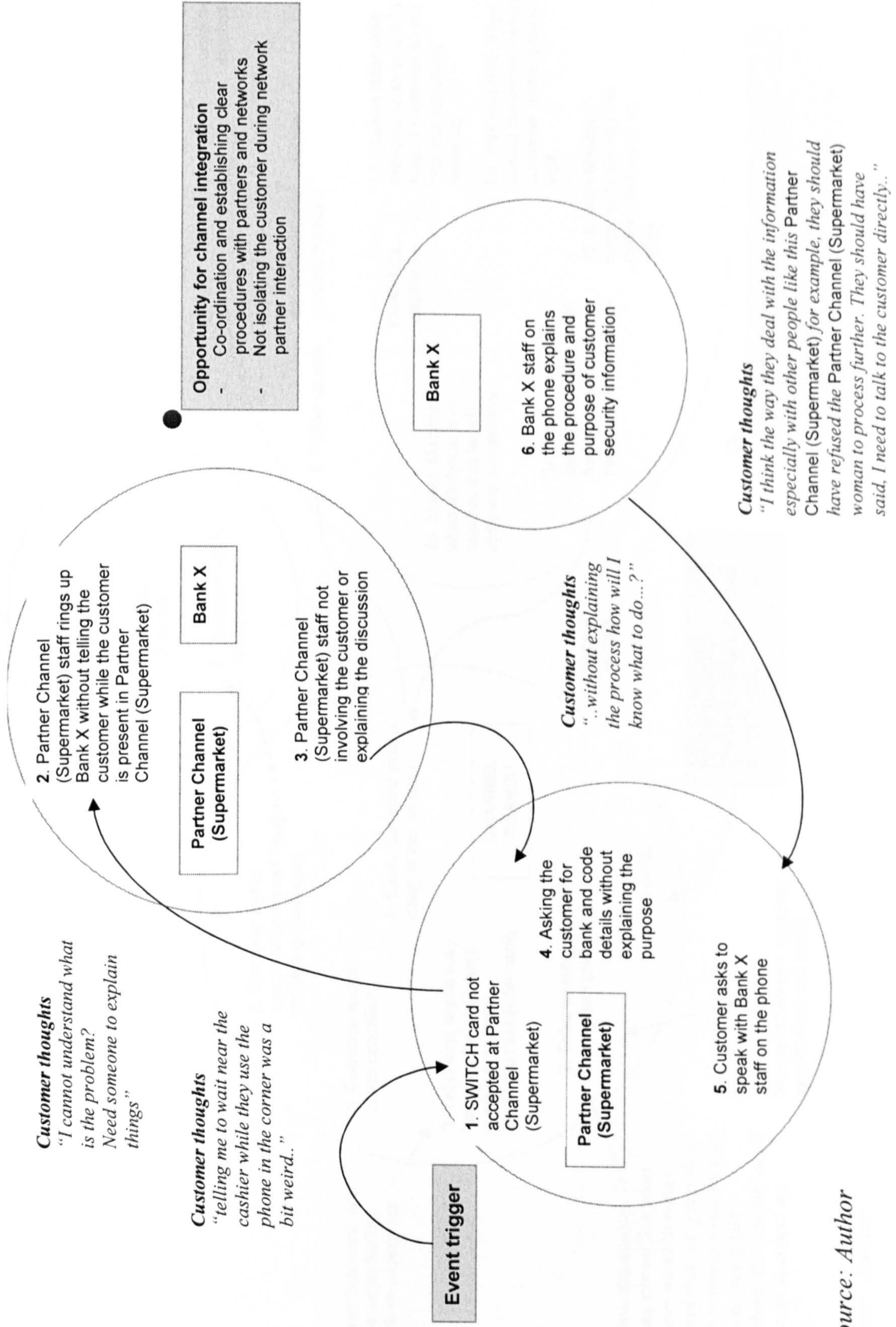
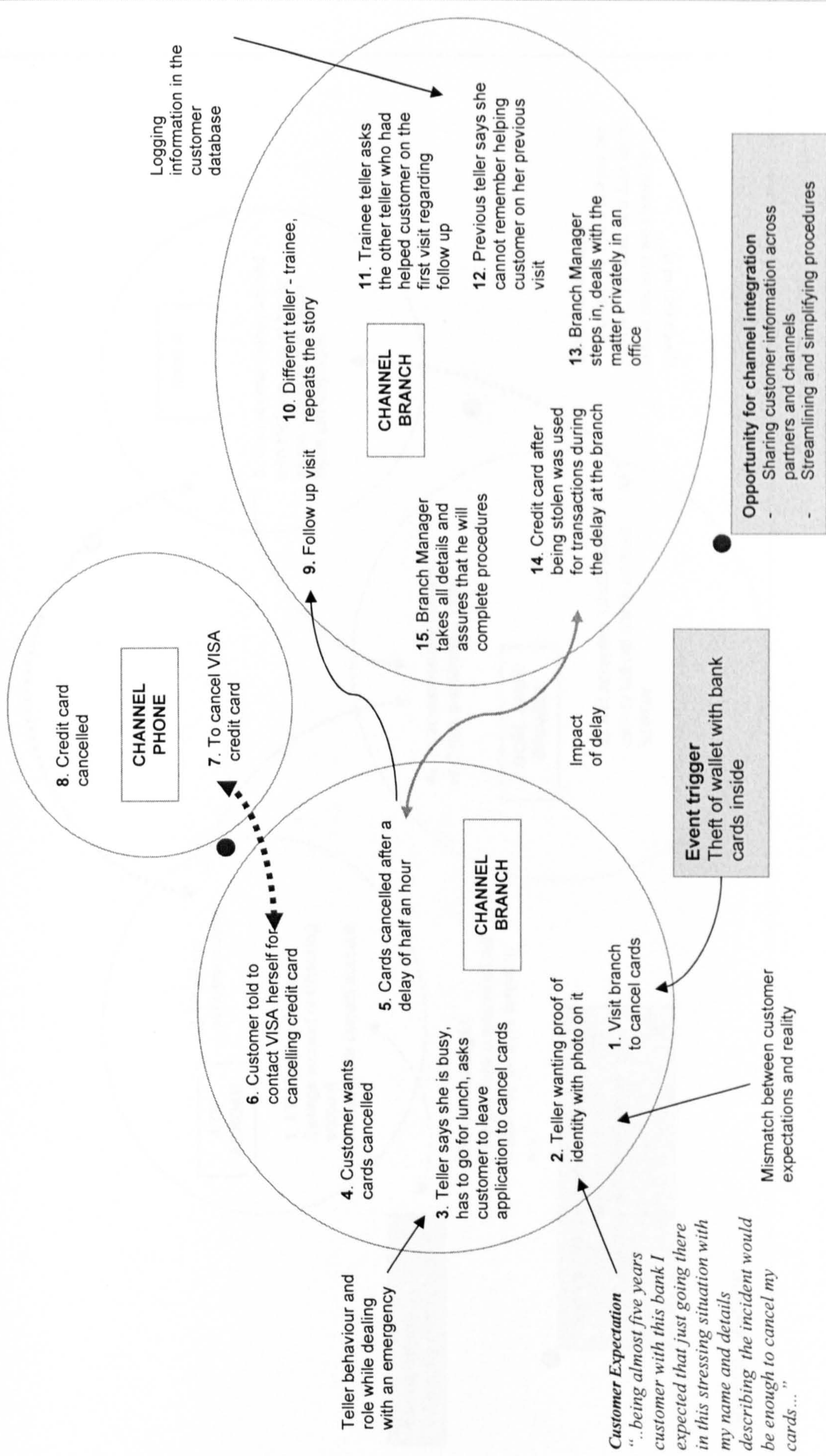
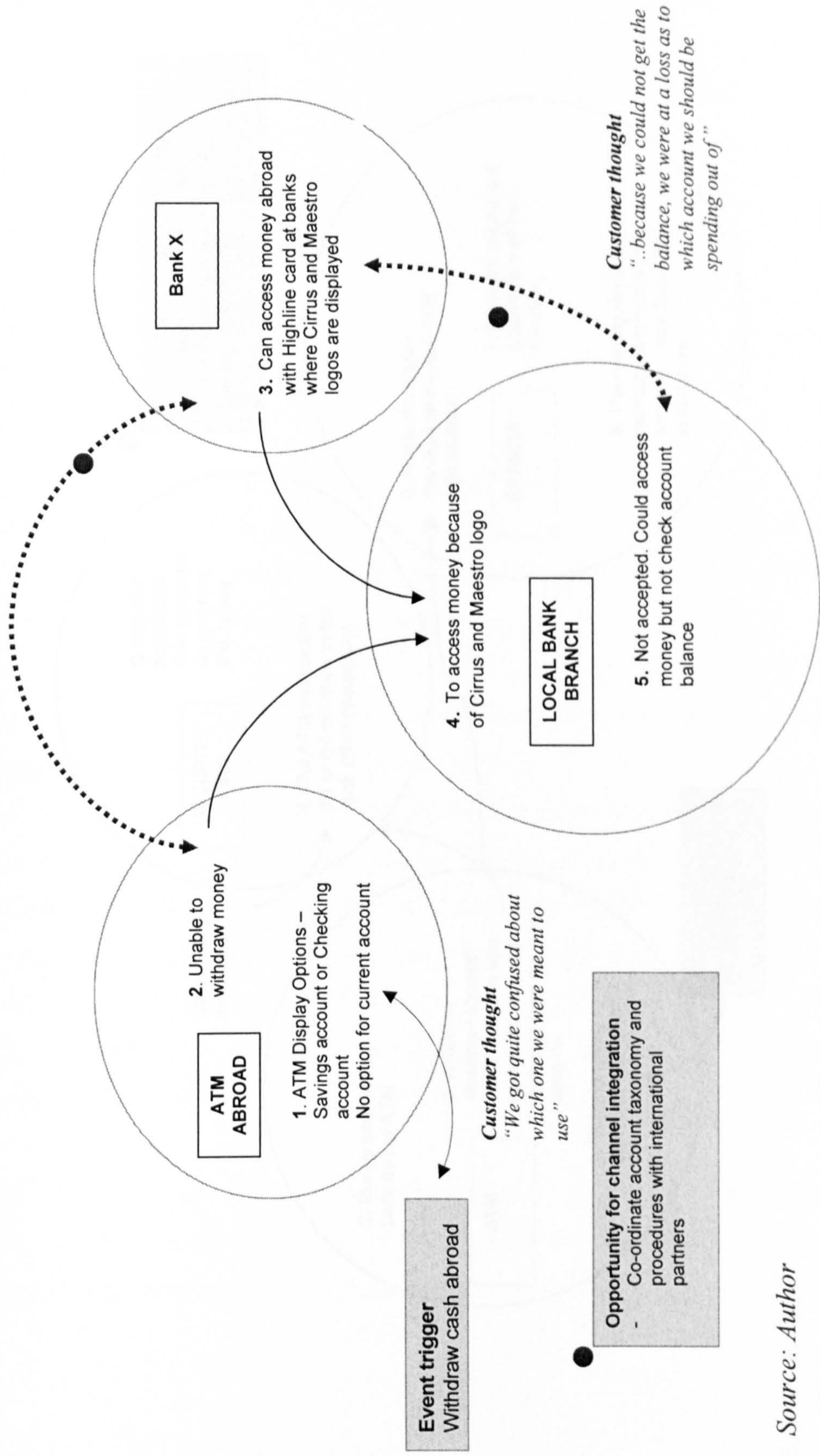


Figure 8f: Customer experience of multiple channel usage - Map 4



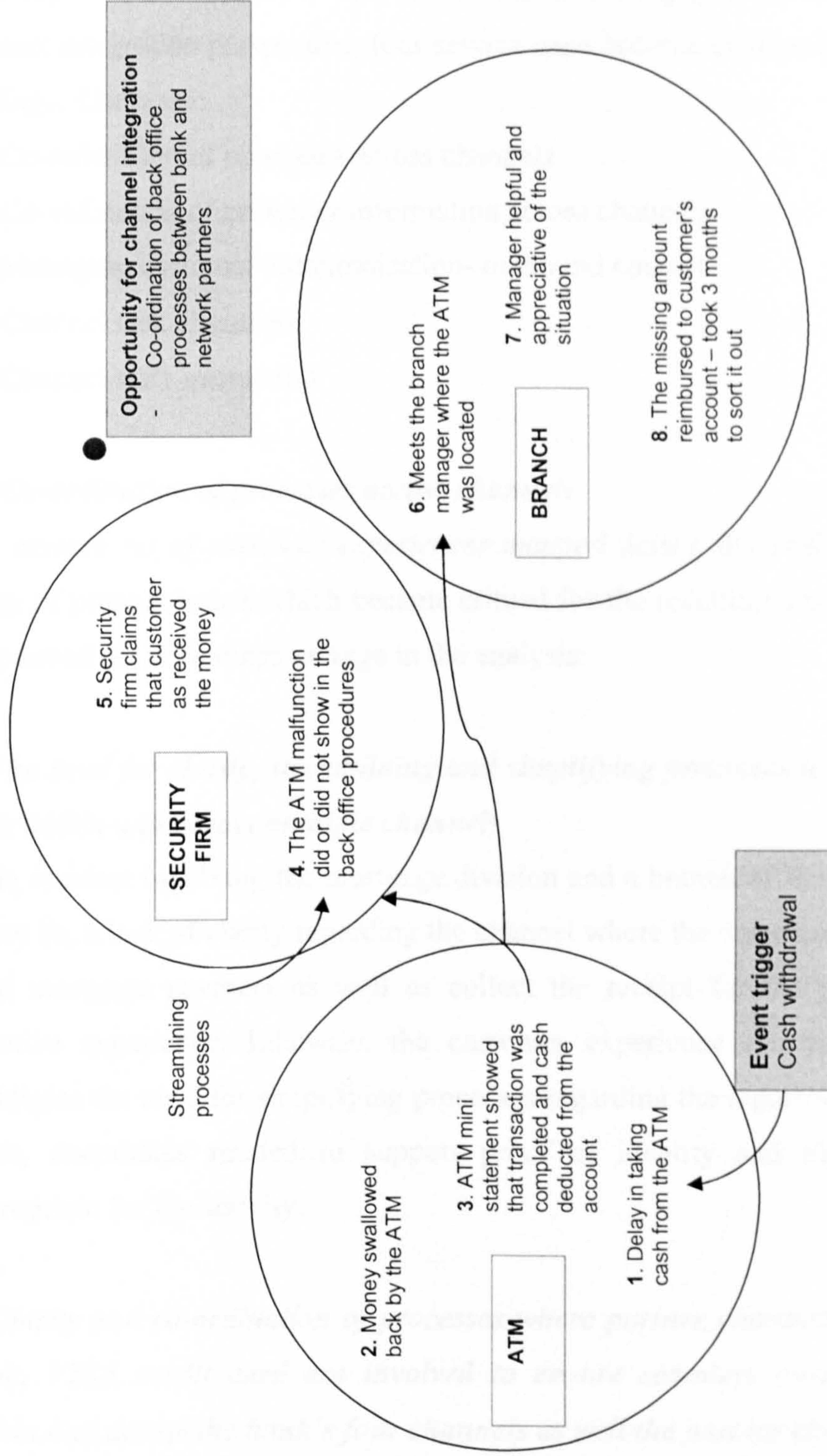
Source: Author

Figure 8g: Customer experience of multiple channel usage - Map 5



Source: Author

Figure 8h: Customer experience of multiple channel usage - Map 6



Source: Author

8.4.2.2 Issues for multiple channel integration

Further analysis of the customer experience maps identified opportunities for multiple channel integration on the basis of cross channel service gaps that lead to negative customer experiences and service recoveries that turned incidents into positive experiences. The analysis of the cross channel service gaps and service recovery issues are consolidated under the following groups. From the multiple channel integration perspective, four service gaps become evident from the empirical findings. These are:

1. Co-ordination of processes across channels
2. Co-ordination of customer information across channels
3. Managing customer communication- outbound contact
4. Channel task alignment
5. Channel staff interaction

➤ *Co-ordination of processes across channels*

The diverse set of customer experiences mapped during the analysis highlight the range of process issues which became critical for the resulting customer experience.

Two broad set of findings emerge in the analysis:

1. The need for clarity, streamlining and simplifying processes to minimise service gaps within and across multiple channels

In an incident involving the mortgage division and a branch of Bank X illustrated in figure 8c, a lack of clarity regarding the channel where the customer should settle the final mortgage payment as well as collect the receipt for the payment led to a negative experience. Likewise, the customer experience illustrated in figure 8f highlights the need for simplifying processes regarding the reporting of theft of bank cards, documents needed to support proof of identity and the channels most appropriate for the activity.

2. Clarity and co-ordination of processes where partner channels such as foreign bank, VISA credit card are involved to ensure seamless customer experience within and across the bank's four channels as well the partner channels.

An interesting finding relates to the emergence of partner channels as one of the settings for the customer experience across channels in four out of the six critical incidents. To elaborate, wherever a critical incident involved interaction with a non-Bank X organisation that is part of a banking network or alliance with Bank X, for the purpose of coding and analysis, it is designated as '*partner channel*'.

In figure 8h, the need for co-ordinating back office processes between Bank X cash machines and the partner firm maintaining the cash machines illustrated a service gap in the face of ATM technology malfunction and the discrepancy between the statement received by the customer, the records maintained by the partner firm and the resulting negative customer experience when the customer did not receive the cash from the ATM but the bank's records showed otherwise and the amount was debited from the customer's account. At an international level, the partnerships between Bank X, CIRRUS and MAESTRO and a service gap was illustrated in figure 8g, when the customers are given to understand that they can access money with the Highline card wherever the CIRRUS and MAESTRO logos are displayed at international ATMs. However, a negative customer experience occurred due to lack of uniform taxonomy for describing money transmission accounts and the customer could not access money in a foreign country.

➤ ***Co-ordination of customer information across channels***

Not only did negative experiences occur due to lack of co-ordination for processes within and across channels, but also due to a lack of co-ordination of customer information across channels.

1. While a customer was given to understand at the mortgage division that the mortgage final payment could be completed at the branch (see figure 8c), the customer related information was not conveyed to the branch. Consequently, two issues contributed to negative customer experience – the lack of co-ordination in processes across channels and lack of customer information co-ordination across channels.

2. In another critical incident, when the customer went to the branch to report the theft of bank cards (figure 8f), the customer was told to contact VISA herself and separately report the theft of the credit card. The branch as a channel did not act as a

single point of contact for collecting the customer information regarding the theft and conveying that information to VISA which is a partner of Bank X for the sale of credit cards and credit card bills are also payable through Bank X.

➤ ***Managing customer communication – outbound contact***

Service gaps related to the management of outbound customer communication across channels provide evidence of negative customer experience. In case of service failures within and across channels, not informing the customer about the developments or isolating the customer from network partner interaction, led to negative emotions for the customer and contributed to the overall negative experience, as illustrated in figure 8d and 8e.

➤ ***Channel task alignment***

Research evidence illuminates the need for aligning tasks to channels that are most suited for carrying out that task, which in turn, can also cut down the need for cross channel activity for the customer or ensure a smooth movement across channels. In figure 8c, the negative experience of the customer resulted from movement across two channels – the mortgage division and the branch due to lack of clear procedures for the said banking activity, lack of co-ordination in customer information as well as ill-defined channel task alignment. While the customer had initial discussions with the mortgage division, then paid the final amount at the branch after some difficulties and was again told at the branch to collect the receipt for the payment from the mortgage division. This movement of customer across channels due to lack of well defined processes and absence of channel task alignment made the banking activity complex and the difficulties encountered made it into a negative experience.

➤ ***Channel staff interaction***

While the service gaps resulting in negative experience were detailed above, service recoveries across channel leading to positive experiences also emerged during analysis and are discussed here. As illustrated in figure 8e, 8f and 8h, a study of the customer experience across channels reveals that the respondents had negative experiences due to service gaps and during the same incident, moved across to

another channel either at their own discretion or as directed by channel staff. Thereafter the ensuing channel staff interaction in the next channel led to service recovery.

The customer experience illustrated in figure 8e indicates that the customer's interaction with Bank X staff over phone staged a service recovery for the customer, wherein she was explained the purpose of the personal card information. On a similar note, in figure 8f, the branch manager's assistance to the customer due to the theft of her banking cards illustrates the service recovery resulting from the channel staff interaction. In the customer experience illustrated in figure 8h, when the customer encountered difficulties with the ATM, the assistance offered by the branch manager helped to resolve the situation. These incidents reveal that the service gaps encountered by the customer in one channel are turned into service recovery by staff of another channel.

8.4.3 Affective dimension

Evidence of the affective dimension or emotional content was found in the course of the interviews as well as in the narration of critical incidents involving single and multiple channels. The affective dimension in the data implied two aspects: On one hand, the emotional content in the data signalled the respondent's personal *channel preference* or bias towards a particular channel which also in turn, coloured the respondent's choice and usage or avoidance of a particular channel. The most striking evidence of the same was found for phone/call centre as a channel whereby a number of respondents expressed a strong dislike for telephone banking.

On the other hand, the emotional content in the critical incident data was in the context of a specific customer *channel experience with implications for bank-customer relationships*. Overall, out of 29 critical incidents, there was no emotional content in the narration of 10 incidents (34%). For the remaining 19 incidents (66%), the narration of both positive and negative experiences contained emotional expressions. As opposed to personal channel preferences which can be subjectivity laden and thereby produce an emotional response, channel experience with implications for bank-customer relationships were analysed further to determine the issues underlying the affective dimension and the nature of implications for bank-

customer relationships. The sorting and classification of emotion content in the narratives followed the procedures detailed in chapter 6 and table 8.5 presents a matrix display of the excerpts from the critical incidents.

Table 8.5: Emotions in customer experience – Excerpts from the critical incidents

Group and category	Example of the incident	Emotion classification level			Object	Outcome/Behavioural intentions
		Super-ordinate	Basic	Sub-ordinate		
Group 1 – Single channel IA: Customer needs/requests	DI #27- VISA card bill repayment “I phoned and spoke to the branch manager about the VISA bill. She was quite helpful...and I based that decision on her advice...I <i>don't particularly feel happy</i> about the banks, the whole lot of them. Well that example turned into a very positive experience, the way they dealt with it. Their whole handling at Bank X, <i>have been very impressed</i> with their customer service..”	Negative turning Positive	Disappointment Pleasant positive surprise	Strong*	Bank	* bank's action of dealing with the situation effectively changed it to a positive experience and the perception of bank's customer service
	DI #27-overdraft “...this is the only time I have been <i>annoyed</i> with Bank X and that is I went over my overdraft and they didn't tell me and I continued to go further into it....I went in and said look if I haven't got any money don't let me take out. That is not fair. And they actually decided to waive the fees, so that was good...”	Negative turning positive	Irritation Pleasant positive surprise	Strong *	Bank	* bank's action of waiving the fees turned the negative experience into a positive one
	DI #7 – international money transfer in the incident involving three banks – Bank X, Barclays and a Thai bank “...I heard that there are two Thai banks, so I asked the first one and they were nice. No requirement, quicker and even cheaper. But of course I had to post them a cheque, nothing to do about that but at least I feel <i>happy</i> ..”	Negative turning positive	Happiness/ Contentment	Weak	Bank	-

Table 8.5 (Contd.): Emotions in customer experience – Excerpts from the critical incidents

Group and category	Example of the incident	Emotion classification level			Object	Outcome/Behavioural intentions
		Emotion	Classification	Level		
	DI #19 – loan (no emotional content in data)	Positive	-	-	-	-
	DI #26 – mortgage advice (no emotional content in data)	Positive	-	-	-	-
	DI #3-change of address (no emotional content in data)	Negative	-	-	-	-
	DI #14 – loan application “..the third loan I have taken out was to refinance a credit card for holidays. I just decided to go to Bank X as I thought it is easy but even now I feel a bit <i>aggrieved</i> . it was a bit like I was being had...”	Negative	Disappointment	Strong	Bank	“..I am actually thinking of changing banks. That is one of the reasons probably behind it, so I am on the verge of leaving them..”
	DI #21 – debit card request “....one thing I am <i>unhappy</i> with the bank is for not issuing me with a debit card...they took a note of it at the branch but I have not heard from them...”	Negative	Disappointment	Strong	Bank	“...that is the cause of my unhappiness and I might shift banks because of this reason”
	DI #29 – loan query “...it <i>irritates</i> me that I had to go to some other bank to borrow money when I had such a long association with Bank X. On the occasions that I have spoken to them over the phone, and needed some £2-3000 they wouldn't even entertain, wouldn't even go and speak with the Supervisor – that kind of <i>annoyed</i> me...”	Negative	Irritation	Weak	Customer service staff Bank	-

Table 8.5 (Contd.): Emotions in customer experience – Excerpts from the critical incidents

<i>Group and category</i>	<i>Example of the incident</i>	<i>Emotion classification level</i>			<i>Object</i>	<i>Outcome/Behavioural intentions</i>
		Negative	Disappointment	Strong		
	<p>DI #23 – interest accrued and taxation “..in general there is something in the air in the procedure. I am <i>not happy</i>. As a student, you get a gross interest rate but you don't pay taxes but for some reason they started charging me nett interest rates which means they were charging me taxes. When I go there to find out and change it, they told me it was my responsibility and I should have filled out an application form at the beginning and I told them no they told me nothing about it...filled the same application form three times but still nothing changed...”</p> <p>....and also the attitude they have in some cases when you go and tell them for example the interest rate you pay in your account is less than what I get at another bank then they come back to you and say you can join the other bank. I know they are a big bank but if they can afford to be like this..?”</p>	Negative	Disappointment	Strong	Branch staff Bank	“So I just carried my money out to Bank Y”

Table 8.5 (Contd.): Emotions in customer experience – Excerpts from the critical incidents

Group and category	Example of the incident	Emotion classification level			Object	Outcome/Behavioural intentions
		Positive	Positive pleasant surprise Happiness	Weak		
1B: Handling procedures	DI #8 – overdraft “I needed some money, they helped me and it was done in 5 minutes over the counter and I was a bit <i>impressed</i> that they were willing to help. Some other bank I might have had to go through all that process” I was <i>happy</i> with them so I haven’t bothered but if I was unhappy I would have certainly searched for another bank”	Positive	Positive pleasant surprise Happiness	Weak	Branch staff Bank	-
	DI #11 – CHAPS payment “..when I was buying my second house, went to the bank and I was doing a CHAPS payment transferring large amounts of money as part of the deposit and they put me through six different people. Nobody knew who to deal with. It was quite a standard thing but they didn’t deal with it very well either. So I was getting a bit <i>angry</i> with that.	Negative	Anger	Weak	Branch staff	-
	DI #12 – direct debit (no emotional content in data)	Negative	-	-	-	-
	DI #15 – charges on overdrawn account (no emotional content in data)	Negative	-	-	-	-

Table 8.5 (Contd.): Emotions in customer experience – Excerpts from the critical incidents

Group and category	Example of the incident	Emotion classification level			Object	Outcome/Behavioural intentions
		Emotion	Classification	Level		
IC: Delays in procedures	DI #9 – international money transfer charges (no emotional content in data)	Positive	-	-	-	-
	DI #11 – account opening “there was another time when I was opening up a savings account they took 6 weeks to do it and I just <i>complained</i> and they sorted that out so that was fine. I mean I am <i>reasonably happy</i> with what they do. I mean I am not a problem customer, pretty straight forward..”	Negative	Disappointment Contentment	Weak	Branch staff	-
ID: Errors	DI #20 – loan application (no emotional content in data)	Negative	-	-	-	-
	DI #5 – VISA application “My application for the VISA card. I think the whole process started sometime in April and finished in August. I was just patient and waiting for this but I can remember and recall myself being quite <i>frustrated</i> sometimes. I was interacting with the branch and actually I found them quite friendly. All the people were <i>very friendly and very helpful</i> to me. Some of the people I knew from my first year are still working there and it is not like everyday face to face contact or they can recall my name but I found them most of the time <i>very friendly and patient</i> especially with the different enquiries that I had..”	Negative turned positive	Irritation/ Disappointment Contentment	Weak	Bank Branch staff	-

Table 8.5 (Contd.): Emotions in customer experience – Excerpts from the critical incidents

Group and category	Example of the incident	Emotion classification level			Object	Outcome/Behavioural intentions
		Emotion	Classification level	Intensity		
	DI #4 – money credited to wrong account (no emotional content in data)	Negative	-	-	-	-
	DI #13 – name change on cards (no emotional content in data)	Negative	-	-	-	-
Group 2 – Multiple channels						
2A: Co-ordination across multiple channels (including partner channels)	DI #4 – mortgage final payment “I wanted to go and pay off the mortgage....(narrates details of incident at Greenock mortgage division and Wishaw branch – customer service staff interaction) ...supervisor spoke to me in a very patronising manner.....it wasn't a terribly comforting experience really”	Negative	Disappointment	Weak	Customer service and branch staff	-
	DI #5 – credit card usage at a Supermarket (no emotional content in data)	Negative	-	-	-	-
	DI #6 – theft of cards “..I recently had my wallet stolen with all cards inside, so I went to the bank to cancel the cards.. Narrates interaction with teller – “the teller wasn't helpful at all, she was strange in fact...she spoke to me very badly.. it was annoying that she wanted to go for lunch when I wanted to cancel the cards”. Narrates interaction with branch manager – “the only thing that kept me at the branch was the branch manager.. he was very nice and sympathetic...and I was happy about the thing solving...”	Negative turning positive	Irritation Happiness/ Contentment	Strong	Branch staff	“Every time I am going to the branch, I am always hoping that I don't interface with her – this lady teller who spoke to me badly..”

Table 8.5 (Contd.): Emotions in customer experience – Excerpts from the critical incidents

Group and category	Example of the incident	Emotion classification level			Object	Outcome/Behavioural intentions
		Negative	Irritation / Disappointment	Weak		
	DI #13 – accessing account abroad “We tried to use our card in Thailand, we could take money out but we couldn’t check our balance which was <i>quite frustrating</i> because we were at a loss as to which account we should be spending out of.. we went to an actual bank and wanted to use our Cirrus and Maestro and they wouldn’t accept...”	Negative	Irritation / Disappointment	Weak	International channel network – Cirrus / Maestro	-
	DI #20 – overdrawn account, cash deposit “..when I phoned them, they said we only offer 3 pm deadline as a courtesy but if the money isn’t in your account, we send the cheques back. ...a person kept coming on the phone and saying oh she is so busy and that wasted an awful lot of my time. I was so <i>angry</i> . It was so <i>frustrating</i> as their message to the customer about 3 pm was so confusing..”	Negative	Irritation / Disappointment	Strong	Branch staff Bank	“When I think of this I wonder why do I still bank with them? It comes down to inertia. I need to do something about it.”
	DI #28 – ATM malfunction I had my wife with me and it was about £100 and I asked her to pick it up and she didn’t understand me what I was saying and trying to involve her, by the third time, it was delayed. However that was <i>satisfactorily resolved</i> after about three months. The manager at Newton Mearns branch was quite <i>understanding and sympathetic</i> about it and gave me the benefit of doubt rather than listen to what the Security Firm was saying.	Negative turning Positive	Contentment	Weak	ATM Other channel partner Branch manager	-

Source: Author

8.4.3.1 Evoked emotions

Based on the emotion words used by the respondents, the expressed emotions were coded under five basic emotion categories: *pleasure*, *contentment*, *positive surprise* (for positive emotions) and *irritation* and *disappointment* (for negative emotions). Four emotion categories were salient: *happiness/contentment* and *positive pleasant surprise* (for positive emotions) and *irritation* and *disappointment* (for negative emotions). No evidence was found in the data for the emotion category of *pleasure*. Some of the incidents which were first negative but later turned into positive experiences exhibit both negative and positive emotions.

8.4.3.2 Object of emotions

In order to examine the linkages between the incident experience, object and associated emotions, each incident was analysed and coded for the object evoking the emotions. In line with the research focus, the objects were distinguished as:

- *Bank* – where the emotional expressions were associated with the bank by the respondent in narrating an incident
- *Channel* – where the emotional responses were associated with a channel such as branch or its employees or any of the other channels while narrating an incident
- *Bank + Channel* – where both bank and channel were mentioned and emotions were expressed for both in a single incident

No differences are apparent for object of emotion for positive experience as opposed to object of emotion for negative experiences. Positive and negative experiences both include all the three objects of emotion.

Where *channel* was the object of emotion, emotions emerging from human interaction and emotions emerging from technical malfunction were evident. The only technology supported channel mentioned in the critical incidents was the ATM and that too only for 2 incidents where the experience pertained to ATM malfunction and a channel activity sought by the respondent which was unavailable abroad. The branch as a channel featured prominently for both positive and negative experiences. Correspondingly, face to face interaction with branch staff induced greater range and valence of positive and negative emotions depending on the customer experience.

Significantly, *bank* as an object of the emotions featured for both positive and negative experiences. Data analysis reveals that though a critical incident was in the context of a specific banking activity, often, customers used that experience to reflect upon either the customer service provided by the bank or their individual interaction with the bank.

8.4.3.3 Emotions and their influence on outcomes / behaviour intentions

Examining the data for the linkage between the type of experience, the intensity of the expressed emotions and the outcome / behavioural intention provided additional insights. The outcome / behavioural intention were prominent for incidents leading to negative experiences than for positive experiences. The respondents expressed their emotions for the negative experiences as *'annoying'*, *'upset'*, *'not happy'*, *'unhappy'*, *'aggrieved'*, *'angry'* and these were grouped under the two basic emotion categories *'irritation'* and *'disappointment'* (for negative emotions). The intensity of the expressed emotions and *'irritation'* or *'disappointment'* with the overall negative experience is reflected in the outcome / behavioural intention stated by the respondents. The outcome / behavioural intention emerging from the negative experiences appear in two aspects:

- ***Service encounter specific:*** Where the respondents are still in a banking relationship with Bank X but have either limited the banking activities undertaken with the bank or avoid interacting with specific branch staff who contributed to the negative experience. The following interview excerpts illustrate the point:

Quotation #1:

"...so I just carried my money out to Bank Z. Now I am using Bank X only for the overdraft and current account and the savings account is with Bank Z..."

[DI#23, Male - 20s]

Quotation #2:

"..every time I am going to the branch, I am always hoping that I don't interface with her – this lady teller who spoke to me badly..."

[DI#5, Female - 20s]

➤ **Overall bank-customer relationship:** Where the negative experience has created the likelihood of the customer switching banks and therefore exiting the bank-customer relationship, as illustrated in the following interview excerpts:

Quotation #1:

"..I am actually thinking of changing banks. That is one of the reasons probably behind it [the experience], so I am on the verge of leaving them..."

[DI#14, Male-30s]

Quotation #2:

"..that [the experience] is the cause of my unhappiness and I might shift banks because of this reason..."

[DI#21, Male - 40s]

Quotation #3:

"When I think of this I wonder why do I still bank with them? It comes down to inertia. I need to do something about it"

[DI#20, Female - 40s]

8.4.4 Section summary: Customer initiated contact

This section has presented the analysis and findings for customer initiated contact using multiple channels. The salient themes of the analysis and findings are summarised in a matrix display presented as table 8.6. Two facets of multiple channel usage in customer initiated contact were identified, labelled as 'customer convenience' and 'customer compulsion'. Further, the drivers of these two facets were determined that distinguish the two facets of multiple channel usage from each other. Drawing upon empirical evidence, *customer convenience* appears to be a *proactive* facet of multiple channel usage driven by customer choice, needs and preferences to perform banking activities. In contrast, *customer compulsion* appears to be a *reactive* facet of multiple channel usage due to service deficiencies encountered in one channel which leads to the use of other channel(s) to complete the banking activity. The two contrasting facets also present different facets of multiple channel integration resulting from the service gaps and service recoveries emergent in the data. Additionally, evidence of affective dimension or emotional content could be detected.

Table 8.6: Customer initiated contact: Summary of main findings

	Customer Convenience	Customer Compulsion
Facets of multiple channel usage	Multiple channel usage for different banking activities (account checking, bill payment)	Multiple channel usage for a single banking activity (report theft of bank cards)
Drivers of multiple channel usage	Depending on the customers' convenience, needs and preferences	Service deficiencies encountered in one channel leads to other channel (s) to complete the banking activity
Issues for channel integration from service gaps and service recoveries	Co-ordination of channel activities and integration of services to facilitate channel migration <ul style="list-style-type: none"> ➤ Branch and internet banking 	<ul style="list-style-type: none"> ➤ Co-ordination of processes ➤ Co-ordination of customer information ➤ Managing customer information – outbound contact ➤ Channel task alignment ➤ Channel staff interaction
Affective dimensions	Emotional expressions in interview data for <i>channel preference</i> and in critical incident narration for <i>channel experience and its implications for bank-customer relationships</i>	

Source: Author

8.5 Implications for bank-customer interactions

The implications for bank-customer interactions become apparent along three key themes: a) service or a relationship, b) channels as interaction builders, c) threats to customer experience and the bank-customer interactions.

8.5.1 Service or a relationship?

Divergent perspectives emerge in the data regarding customers' view of their bank interaction. For some, the banking interaction means a *service* while for some others the bank-customer interaction is akin to a *relationship*. The research evidence seems to indicate that when the interaction is viewed purely from a transaction perspective that is delivered in a professional manner, the bank interaction in that case is conceptualised as a 'service'.

However, this service based interaction appears to move to another level and conceptualised as a 'relationship' when the interaction is personal in nature. Research evidence indicates that if the bank staff-customer interaction is personal in nature, such as, the customer being addressed by name or recognised by a member of staff or a sense of familiarity has been established through interaction between a bank staff and customer over a period of time, then the overall bank-customer interaction is conceptualised by the customer as a relationship. Table 8.7 presents interview excerpts that illustrate divergent perspectives and the underlying rationale behind the same.

Table 8.7: Service or relationship? Illustrative interview excerpts

	<i>Illustrative interview excerpts</i>	<i>Implication</i>
Service	"I would hardly call it a relationship (laughs). It is just a service and I get my statements through every month and when I want my money". [DI#3, Female-20s]	Interaction is conceptualised as a routine banking activity
	"What I have actually got is transactions and I kind of shop around so I am not necessarily loyal to Bank X. You just want to keep it as impersonal level of service and it works when it is supposed to work and that is about it. Nothing more than that really". [DI#11, Female-30s]	Interaction is conceptualised from a transaction perspective
Relationship	" Yes I do think of it as a relationship because I don't have any problems with them contacting me or me contacting them but I do like them to use the channels I know that is in person and phone rather than yes occasionally they have to write	Interaction is conceptualised as a personal dealing

	<p><i>letters but I would much rather give us a call. I can imagine why people don't because they don't have the personal dealing with the bank which I have at my rural branch. It is just the nature of the place and it has nothing to do with them as a brand".</i></p> <p>[DI#27, Male-20s]</p>	
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Source: Author

Interestingly though, there is no indication in the data to signal a temporal dimension and its contribution to relationship strength, i.e. longer the bank-customer interaction, it is conceptualised as a relationship rather than service. Instead, research evidence seems to provide contrary evidence, as manifest in the following illustrative interview excerpts:

"As far as I am concerned what I feel that there was a stronger relation, there was more communication between me and the bank when I started as I did not know many things but as and when things have settled, now it is just me and my account".

[DI#1, Female-30s, bank interaction of more than a year]

"I just feel that you are just a bank account rather than a person. That's why I prefer to do digital banking as I do it myself. I just feel that customer care of earlier days is just gone. They called you by your name, Mrs M. Then in Dunbar, it was smaller branch but still fairly big, then it became first name. Well I just feel it was a different attitude than from now. I don't get the customer care feeling about it.

[DI#4, Female-50+, bank interaction for 41 years]

While the two divergent perspectives on conceptualising bank interaction as a service or relationship emerges in the data, there is, however, no distinctly detectable pattern by gender or life stage or channel usage underlying the divergent perspectives. The conceptualisation appears to stem from personal experience of banking interactions. The following interview excerpts best sum up by the nature of bank interaction and the difference between service and relationship:

"In the past, the face of the bank was the bank manager. The bank manager was a key person to people like me. If I had any financial problems cropping me, then I could approach the bank manager. And I would phone him up and arrange for an appointment. We knew each other. Yes Mr. T, I will see you. And we would talk about whatever problem it was. Now in a city like Glasgow, you don't have a bank manager you can interact with. But at times when I have needed, I have approached customer services and I have been channelled to a face that I could sit

across the desk and talk it over with and come to some satisfactory conclusion. And I found that very satisfactory and happy with the service they have given me".

[DI#28, Male-50+]

"And usually it is not again the issue of selecting your bank, it is an issue of customer service and customer service is a very subjective issue. It varies among individuals. So you cannot really standardise these concepts into boxes. It is good to show that you care about the customer".

[DI#6, Female-20s]

"Technology is good and helps in easing manual processes, need to ensure that quality that comes from personal interaction is not reduced during the service delivery"

[DI#8, Male-30s]

8.5.2 Channels as interaction builders

➤ *Element of 'control'*

The role of branch as a channel and the branch staff in building a relationship in the bank-customer interaction was established consistently through the preceding discussion of empirical findings for customer contact management. While branch as a channel by its nature facilitates personal interaction opportunities, the role of a technology based channel such as the Internet as an interaction builder emerged in a few mentions in the data. Among the users of Internet as a channel for banking activities, it was the main channel of interaction with the bank and not the branch primarily for the convenience offered by the Internet in terms of not being restricted by branch opening timings. The element of *control* emerged as a salient feature of the channel that acted as an interaction builder between the bank and the customers. By no longer being restricted by branch timings, the customers experienced *a sense of control of conducting their banking activities to their convenience*. Additionally, the *sense of control appeared to be manifest in the customers' being able to monitor the banking activity being performed* such as the move of money across accounts by viewing it happen on the computer screen – something that they do not experience or are unsure of when a teller performs the activity at the branch or a call centre agent does it over the phone. The following interview excerpts illustrate the point:

“Internet banking, I think is a really good service. I really enjoy that because I feel much more in control where things are going and it is in your time as well”.

[DI#11, Female-30s]

Earlier as I said I would use the telephone and do through that. But now I feel more in control because I am doing it myself then. I am transferring money, you see it is being transferred and confirmed that you want it transferred. Then you can go and look into the account that it has been. So I find that very good.

[DI#4, Female-50+]

➤ *Ways to improve the multiple channel experience*

Besides the element of ‘control’ perceived in Internet banking, a number of channel related suggestions from the customers that are specific to the technology based channels; indicate the ways in which customers are looking to use channels to improve the multiple channel experience and thereby use the channels as interaction builders.

As mentioned in section 8.4.1.1., one facet of multiple channel usage, labelled as *customer convenience* pertains to multiple channel usage by matching customer needs to channel offerings. Additionally the convenience of a channel was *evaluated on the basis of the channel’s own service offerings as well as how the channel offset the drawbacks of another channel*. In line with this manifestation of multiple channel usage, the customer suggestions can be grouped not just by the channels but also along three broad themes of ‘convenience’:

- *Convenience: no need to visit branch for the activity:* when the activities for which a customer has to visit the branch can be offered through the technology based channels
- *Convenience: enhanced uses of the channel:* when the channels can offer extra functionalities which will enhance their usage and customer convenience
- *Convenience: in case of difficulties/emergencies*

Table 8.8 provides illustrative interview excerpts about the suggestions for improving the multiple channel experience.

Table 8.8: Ways to improve the multiple channel experience: Illustrative interview excerpts

	<i>ATM</i>	<i>Phone</i>	<i>Internet</i>
<i>Convenience: no need to visit branch for the activity</i>	-	-	<p>“Order foreign currency online and collect at the branch rather than going twice – to fill in the form and then to collect” [DI#12-Male-30s]</p>
	-	-	<p>“Do online applications for loans, overdrafts and go to the branch to collect the money” [DI#12-Male-30s] [DI#23, Male-20s] [DI#17, Male-30s]</p>
<i>Convenience: enhanced uses of the channel</i>	-	-	<p>“Excel spreadsheet facility on the website to analyse your spending patterns after seeing past monthly statements online – just to have the graphs and customers can calculate for themselves” [DI#12-Male-30s]</p>
	-	<p>“I don’t see why your local bank can’t deal with the local calls with their customers’ calls. If you are a customer of a bank, I can’t see why you can’t have that bank’s number and they can have dedicated telephone operators or whatever, just the same as a call centre but at least you can talk to the same person go in and speak to the person face2face. It is not as if a faceless person you are talking to and you won’t get her the next time. That is one thing I think they should change”. [DI#4, Female-50+]</p>	<p>“Something like ..a mortgage calculator and things like that so you can track the money. It is more about how I can use my money smarter by using my credit card doing things like that. If I paid an extra £50 every month, what difference would it make to my interest rate. Those kind of things just to help”. [DI#11, Female-30s]</p>

Table 8.8 (Contd.): Ways to improve the multiple channel experience: Illustrative interview excerpts

	<i>ATM</i>	<i>Phone</i>	<i>Internet</i>
	-	-	“like a calculator if you are looking for loan or something you can add an extra amount over and in how many months you want to pay it over and it will tell you..that type of thing is quite good I suppose to check how much interest to pay or the amount or the time” . [DI#13, Female-30s]
Convenience: in case of difficulties/ emergencies	“ ...the main thing with the ATMs now is that they need to be collaborating with other international network systems for transactions of money. Why do I say that? Here we have the Maestro, the Cirrus, the Visa, and a few others and in some other countries you may not find them, so when you travel internationally you have a problem. ” [DI#5, Female-20s]	“A simple 3 digit number like the emergency number that one can remember easily and dial in case of theft or loss of cards probably in that situation you will forget your passwords and things” [DI#12, Male-30s]	-
	“I would like to be able to change the 4 digit password of my card because usually they are totally irrelevant 4 digit numbers that you don’t really remember ” [DI#6, Female-20s]	-	-

Table 8.8 (Contd.): Ways to improve the multiple channel experience: Illustrative interview excerpts

	<i>ATM</i>	<i>Phone</i>	<i>Internet</i>
<i>Safety options</i>	-	-	“if someone wants to set up restrictions, then they can do it .. either as maximum transactions in a month or a maximum amount, or like set these accounts and once they are recognised” [DI#21-Male 40s]
<i>Aesthetics</i>	The screen itself – it is very old version with the green light. Now it is interactive, you know. Using graphics and with colours not just the green light and sometimes at night you have to look like this (hand gesture to show like peering at something). This is one thing because now you know graphic plays a key role in different areas, so why not the ATM? Probably you can use it in an interactive way. Even in the touch screen you know”. [DI#7, Male-20s]	-	-

Source: Author

8.5.3 Threats to customer experience and the bank-customer interactions

The customer experience and bank-customer interactions appear to be threatened by events within and across channels. As discussed in section 8.3, in bank initiated customer contact, the use of a service channel like branch for cross-selling or up-selling products and services was not taken positively by customers. Additionally, when the branch staff attempted to offer products/services during these cross-selling and up-selling initiatives without prior verification of customer needs, it created a negative impact on the customers. Such attempts were perceived to be an increased sales orientation of the bank and it not only threatened the customer experience by turning the channel interaction into a negative one but also coloured the customer's perception of the bank, as evident in the following interview excerpts:

"Yeah from straight service facility to a selling and service facility. More selling. And they try to get you to do it yourself rather than they doing it".

[DI#30, Male – 40s]

"The bank now is an industry not somewhere as I said earlier where you put your money in and take your money out, it is an industry now. it is sell, sell, sell to keep their sales high so they look good at the end of the month and that is why I tell that they are an industry. To try and see what they can sell whether it is credit cards, mortgage or insurance, car insurance, whatever".

[DI#25, Female-50+]

"You can sometimes see them put in effort but I think it all comes down to individual experiences and you can go for months and months being perfectly happy but as soon as you hit a stumbling block you can just weigh down your estimations So yes I can say that I have seen some inroads into doing different things for the customers but sometimes when you come up against that attitude you think they just don't care and it seems like what they can make from your money in your account. I don't know if it would ever be a very easy relationship and I don't know how far all this will work out".

[DI#20, Female-40s]

The threats to customer experience and bank-customer interaction also became evident in the events and activities emerging as customer initiated contact management, manifest in the behaviour intention/outcome discussed in section 8.4.

8.6 Research findings for customer experience: Conclusion and contribution

The exploratory research findings provide insights into customer experience of multiple channel usage and contribute to our understanding of this emerging marketing phenomenon in the following way:

First, the research evidence draws attention to the facets of multiple channel usage. The extant literature informs us about customer experience within and across channels (cf. Payne and Frow, 2004; Knox et al., 2003). To that end, the research evidence from this study points out the need for viewing multiple channel usage not just in the context of within and across channels but also in the context of who initiates the customer contact. Empirical findings highlight both facets – bank initiated customer contact and customer contact and the use of multiple channels in both cases. Further, research contributes to our understanding of bank initiated customer contact by alerting us to channel relevant factors that threaten bank-customer relationships such as the sales emphasis of the bank manifest in the use of service channel such as branch for over-the-counter sales activity.

Second, research evidence from this study points out the need for viewing multiple channel usage not just in the context of within and across channels but also in the context of the activity. In this study, based on the research evidence, multiple channel usage for a range of banking activities can be differentiated from multiple channel usage for a single banking activity in the customer initiated contact.

Third, the findings illustrate the type of customer experience that can occur depending on the driver of multiple channel usage. In this study, two facets of multiple channel usage were presented – a) underpinned by customers' needs, preference and convenience sought through the combination of channels and labelled as 'customer convenience', b) where the service deficiencies encountered by the customers in their interaction with one channel have led them to use other channel(s) to complete a single banking activity and labelled as 'customer compulsion'. The latter, though small in number, reaffirms the discussion in the literature regarding the importance of creating a seamless and consistent customer experience for ensuring customer satisfaction (cf. Bradshaw and Brash, 2001; Bearden, Malhotra and Uscategui, 1998).

Fourth, following on the theme of seamless customer experience discussed in the extant literature, research provides empirical evidence of service gaps that detract from a seamless and consistent customer experience that became apparent through the customer experience mapping exercise. Further, research contributes to our understanding of the phenomenon better when two sets of data (pilot study and customer data) were linked to identify opportunities to streamline processes to improve customer experience (see chapter 9). Additionally, a methodological contribution was achieved by studying multiple facets (bank perspective and customer perspective) in a single study (see chapter 9).

Fifth, as demonstrated by research evidence, all the customer experiences pertaining to multiple channel usage labelled as 'customer compulsion' were negative in nature, and provided empirical validation of the discussion in literature about factors that need to be addressed to ensure a positive and seamless customer experience (cf. Banerjee and Hart, 2005b; Payne and Frow, 2004; Rheault and Sheridan, 2002; Friedman and Furey, 1999).

Sixth, the research findings demonstrate that service process and customer information integration should encompass not just the channels internal to an organisation, such as the bank in this study but also external partner firms, such as ATM networks, supermarket alliances, credit card companies.

Seventh, research findings indicate the affective dimensions resulting from the customer experience of multiple channel usage can have implications for bank-customer relationships in the form of weakened or terminated relationships. In addition, research has indicated that despite the growing use of technology driven channels, the role and importance of a mediated channel such as the branch remains crucial as the service encounter with the channel staff can either result in a service failure and negative experience or the staff behaviour can turn that event into a positive experience by staging an appropriate service recovery.

Eighth, research provides evidence in support of the extant literature that customer experience within and across channels can lead to relationship strengthening or termination (Payne and Frow, 2004) and channels can either serve as interaction builders or threaten the customer experience and the bank-customer interaction. Further, research contributes to our understanding of the phenomenon by

identifying that a remote technology based channel like the Internet can be also a relationship builder contrary to the popular discussion in the literature that remote channels do not facilitate closer relationship building through interaction.

Table 8.9 revisits the core concepts on multiple channel integration in the extant literature and links the research evidence and research contribution to knowledge in the context of the extant literature.

Table 8.9: Customer experience: Contribution of research findings

<i>Extant literature mentions...</i>	<i>Research provides evidence....</i>	<i>Research contributes to knowledge...</i>
Customer experience as within and across channels (Payne & Frow, 2004, Knox et al., 2003)	<ul style="list-style-type: none"> ➤ 2 facets of customer contact management (<i>outbound</i> and <i>inbound</i>) ➤ The prevalence of multiple channel usage in both facets 	-
	<ul style="list-style-type: none"> ➤ Bank initiated customer contact management (<i>outbound</i>) 	By identifying <ul style="list-style-type: none"> ➤ Channel relevant factors that threaten bank-customer relationships
	<ul style="list-style-type: none"> ➤ Customer initiated contact management (<i>inbound</i>) 	By identifying <ul style="list-style-type: none"> ➤ 2 facets of multiple channel usage ➤ Drivers of multiple channel usage ➤ The need to view multiple channel usage not just in the context of within and across channels but also the context of activity
Importance of creating a seamless and consistent customer experience (Bradshaw & Brash, 2001; Bearden, Malhotra & Uscategui, 1998)	Through customer experience mapping – service gaps that detract from a seamless and consistent customer experience	<ul style="list-style-type: none"> ➤ By linking two sets of data (customer and bank) to identify opportunities to streamline processes to improve customer experience ➤ By studying multiple facets in a single study
Factors that need to be addressed to ensure a positive and seamless customer experience (Payne & Frow, 2004; Rheault & Sheridan, 2002; Friedman & Furey, 1999)	Supporting the factors discussed in literature but not empirically researched: <ul style="list-style-type: none"> ➤ Define main and supporting channels ➤ Channel/task alignment ➤ Handoff from one channel to another 	<ul style="list-style-type: none"> ➤ By isolating the factors under service gaps and service recoveries ➤ By identifying the issue of <ul style="list-style-type: none"> ➤ Integrating partner channels ➤ Co-operation between channels ➤ Affective dimensions and their impact on customer experience and relationships

	➤ Ownership of accounts	
Customer experience across channels will determine relationship continuation, strengthening or termination (Payne & Frow, 2004)	Channels as relationship builders or creating threats to customer experience and bank-customer interaction	➤ Identifies that remote technology based channels can be also relationship builders

Source: Author

The following chapter presents a synthesis of the findings presented in chapters 7 and 8. In doing so, the chapter addresses research objective # 3 and also concludes the thesis.

CHAPTER 9: CONCLUSION, LIMITATIONS AND FUTURE RESEARCH DIRECTIONS

9.0 Introduction

Chapter 9 concludes the thesis and is presented in five sections. *First*, the findings from across the three perspectives are synthesised in order to determine the emergent implications for multiple channel integration and bank-customer relationships. *Second*, the overarching research aim presented as research objective #3 is addressed. *Third*, the overall research contributions are examined in light of the research gaps identified during the literature review and also in terms of conceptual, empirical, methodological and managerial contributions. *Fourth*, the limitations encountered by the researcher during the research process are discussed along with the methods adopted by the researcher in mitigating the effect of the limitations. In addition, the limitations of this research study are outlined. *Fifth*, future research directions that can be identified from this research study are presented.

9.1 Synthesis of the findings

Previously, chapters 7 and 8 have presented the research findings emerging from the three perspectives – Bank X retail strategy and marketing group, technology partner firms and Bank X customers. Based on the research findings from each of the perspectives, the implications for bank-customer relationships and the multiple channel integration process were discussed at the end of each of these chapters. In this concluding chapter, the findings from across the three perspectives are synthesised to examine any new implications that may arise when the holistic picture is put together.

Section 7.3 in chapter 7 has compared the findings from the Bank X pilot study with the findings from the technology partner firms and presented several interesting insights. *First*, customer contact management is identified as a strategic need and the role of multiple channels in facilitating successful customer management appeared salient, thereby also highlighting the importance of multiple

channel integration to successfully deliver on the same. *Second*, convergence and divergence of opinions across both groups for the salient themes became evident. *Third*, given this convergence and divergence of opinions, certain implications for multiple channel strategy and integration implementation were identified by the researcher and presented in table 7.7, chapter 7.

Taken together, these exploratory findings provide interesting insights into the multiple channel strategy and integration implementation process as well its implications for bank-customer relationships.

From the *multiple channel strategy* perspective, the need for understanding channel roles and capabilities and customer needs and their channel usage becomes paramount in order to develop the appropriate channel offerings. Additionally, the importance of distinguishing between customer initiated and bank initiated contact and the use of multiple channels for these contacts is highlighted as important. It is also interesting to note in a rather ironic way that the technology partner firms, who actually enable the implementation of technology intensive processes and operations, on one hand state that the automated channels remain under-explored and on the other hand, caution against the push of customer contact management activities to automated channels. Particularly, this group highlights the de-linkage between customer knowledge, customer relationship and customer behaviour, given that banks are still unsuccessful in linking customer interaction data across channels as they focus primarily on transaction data. The technology partner firms bring to light the lack of social bonds, limited or no information and process co-ordination and the failure of matching technology to user requirements by the banks as the cause of negative customer experiences during bank-customer interactions.

When these two sets of findings are matched against the customer data findings, presented in chapter 8, an interesting pattern is evident with regards to bank initiated customer contact using multiple channels. The findings from the customer data provide empirical evidence supporting the issues highlighted by the technology partner firms. Service gaps as a result of mismatch between channels used, products and services offered and their inappropriateness become evident. These service gaps, in turn, lead to implications for multiple channel usage by customers such as channel avoidance or channel migration and also negative implications for bank-customer

relationships, as illustrated in figure 8a, chapter 8. The findings from across the perspectives come together to reinforce the need for delineating channel roles and capabilities and using that understanding for planning the multiple channel strategy.

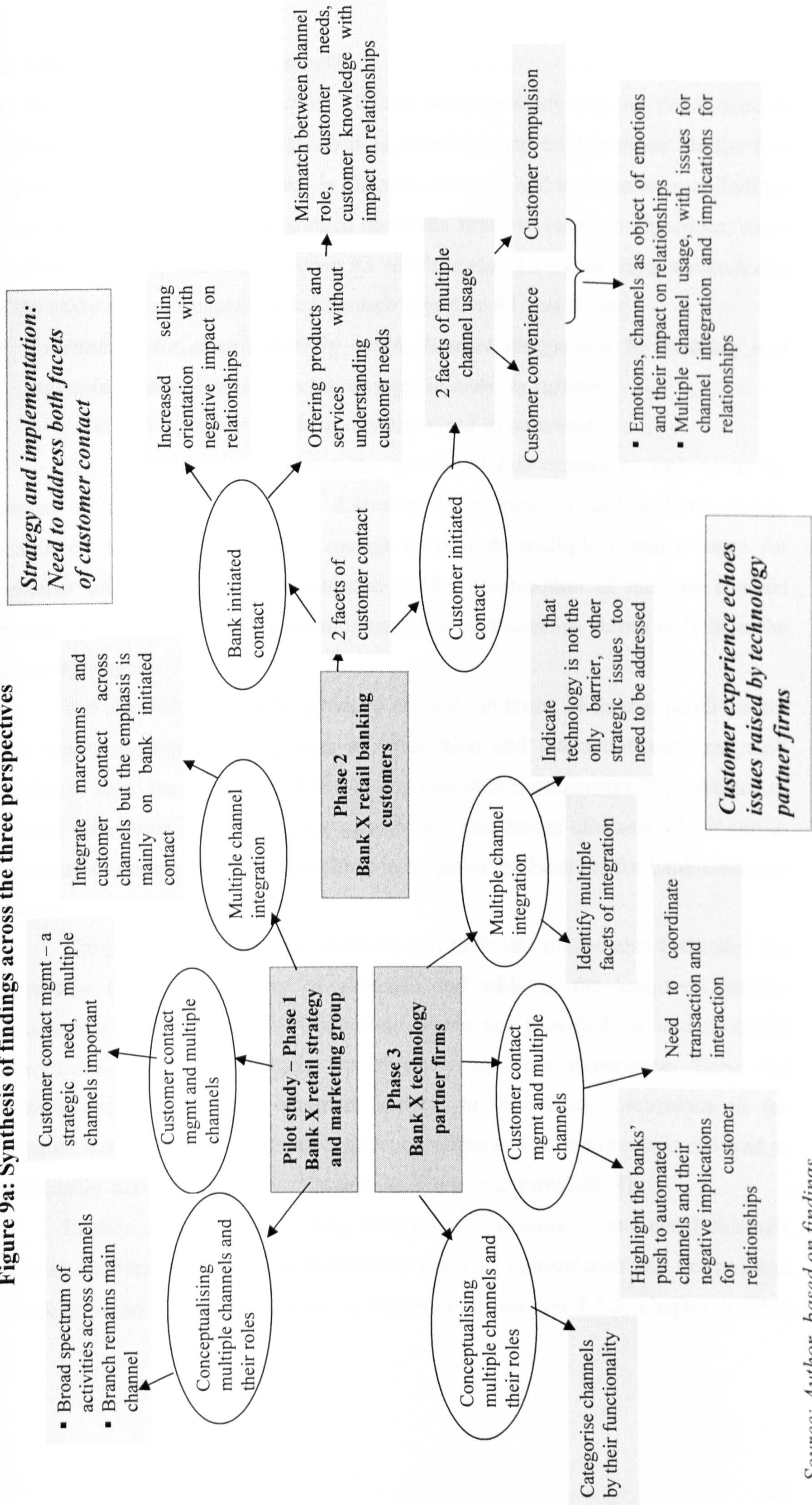
From the *multiple channel integration implementation* perspective, the need for ensuring mobility of not only customer account data but also interaction data across channels to deliver seamless customer service in order to mitigate the negative implications of migrating customer interaction to automated channels was identified.

When matched with the research findings from the customer data, empirical evidence is found that further reinforces the above point. As discussed in chapter 8 and illustrated in the customer experience maps of customer encountered critical incidents, service gaps and their implications for multiple channel integration implementation became salient. The co-ordination of processes across channels, co-ordination of customer information across channels, management of outbound customer communication, channel task alignment and channel staff interaction were some of the service gaps identifiable that led to negative customer experiences and provided opportunities for seamless integration of transaction and interaction data.

From a third angle, the research findings from the bank and technology partner firms data on multiple channel integration highlights the need to address different facets of multiple channel integration for end-to-end customer management, namely front-office customer interface processes and activities and back-office operational processes and activities – which is corroborated by the customer data. So again, it is found that the multiple data sets and their findings echo a pattern and provide a holistic understanding of the research phenomenon and highlight implications that are recurring across the three perspectives.

Figure 9a presents a summary illustration of the themes and the key findings for all the three perspectives mapped together and highlights the findings that corroborate each other to explain and reinforce a particular research implication.

Figure 9a: Synthesis of findings across the three perspectives



Source: Author, based on findings

9.2 Addressing research objective#3

As mentioned in chapter 1, section 1.2, this research study had set three research objectives. The research findings, their implications and contributions for the first two research objectives (discussed in chapters 7 and 8) and the synthesis of findings across the three perspectives examined under the first two research objectives, come together to address research objective #3 which is also the overarching research aim of the study and is discussed here. Research objective #3 was set as:

- *To explore the contribution of multi-channel integration in building and maintaining firm-customer relationships, in order to inform*
 - *The development of CRM as a process and its activities*

The discussions in the preceding section of this chapter as well as in the context of the research findings discussed in chapters 7 and 8 have clearly established that it is not merely enough to provide multiple channel usage for customer interaction. Research evidence on the contribution of multiple channel integration in building and maintaining customer relationships comes to light in the following ways:

The channels need to be provided not only in terms of their capabilities but also require appropriate integration of transaction and interaction data and staff training to fulfil the objectives of end-to-end customer management. The absence of channel integration leads to service gaps within and across channels which can in turn harm customer experience resulting in negative implications for bank-customer relationships.

The provision of multiple channels and their integration also facilitates the interaction building capability of channels and adds to the long-term service maintenance role of channels. Conversely, when not provided for and managed appropriately, multiple channels can threaten customer experience. Here, the research evidence provides empirical support to conceptual discussions in the literature that the type of customer experience within and across channels can lead to relationship strengthening or termination (cf. Payne and Frow, 2004).

Further, an interesting finding emerges with regards to automated channels such as the Internet which can facilitate a sense of convenience and control and therefore be an interaction builder as discussed in section 8.5.2, chapter 8. This

finding is in contrast to discussions in the extant literature that remote channels do not contribute to building customer relationships and actually resonates with research findings from Kapoulas, Ellis and Murphy (2004) on the issues of customers' 'control' and 'convenience' with automated channels. In a way, the loop of the research findings can be closed by going back to the findings from the technology partner firms that seamless integration of transaction and interaction data within and across channels is necessary given the increasing push towards automated channels and increasing multiple channel usage. Given that customer experience with self service technologies, despite a growing and important area remains under-explored (cf. Dabholkar and Bagozzi, 2002; Meuter et al., 2000) the findings from this research study uncover interesting insights which merit further investigation.

The research evidence from this study has indicated the contribution of multiple channel integration as a CRM process in building and maintaining firm-customer relationships. Besides the multiple channel integration process, the CRM framework proposed four other processes, namely, *strategy development process*, *value creation process*, *information management process* and *performance assessment process*. The research findings and their implications for each of the research process are examined next to see whether the multiple channel integration process provides any contributions to the development of the overall CRM process and its activities in the context of the CRM strategy framework proposed in the literature by Payne and Frow (2005) and Knox et al. (2003), as illustrated in figure 2a, section 2.4.3, chapter 2.

This research study has provided evidence for customer contact management as a strategic need, the role of multiple channels in facilitating successful customer management and therefore the importance of multiple channel integration to successfully deliver on the same. This research study has also across the three data sets found empirical evidence that multiple channels can contribute to firm-customer relationship strengthening or termination depending on the way events, activities and processes are structured within and across channels as part of the multiple channel integration process.

For the CRM strategic framework and its *strategy development process*, Payne and Frow (2005) identify the need to review distribution channels as one of

the key business strategy issues and determine customer interface needs through channels as part of the customer strategy. These research findings not only provide empirical support to the conceptual discussions in the literature but also build an argument that considerations on aspects of the multiple channel strategy should be embedded within the focus on business strategy and customer strategy given that customer contact management emerges as a strategic need and the provision of multiple channels facilitates the same.

Referring back to the extant literature on CRM, Plakoyiannaki and Tzokas (2000:11) have stated that CRM involves 'significant commitment of resources', facilitates organisational learning and cuts across functions. On the basis of these early research findings, it can be suggested that organisations consider channels as resources which when used appropriately can strengthen firm-customer relationships or vice-versa. On that basis, channels and channel strategy becomes critical elements of the CRM process. It can then be further argued that although channel integration is conceptualised as a separate process within the CRM strategic framework, however, its roots lie within the strategy development process.

Given the strategic role and contribution of multiple channels in maintaining and building relationships, multiple channels should not be considered merely as routes to markets for goods, services and information (cf. McCalley, 1996; Stern and El Ansary, 1992), and growing up-selling and cross-selling efforts, rather as strategic resources and assets (cf. Srivastava, Shervani and Fahey, 1998) to be deployed effectively to deliver on the tenets of CRM and build competitive advantage (cf. Rosenbloom, 1999). The research findings from this study demonstrate that channels when used effectively can operationalise the tenets of relationship marketing by creating social bonds between firm and customers (cf. Berry and Parasuraman, 1995) or the lack of it through a mismatch between customer needs and channel capabilities. Also, with regards to the business strategy issues, this research study has identified the need to address macro environmental factors such as policy regulations and their implications for customer data capture, its dissemination across departments, usage for planning products and services and planning and implementing processes such as multiple channel integration.

With regards to the *value creation process*, Payne and Frow (2005) identify value creation as the value received by the customer through the product experience, the value received by the organisation in terms of customer acquisition and retention and the ability to maximise the lifetime value of customer segments. The research findings demonstrate that value for the customer resides not just in the product benefit (in this research context – choosing a particular bank account or type of credit card, for example) but also in the customer service and firm-customer interaction and this value can be created or damaged depending on the positive or negative customer experience during firm-customer interface within and across multiple channels.

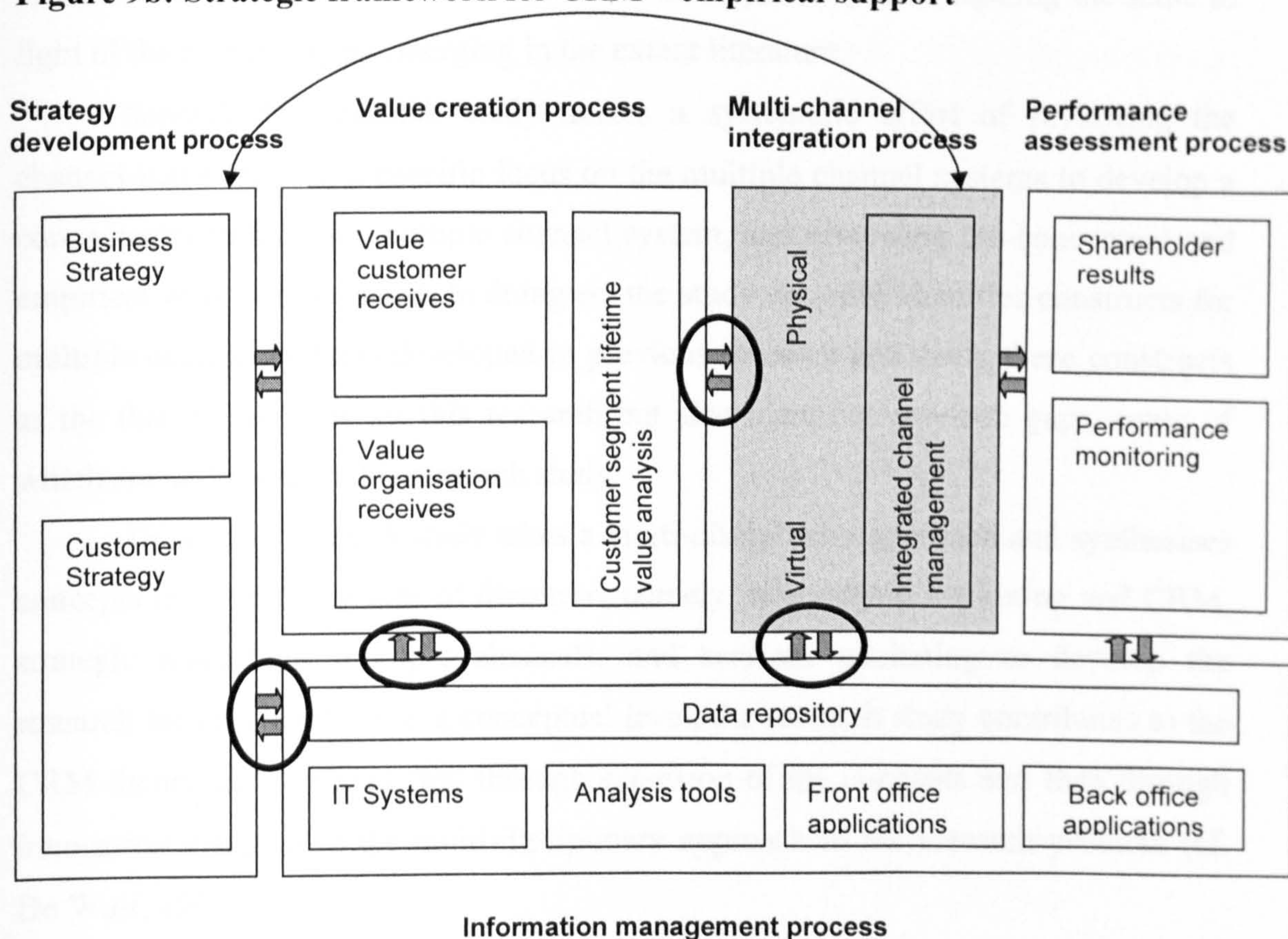
In the context of the *information management process*, this research study provides supporting evidence for integrating back and front office applications for multiple channel integration implementation. Further, the extant literature on CRM alerts us to the complexity of customer contact management due to multiple channel usage and the volume of information generated. This research study found evidence on the positive and negative impact on customer experience as a result of multiple channel usage. These research findings enable to identify processes, events and activities within and across channels that need to address service gaps and streamline the channel integration process, management of customer information (transaction and interaction data) to deliver a positive customer experience. Additionally, on the basis of the research findings, this study states that different facets of customer contact need to be identified and addressed – customer initiated contact as well as firm initiated contact. Both these facets have different implications for contact management, the role of the channels in facilitating that contact with resulting implications for customer experience and firm-customer relationships. As a result, it can be further argued that these issues need to be thought through at the strategy development process and what would be their likely impact on the value creation process before leading to the channel integration and information management processes.

With regards to the *performance assessment process*, it was neither the aim of this research study, nor were there any findings pertaining to the performance assessment process and therefore this aspect would need further empirical investigation in separate studies.

This research study set out to empirically explore one of the five processes in the CRM strategy framework – the multiple channel integration process. The above discussion has presented how the empirical evidence from the examination of this one CRM process either provides support to the conceptual discussions in the extent literature on each of the processes or contributes to the same through new findings. Figure 9b presents the CRM strategy framework proposed by Payne and Frow (2005) which was adopted as the conceptual framework for this study. The encircled arrows within figure 9b illustrate the preceding discussion on empirical support and/or contribution to each of the processes. Additionally, the arrow between the channel integration and strategy development processes illustrates the empirical findings connecting these two processes.

Knox et al. (2003:20) have argued that the processes are aligned and cross-functional, “not linear but an iterative feedback-driven progression aimed at continually enhancing the benefits of CRM”. That point, is also empirically supported by the research findings from this study across the three perspectives on strategy, implementation and customer experience.

Figure 9b: Strategic framework for CRM – empirical support



Source: Author, extending on Payne and Frow (2005:171)

9.3 Research contribution

Chapters 7 and 8 presented the research contributions of the findings for multiple channel strategy, implementation and customer experience emerging across the three perspectives – Bank X retail strategy and marketing group, technology partner firms and bank X customers. In conclusion, this section revisits the research gaps from the extant literature that were identified during the literature review (as detailed in table 1.1 in chapter 1, section 2.6 in chapter 2, section 3.3.3 in chapter 3 and section 3.4.6 in chapter 3) and examines to what extent does this study address these research gaps. This research contributes to four areas in the following manner:

9.3.1 Conceptual contribution

This study contributes to the development of the theory on CRM in three prominent ways. *First*, within the CRM literature, it critically reviews and distils the conceptual and empirical research to develop a picture of the extant literature on CRM, and identify the research gaps. In doing so, the study makes the reader aware of the state of the CRM literature and builds the importance of the multiple channel integration process as a CRM process and the rationale of empirically investigating the same in light of the research gaps emerging in the extant literature.

Second, this research study makes a systematic effort of reviewing the channel literature with a specific focus on the multiple channel systems to develop a conceptualisation of the multiple channel system, and reviewing the conceptual and empirical works on the same. In doing so, the study not only identifies constructs for multiple channel systems developed in previous research and using these constructs as the theoretical basis for this research but also identifies research gaps, some of which are addressed in this research study.

Third, this research study takes a multi-disciplinary approach and synthesises concepts from across bodies of literature, namely, relationship marketing and CRM, strategic marketing, multiple channels, and services marketing to develop the research focus. Therefore, at a conceptual level, the research study contributes to the CRM theory development first through *extension* of the concepts and then through *innovation* manifest in the multi-disciplinary approach to the research problem (cf. De Wulf, 1999).

9.3.2 Methodological contribution

The methodological contribution of this research study rests in its use of multiple perspectives in exploring a single phenomenon. In doing so, the study again *extends* by building on extant research, such as that of Hart, Hogg and Banerjee (2004; 2002) which had highlighted the differences in perceptions of CRM across multiple stakeholders but not captured the customer perspective. Therefore, this study *innovates* by incorporating the organisation, customer and technology partner firm perspective (cf. De Wulf, 1999). Where, extant research has captured either the organisation or the customer perspective, this study explores the multiple realities of the phenomenon and therefore provides a richer understanding of the phenomenon. As an example, the extant literature has presented diverse perspectives on channel integration, such as, integration within a single sales process (Friedman and Furey, 1999), integration of external and internal channels (Coelho and Easingwood 2003) and a holistic approach to channel integration by Payne and Frow (2004) that subsumes the diverse views. This research study finds that multiple facets of channel integration exist with each stakeholder group identifying a particular aspect. By analysing data across the three stakeholder groups, the research aligns itself to the definition of channel integration suggested by Payne & Frow (2004). This would not have been possible, had the research focused on a specific stakeholder view of the phenomenon.

Additionally, the study uses multiple sources of evidence and multiple research methods to gather and analyse data to develop data triangulation for examining the research findings.

9.3.3 Empirical contribution

This research study contributes to the theory building in both the areas of CRM and multiple channels in the following way:

First, it focuses on the multiple channel integration process within CRM – an area that has been deemed important but not received any empirical attention (cf. Payne and Frow, 2004). In doing so, it *extends* the discussion on CRM in the extant literature by focussing on a specific CRM process as opposed to the heretofore focus on CRM as an overall initiative.

Second, the research study gathers empirical data from the three perspectives of the bank, technology partner firms and bank customers, compares and contrasts the findings across the three perspectives as well as synthesises the findings to identify implications for multiple channel integration process and bank-customer relationships. Such an attempt is *innovative* (cf. De Wulf, 1999) in trying to develop a holistic picture of the research phenomenon emerging from diverse perspectives.

Third, the research study revisits the strategic framework for CRM and using the empirical evidence finds support for some of the concepts discussed in the extant literature and then it *extends* this body of literature through the new evidence found.

9.3.4 Managerial contribution

In addition to conceptual, empirical and methodological contributions, the research study also presents managerial contributions manifest in the identification of processes and activities pertaining to multiple channel usage that can better streamline channel integration and thereby contribute to bank-customer relationships. The comparison of findings across perspectives and also their synthesis helps to identify the pain points in multiple channel provision and usage. In light of the research findings, specific recommendations for multiple channel strategy and implementation for the wider retail banking industry and also specifically for Bank X become salient, as detailed here:

Customer segmentation: In the case of Bank X, the research findings indicate the use of multiple methods of customer segmentation. Within Bank X retail marketing, evidence was found for:

- a) Segmentation underpinned by the life stage of the customer and financial value of the customer of the bank detailed as four customer segments, namely, youth, student, mass market and premium,
- b) Channel usage based segmentation named as monoline customers (customers who only visit the branch), active digital banking users (Internet) and active direct banking users (Phone),
- c) Product focused segmentation based on the range and number of retail banking products held by a customer

While the need to address channel based segmentation approaches was perceived a strategic need for streamlining customer contact management processes within Bank, no research evidence was found that indicated that the retail strategy and marketing group of Bank X was addressing the need to streamline the diverse approaches to customer segmentation occurring across the organisation. The negative impact of the same, however, was felt by the customers who recounted events and incidents of inappropriate cross and up-selling of banking products and mismatch of products and service offers to customers of specific life stage groups. Research evidence indicated that such events and incidents contributed to bank-customer relationship weakening or in some cases, termination.

Consequently, based on these research findings, this thesis argues for the need for an organisation wide uniform approach to customer segmentation rather than a siloed approach to segmentation across divisions serving varied purposes but in reality harming customer contact management initiatives.

Channel based segmentation: Given the research evidence of multiple channel usage, the need to identify how customers use a particular channel becomes apparent in order to understand whether the assigned channel roles are understood and used by the customers. It would also enable to understand how channel traffic is routed, and the nature and extent of unmet customer needs. The need to do so became salient when chapter 8 presented the evidence of the reactive multiple channel usage labelled as *customer compulsion*, whereby, after encountering difficulties within a channel, customers were compelled to seek out other channels to fulfil a single banking activity.

Additionally, within the wider retail banking industry, there is a need to recognise that not all customers can be pushed towards self service technology based channels given the issues of customer life stage and lifestyle.

Multiple channel user segment: The findings from the Bank X customers indicate the presence of a multiple channel usage customer segment, where, customers have a main channel and couple of additional supporting channels for performing different banking needs underpinned by needs, preference and convenience. This finding is

consistent with the discussion in extant empirical research where Mols, Bukh and Nielsen (1999) highlight the presence of a customer segment that is multiple channel users. However, in the findings from the Bank X perspective, there is no indication or discussion of such a segment. What is discussed is a single channel segment such as active Internet banking users, active phone banking users, customers who never visit the branch.

Additionally, a second type of multiple channel user segment emerge from this research findings which has not been discussed in extant conceptual and empirical literature and that is customers having to use multiple channels to complete a single banking activity because of service deficiencies encountered in a channel.

Consequently, with regards to multiple channel integration strategy, implementation and customer experience within retail banks, this thesis argues in favour of recognising the existence of the multiple channel user segment, its two facets and streamlining channel development and customer contact management within and across channels to serve the needs of this customer segment.

Customer contact and customer experience: Research evidence from the customer and technology partner firm data revealed the twin facets of outbound and inbound customer contact. From the Bank X perspective, however, only outbound (bank initiated) contact was the focus of all strategic customer contact management activity. Based on the research findings, this thesis, however argues for the need to address both inbound and outbound contact and integrate transaction and interaction data pertaining to both aspects to avoid incidents of mismatch between customer needs and product/service delivery.

Specifically, with regards to customer experience, there is a huge opportunity for retail banks to gather data on need triggers and experience outcomes when customers pro-actively seek contact and go through a mediated channel. This inbound data capture and its analysis is likely to provide insights that can enable banks to engender social bonds (cf. Berry and Parasuraman, 1991) despite the growth of automated channels for customer contact management.

Inter-disciplinary and cross functional approach: The research findings highlighted the policy implications of the new credit risk framework Basel 2 for customer data capture and its use for debt and risk management. Consequently, this thesis argues for the need for an inter-disciplinary and cross functional approach encapsulating the data warehouse, marketing, IT and credit risk functions for academic research as well as business strategy and planning within retail banks.

Employee empowerment: In order to enable successful multiple channel integration, its implementation and delivery of consistent and positive customer experience within and across channels, the research findings highlight two key issues –

a) the need for clearer roles for employees such as distinguishing between sales, service functions and not burdening the employee with multiple roles which maybe in conflict with the channel role,

b) twinning the issues of IT investment with employee empowerment and engagement which is consistent with discussions in extant literature from Payne and Frow (2006), Raman and Pasupati (2004).

Given that in case of service failures, the service recoveries are staged to a large extent by the employees, the importance of creating positive experiences for the employees remains important (cf. Shaw, 2005; Schmitt, 2003). Consequently, this thesis argues for retail banks to pay greater attention to employee empowerment by facilitating access to customer related information within and across channels and involving them in the development of the channel integration initiatives.

Multiple channel development preceding multiple channel integration: Matching the findings from the Bank X perspective with the findings from the customer perspective revealed that at Bank X, there exists the need to first address multiple channel development before aiming for integration. The multiple channel development is manifest in two broad areas:

a) Evolving and extending channel capabilities, such as the transition of the branch into a mediated consultative channel, providing opportunities such as a self service terminal within the branch, facilitating training of customers in using Internet banking,

b) Recognising the need to address facets of integration – most salient being the need to integrate customer based information and communication with partner channels, determine channel task alignment in order to integrate processes within and across channels. These issues are equally relevant in the wider retail banking industry context.

These are exploratory findings and recommendations from a small study, which can be taken as a starting point for further investigation in larger scale studies to truly contribute to help managerial understanding and decision-making for multiple channel strategy and implementation.

9.3.5 Addressing research gaps

Therefore, in light of the research gaps identified from the literature review, this research study contributes:

- By using the empirical evidence to support extant conceptual discussions and adding new dimensions to the literature as emerging from the empirical findings and therefore addressing the *need for theory development* (Payne & Frow, 2004:528; Webb & Didow, 1997:44),
- By focussing on the multiple channel integration process, this research study empirically fulfils the *need to understand specific aspects of CRM in detail, such as multi-channel integration* (Ryals & Payne, 2001:24),
- By gathering data from the customer group on multiple channel usage and examining that data, this research study identifies patterns and themes on customer experience, examines the same across the other two perspectives on strategy and implementation and therefore addresses the *need to study shifts in channel usage, its outcomes and challenges for multi-channel integration* (Payne & Frow, 2004:536) and also the *need for research focus on the customer perspective*,
- By examining the trend of increased usage of automated channels for bank-customer interaction and its impact on the channel strategy, customer contact management and customer relationships, to an extent this research study has addressed the *need to study relationships between channels* (Mols et al., 1999:46)
- By situating the context of the study on a particular industry – the retail banking industry which employs multiple channel usage intensively, this research study

investigates in-depth the multiple channel strategy, implementation and customer experience challenges specific to the industry and thus addresses the *need for sector specific and longitudinal studies*

➤ By studying the overall, long-term usage of multiple channels by bank customers, this research study has captured the shifts and patterns in channel usage, channel need gaps or advantages in maintaining bank-customer relationships and thereby addressed the *need to research the long term service maintenance role of channels*

➤ By examining multiple channel usage for bank-customer interface and exploring the affective dimensions, this research study identified a set of evoked emotions, the emergence of channel as an object of emotion and the influence of emotions on outcomes/behaviour intentions impacting bank-customer relationships. Therefore, on a small scale and at very early stages, to an extent, this research study has addressed the *need to study specific aspects of channel strategy and consumer behaviour*

➤ By encapsulating in a single study, three perspectives with embedded units of analysis – the Bank X retail strategy and marketing group, the Bank X customers and the technology partner firms, and by comparing, contrasting and synthesising the findings across the three perspectives, this study arrives at richer understanding of phenomenon and in doing so, also fulfils the *need to capture multiple perspectives*.

9.4 Research limitations

The research limitations manifest in two major ways – limitations faced during the research process and limitations of the research study. While this research study attempted to address some of the research needs as discussed above and fulfil the research objectives, it also encountered *limitations during the course of conducting the research*. These research limitations were underpinned by the overarching fact of researching an emerging phenomenon and to be restricted by the sensitivity of information and these were encountered prominently in two main areas:

First, there was limited access to data and respondents from the bank X retail strategy and marketing group, as was detailed in section 5.5.2 in chapter 5. Since the bank X retail strategy and marketing group was in nascent stages of planning the multiple channel integration implementation and the researcher was considered as an ‘outsider’, there was reluctance and refusal to grant further access than what was

provided during the pilot study. Despite this limitation, the researcher mitigated its effects on the research study by rethinking the objectives of the research in light of the circumstances (cf. Miller and Dingwall, 1997) and added the third dimension to the research study – investigating the issues from the technology partner firms' perspective. Reflecting upon this experience, the researcher feels that this obstacle pushed the researcher to think further and add an interesting dimension to the study which though previously not considered later yielded rich findings and added to the methodology strength of the study.

Second, the technology partner firms aggregated their experience and opinion of issues confronting retail banks during the discussion and they were unable to elaborate for the case study bank being bounded by their own confidentiality agreements with bank X as well as other banks. In an extreme case, one of the technology partner firms of Bank X expressed its inability to participate in the study since it was still within twelve months of having completed their project with Bank X. In light of this situation where the respondents were bounded by non-disclosure agreements, the researcher attempted to mitigate the effects by getting the respondents to illustrate points with examples where possible without any breach of terms, not taping the interview section and making written notes, corroborating the data with other sources of evidence such as documents and archival records from Bank X material and customer interview data.

In terms of the *research limitations of this study*, given that this study is one of the earliest attempts to empirically examine in-depth one of the CRM processes - the multiple channel integration process, no definitive conclusions can be drawn from this study given its exploratory nature. Further, this study has used the single case study method to research the phenomenon. Although literature states that single case studies facilitate in-depth investigation and aid in theory building (cf. Yin, 2003; Cresswell, 1998), the generalisability of the findings need to be enhanced through investigation of the research findings in other case studies and by comparing and contrasting the findings across multiple cases.

Additionally, this research study has been situated in the context of the retail banking industry which is one of the key industries deploying multiple channel usage and is at the forefront of investments in CRM initiatives, as discussed in chapter 4.

The findings from this research study can be further investigated and the conceptualisations strengthened by examining the research phenomenon in retail banking industries across other countries, given that this study is UK specific. In addition, undertaking studies within the financial services sector, such as insurance or across other industries that deploy multiple channels such as airline and travel for example are likely to provide a richer understanding of the research phenomenon emerging from diverse perspectives not just in terms of challenges of channel strategy and integration implementation but also customer experience and their impact on firm-customer relationships, the CRM process and its activities.

9.5 Future research directions

Given the exploratory nature of this research study and this being one of the first research attempts to investigate the multiple channel integration process, the limitations of this study outlined in the preceding section can be taken as next steps for future research directions.

Also, this study used the in-depth case of Bank X as embarking on multiple channel integration implementation. Future research studies can investigate organisations that have already put such an implementation initiative in place in order to study the success, failures and barriers to implementation so as to better inform our understanding of the phenomenon. Against the backdrop of the findings emerging from this research study, specific future research directions that can be delineated are as follows:

➤ Conceptualisation and implementation of channel integration

With regards to the first research objective that captured the *conceptualisation and implementation of channel integration*, the research findings identified convergence and divergence of opinions along each of the emergent themes between the two perspectives – Bank X retail strategy and marketing group and the technology partner firms. In addition, research findings identified strategic and tactical issues of importance for channel integration implementation that ranged from issues within the organisation to issues external to the organisation such as international policy regulations. Future research can take these findings as a starting point and investigate

them across larger samples of banks and technology partner firms through questionnaire surveys to develop a broader understanding of the issues and investigate the convergence and divergence aspect. Also, the findings suggest that a multi-disciplinary research approach is needed encompassing marketing, finance and information technology to enable successful channel integration implementation. This issue can open a stream of research in this direction to test the generalisability of these exploratory findings. For instance, future research can examine the impact of Basel II regulatory compliance needs of customer data capture on CRM strategy, implementation, and firm-customer relationships. Additionally, this research focused on the multiple channel integration initiative in progress at Bank X. Future research in the form of longitudinal research can undertake post integration evaluation.

➤ **Customer experience**

With regards to the second research objective that studied *customer experience of multiple channel usage*, the research findings emerged for two facets of contact – bank initiated contact and customer initiated contact. Within customer initiated contact, two facets of multiple channel usage were revealed as ‘customer convenience’ and ‘customer compulsion’, determined by the nature of customer experiences. All the facets of customer contact and channel usage revealed interesting findings for implications for bank-customer relationships and the multiple channel integration strategy and implementation. In addition, the research findings also identified affective dimensions and the impact of emotions on customer experience, behaviour intentions and outcomes for relationship strengthening or termination. Given the small number of interviews conducted in line with the qualitative exploratory nature of this study, these findings can be further investigated in large scale questionnaire surveys with customers across banks to extend the generalisability of the findings or stumble upon new findings.

With reference to the automated channels, this study identifies some interesting and conflicting findings. On one hand, the findings indicate that the increasing use of automated channels for customer contact management can lead to lack of social bonds forming between the bank and the customer and the de-linkage between customer knowledge, customer relationship and customer behaviour. On the

other hand, research findings from the customer data indicates that in certain instances automated channels such as the Internet can serve as interaction builders and facilitate customer relationships. This is because the customer can interface with the bank at one's convenience as opposed to the branch because of timing restrictions. Also, the hassle of physically going to the channel to use it often leads to channel avoidance or migration. These findings seem to suggest a dichotomy and this can be investigated further to refine our understanding of when and under what circumstances does the bank or the customer stand to benefit from automated channels and how does that, in turn, influence multiple channel integration strategy and implementation?

➤ **CRM strategic framework and the cross-functional processes**

The third research objective sought to identify the contribution of multiple channel integration process to firm-customer relationships and the overall CRM process and its activities. The synthesis of the research findings from across the three perspectives highlighted the contribution of multiple channel integration in relationship strengthening or termination. Additionally the research findings identified how the multiple channel integration processes contributes to the strategy development process, value creation process and information management process within the CRM strategic framework. Future research can investigate these findings in-depth in large scale studies. Additionally, given that two facets of customer contact have emerged with their own set of implications for customer experience, customer relationships and channel integration. Earlier in the thesis it was argued that these issues need to be thought through at the strategy development process including their likely impact on the value creation process before leading to the channel integration and information management processes. So future research can examine these issues in-depth and then determine their likely impact on the CRM strategy framework. With regards to the performance assessment process, future research can consider examining channel related issues such as identifying key metrics or performance indicators of channel performance and profitability, its contribution to the overall CRM performance.

In conclusion, these exploratory research findings can be taken as the initial steps towards investigating a complex and challenging research phenomenon not just because the channel integration process is part of CRM, which in itself is in embryonic stages but also because technology and changing customer needs and usage makes this an ever changing phenomenon. This early stage research study has, however, identified and added new dimensions to the extant literature streams on CRM and multiple channels, which merit further investigation.

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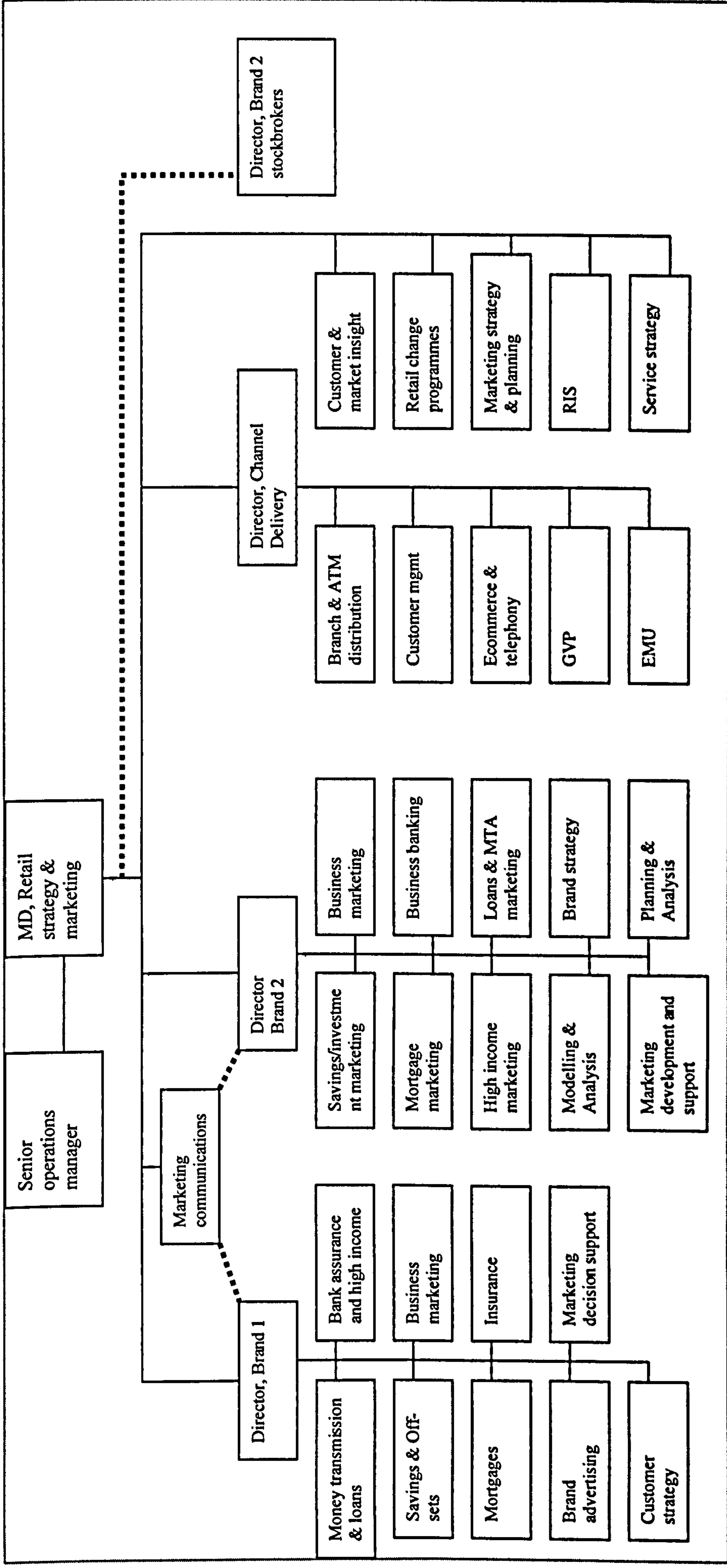
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APPENDICES

Appendix 5A
Bank X - Retail strategy and marketing group - Organisation Structure



Source: Bank X internal document, organisation structure as in May, 2003

Appendix 5B
Poster for customer sample recruitment



CALLING BANK CUSTOMERS...
ABOUT YOUR VIEWS AND EXPERIENCES OF BANKING

As part of my postgraduate studies at the University of Strathclyde, I am looking for some help for my research study.

I would be very interested to talk to male and female bank or building societies customers.

An informal discussion (30 minutes) over a cup of tea to understand:

- Do you go to the branch? Use the ATM? Telephone? Internet?
- Got an opinion or view about something you like or don't like?
- Had a good experience or a bad one? Talk to me about it.

I am NOT seeking any personal or confidential information about the respondent's contact address, banking details such as amounts held or transacted, credit or mortgage limits, expenditure amounts etc

This research is only for academic purposes. I have not been paid by any bank to carry out this research and neither will I attempt to sell this information to any body in any form. This research is being carried out as per the guidelines of the University of Strathclyde's Code of Research Practice and requests your participation on a voluntary basis.

If you would like to check my credentials - am I a genuine student? Call any of the following numbers to verify:

Jan Whiteford, Research Secretary - 0141 548 3236
Registry, University of Strathclyde - 0141 552 4400

I will drop by the reception desk from 15th-19th March, 2004 to know if any one wants to have a wee chat. Please leave your name with the receptionist.

Thank you
Madhu Banerjee

Appendix 5C

Customer respondent screening questionnaire

Background Information - Customers

Hello, I am a doctoral research candidate at the Department of Marketing, University of Strathclyde, Glasgow, undertaking a research study to understand the banking practices of customers. Thank you for having given your consent to be contacted by email. May I please request 10 minutes of your time to answer a few questions that will help me understand some background information about yourself for this research study.

1. Could you please tell me, which bank(s) or building societies do you bank with and since when? Please tick (✓) wherever appropriate.

Name of Bank and Building Society	0-6 months	6-12 months	1-3 years	3-5 years	>5 years
Abbey National					
Alliance & Leicester					
Allied Irish					
Barclays					
Bank of Ireland					
Bank of Scotland					
Halifax					
Clydesdale Bank					
HSBC					
Leeds and Holbeck building society					
Lloyds TSB					
Nationwide					
Norwich Union					
Natwest					
Scottish Widows					
The Royal Bank of Scotland					
Yorkshire building society					
Other					

2. Could you please tell me about the type of banking products and services used by you? Please tick (✓) wherever appropriate.

Name of Bank and Building Society	Current Account	Savings account	Credit Cards	Loans	Mortgages
Abbey National					
Alliance & Leicester					
Allied Irish					
Barclays					
Bank of Ireland					
Bank of Scotland					
Halifax					
Clydesdale Bank					
HSBC					
Leeds and Holbeck building society					
Lloyds TSB					
Nationwide					
Norwich Union					
Natwest					
Scottish Widows					
The Royal Bank of Scotland					
Yorkshire building society					
Other					

3. Thank you for telling me about the banking products and services used by you. Could you please tell me the ways in which you contact the bank or building society regarding these banking products and services? Please tick (✓) wherever appropriate.

Visit the branch	
Use the ATM	
Phone call	
Internet/Email	
Other	

4. Could you please tell me the ways in which the bank(s) and/or the building societies contact you? Please tick (✓) wherever appropriate.

A meeting at the branch	
Postal mail	
Phone call	
Internet/Email	
Other	

5. Could you please tell me which of the following best describes yourself? Please ✓ wherever appropriate.

Age (in years):

21-29	
30-39	
39-49	
49+	

Education:

School	
College / HND	
University - Undergraduate	
University - Postgraduate	
Further education	
Professional Qualification	

Occupation:

Student	
Employed (part-time)	
Employed (full-time)	
Self employed	
Business	
Other	

Thank you very much for your time and sharing this information with me.

I would very interested to understand your banking experience (positive and/or negative) – during your interactions with the bank(s) by way of an informal discussion on a one-on-one basis. This discussion will be approximately 40 minutes in duration at a time and location of your choice and requests your participation on a voluntary basis. You will not be identified or described in any way that would reveal your identity and participation in the research. All the information provided in this questionnaire and in the interview will be held confidential and your responses will be anonymised in the research report, which will be purely for academic purposes.

If you would be willing to participate in the discussion, could you please let me know by email on m.banerjee@strath.ac.uk

Thank you
Madhu Banerjee

Appendix 5D

Interview guide: Bank X customers

Warm up

Q1. Could you please begin by telling me something about yourself?

- Background
- Work, leisure

Banking practice and products and channels usage

Q2. Could you please tell me which banks are you banking with and since when?

- Check against the responses given in the screening questionnaire

Q3. So how did you get started with Bank "x"?

- Check for factors driving decision
(Location, channel, word-of-mouth, marketing promotion, any other factor)
- The type of channel interaction – single or multi channel and what activities
- Check which is the main branch, whether changed branches and reasons

Q4. Could you please tell me which products are you currently owning and using?

- Check for the five products against the responses given in the screening questionnaire
- Trace pattern of acquisition where possible

Q5. Could you tell me how do you interact with the bank?

- Check for each channel and activities performed per channel
- Check for which channels not used and why
- Focus on:
 - o Product-channel interaction
 - o Customer-channel interface
 - o Channel-task alignment(in terms of both: where used or not considered appropriate for usage and the reasons for the same, need gaps if any)

Q6. How does the bank interact with you?

- Check for each channel and activities performed per channel
- Check for likes, dislikes, need gaps if any
- (Customer service review, Out bound contact, Direct mail, any other)

****For multi-banking customers, check all of above for main bank and second bank
Check for product or particularly channel related need gaps**

Customer experience (CIT)

Q7. Could you tell me about any positive or negative instances that you have experienced during your interaction with the bank?

- Note positive and negative experiences
 - o Product or channel related experience
 - o Multiple channel related experience

Retail banking, Technology, Bank-customer relationships, Areas of Improvement

Q8. What is your opinion about the use of technology for banking purposes such as ATMs, phone banking and Internet banking?

Q9. How does that impact on your interaction and relationship with the bank?

- Check for non-technology factors – branch staff

Q10. Where in your opinion and given your experience, can things be improved?

- Check for each channel
- Implications for bank customer relationships

Conclusion

Q11. Is there anything else that you would like to add that I did not ask?

Q12. Request for annual salary and residential postcode
Explain purpose of data

Request for re-contact option if needed post transcription and during analysis

Thank and conclude

Appendix 5E
Customer fieldwork - Annual salary band (pre-tax) table

Could you please indicate which annual salary band (pre-tax) is most applicable to you?

Annual salary bands (pre-tax)	
< £ 20,000	A
£ 20,000 - £ 30,000	B
£ 30,000 - £ 40,000	C
£ 40,000 - £ 50,000	D
£ 50,000+	E
Do not wish to disclose	F

Appendix 5F

Customer data – Table shell for interview guide themes, purpose of data and data analysis outcome

DG THEMES	PUPOSE OF THIS DATA – ANALYSIS OUT COME (1)	DATA ANALYSIS OUTCOME (2)	DATA ANALYSIS OUTCOME (3)
Warm up			
Personal/Professional (leisure/work)	Lifestyle indicators		
Banking practice			
Single bank or basket of banks	Banking practice indicators		
Factors for choice	Any channel driven issues		
Product and channel usage			
Products owned and since when	Banking Needs		
Products not used and why	Life stage and lifestyle indicators Uncertainty and risk avoidance? Any other factors		
Channels used and since when	Cues for <i>product-channel interaction</i> Cues for <i>customer-channel interface</i> - Pre, during and post purchase activities - Roles assigned to the channels by the customers to meet their needs: <i>Channel-task alignment</i> - Type and extent of multiple channel activity - Main and supporting channels Perceptions of channels	Usage patterns - By each channel - By Gender - By Age group - By Bank X vs. Other Banks Shifts in usage patterns - By Gender - By Age group - By Bank X vs. Other Banks Barriers and motivators Customer use of multiple channels for their banking needs	
Channels not used and why Partial use of channels	Uncertainty and risk avoidance? Experience driven? Any other factors		

Customer experience of interaction Critical incidents	Product or channel related experience Multiple channel experience (Positive and negative experiences)	Need gaps Impact on channel usage and preference Influence of emotions Influence of technology	Impact on bank-customer relationships Factors driving the effectiveness of channel integration - Appropriate channel task alignment - Management of channel hand-offs - Effective assignment of 'ownership of account'
Bank initiated interactions	Customer service review (CSR) Out bound contact Direct mail	Customer perception of the CSR Customer experience of interaction	Cognitive and affective influences Impact on bank-customer relationships Impact on the perception of banking
Customer opinion and perception about	Technology in banking Banking as an industry Bank-customer relationships	Similarities or differences - By gender - By age group - By Bank X vs. Other Banks	Do these issues individually or in an interconnected way impact upon the - customers' channel usage, - customers' channel preference - multiple channel activity
Areas of improvement	By channel		Implications for - Channels - Channel integration

Appendix 5G
Letter with research outline for technology partner firms



Research on channel integration as a CRM process
About the research

As a Ph.D. candidate at the Department of Marketing, University of Strathclyde, Glasgow, I am researching the channel integration process as it exists in the UK retail banking industry in terms of business practice, sector specific challenges, implications for customer experience and bank-customer relationships.

This Ph.D. research is funded by a scholarship from the University of Strathclyde and supervised by Prof. Susan Hart, Dean of the Strathclyde Business School.

The research intends to develop a holistic picture of the channel integration process emerging from three perspectives. The initial part of the research focussed on bank and consumer perspectives. Now, in its final stage, the research concentrates on consulting and technology partners and solution providers.

Requesting research participation

Given the expertise of XXXX in retail banking IT solutions, we are particularly interested to incorporate insights from XXXX. We would be very grateful for a face to face discussion around the following broad themes:

- Channel integration at the overall CRM level and channel level
- Implementation - factors, barriers, practical considerations, level of integration
- Sector specific challenges

Our aim is to keep the discussions concise and completed within 45 minutes.

In gratitude, we will provide all the participant companies involved in this research, an executive summary, containing the key research findings.

Confidentiality

The research study is purely for academic purpose and all information provided will be treated with the greatest confidence. The anonymity of all participants will be preserved, in accordance with the University of Strathclyde research code of practice.

Your assistance in the research will be most valued as the response from every firm plays an important part in the study.

Thank you very much and looking forward to your early reply and co-operation

Sincerely

Madhumita Banerjee

Doctoral research candidate, Department of Marketing, University of Strathclyde
173, Cathedral Street, Glasgow G4 0RQ

Tel: 0141 548 2962, Fax: 0141 552 2802, Email: m.banerjee@strath.ac.uk

Appendix 5H

Interview guide - Technology partners

1. What are the current and evolving trends regarding the role of the retail banking channels: branch, ATM, phone, Internet?
2. From the CRM and customer contact management perspective, what are the strengths and drawbacks of each of the 4 retail banking channels?
3. In order to deliver a positive and seamless customer experience, what aspects merit consideration regarding the integration of the 4 retail banking channels?
4. Could you please tell me something about the implementation of channel integration in retail banking in terms of:
 - factors for consideration
 - sector specific challenges
 - key processes
5. Are there any implications of Basel II for retail banks/credit risk/customer contact management?
6. With regards to XXXs products/services, how do they help banks in solving these problems
 - Compared to a packaged solution, what is the advantage or drawback of a customised product or service?
 - Value in both approaches: work where and how, cost issues, trade offs
 - For a bank, what would be the decision drivers if they have to choose between a bespoke and packaged solution?
 - In terms of integration with existing legacy systems, what kind of challenges would a bespoke or packaged solution face and try to meet those challenges?
7. What trends are you witnessing in the marketplace for UK retail banks with regards to the above discussion?
8. Anything else that you would like to add

Thank and conclude

Appendix 5 I

Technology partners data – Table shell for interview guide themes, purpose of data and data analysis outcome

INTERVIEW GUIDE THEME	ISSUES TO EXPLORE	IN TERMS OF ANALYSIS AND THE CF
Background: Experience with CRM – Multiple channel integration in Retail Banking		
Multiple channel integration as a CRM process in Retail Banking	Channel specific issues: <ul style="list-style-type: none"> - Branch - ATM - Phone: Branch, Call centre - Internet What is integrated? And channel specific <ul style="list-style-type: none"> - Voice, Data, Internet - Systems, Analysis, Front/Back office 	Uncovering the process
Implementing Multiple channel integration	Process stages	
Delivering seamless customer experience across multiple touch points	<ul style="list-style-type: none"> - Critical areas - Implications for bank-customer relationships 	<ul style="list-style-type: none"> - Factors affecting the effectiveness of channel integration - Process purpose - Cross analyse with customer data
Bank-customer relationships (Mass market banking) and channel integration	<ul style="list-style-type: none"> - State of things (issues and trends) - Positives - Gaps 	Process outcome: to what extent does reality reflect theory
Any thing not covered in the session and respondent might want to add		

Appendix 6A

Description of critical incident categories

Group 1 – Incidents involving a single channel

1A: Customer needs/requests

Incidents in this category reflected customer experience within a single channel pertaining to their queries, needs and requests.

Positive customer experiences resulted when the customers' requests or needs were met for a range of issues such as enquiring the process for doing an international money transfer or getting advice on mortgage suitability, terms and conditions – situations where customers were unsure of the things and themselves felt to be naïve about it. In such a situation, the customer approached the bank through a particular channel such as the branch and received assistance regarding their specific need or query. When the customer based his or her actions on the advice received and it turned out right, it became a positive experience for the customers. In contrast, a negative experience occurred when the customer met with an indifferent response or non response denoting lack of willingness to help the customer with his or her query or request. Also incidents where the customer had submitted a written or verbal request and after a few weeks discovered that neither the request had been carried out and nor was the customer informed regarding the reason for the same, it became a negative experience for the customer. For instance, submitting a request for updating customer information due to change of address not being carried out and as a consequence the customer's mail being lost which caused an inconvenience to the customer.

1B: Handling procedures

This category of incidents related to customer experience regarding the manner in which banking procedures were handled within a channel.

Evidence of both positive and negative customer experience emerged during the incident sorting process. Positive customer experience resulted from quick and efficient handling of procedures where everything was expedited at the earliest possible to the customer's satisfaction within a single channel interaction such as branch or phone. In contrast, customers mentioned negative experience when they were faced with ill defined or inconsistent handling of procedures. Negative experience within a channel of an ill-defined procedure occurred when a customer was shuffled across employees and no one seemed to be able to deal with the issue at hand, nor direct the customer to the appropriate person. Lack of consistency in procedures such as withdrawal of bank charges tended to create negative experiences for a customer who questioned what made the bank withdraw a bank charge in one instance and not in the other. The same customer reported inconsistency in dealing with the said procedure across branches. In such a situation where the bank charge had been withdrawn in one instance and not the second time created a negative experience for the customer and raised questions about consistency in handling procedures or the lack of it.

1C: Delays in procedures

Incidents in this category show how delays in procedures not only lead to negative experience as would be generally expected but the interaction within a channel can also turn the negative customer experience into a positive one.

Incidents of negative customer experience regarding delays in procedures draw attention to the fact that customers were patient despite the delays but were put off by the lack of support and uncooperative staff that did not do anything to alleviate the inconvenience caused by the delays. Further the delays in procedures were repeated throughout the incident that made the entire experience negative for the customer. Incidents that were grouped under this category included the case of a delayed loan application where the concerned person made mistakes on the application processing and further went away on holiday without forwarding the application for other staff to deal with it. Thereafter when the customer repeatedly chased the bank regarding her loan application, she was made to

fill it twice because the staff handling the application took long to sort the mistakes made by the previous member of staff. In contrast, support and assistance by branch staff during delays and lost documentation for a VISA credit card application procedure for a customer turned a potentially negative experience into a positive one for the customer.

1D: Errors

Incidents involving errors from the bank and the resulting positive and negative customer experiences are grouped under this category.

An incident where the bank's errors in not notifying the customer about changes in its overseas money transfer charges has resulted in a loss to the customer. Such a negative incident in fact has turned into a positive experience for the customer because the bank upon realising its mistake has admitted its error and reimbursed the money to the customer and thereby generated customer delight. In contrast, where both the bank and customer have realised the bank's error in dealing with a matter such as application for changing a type of account but the branch staff has implied that the customer is to be blamed for the mistakes and delays, such an incident becomes a negative experience for the customer.

Group 2 – Incidents involving multiple channels

2A: Co-ordination across multiple channels (including partner channels)

The incidents in this category refer to positive and negative experiences occurring during customer interaction through more than one channel for a single incident.

Each incident under this category reflects a range of issues pertaining to co-ordination of multiple channels and it was not possible to categorise the incidents under more specific categories. The incidents show how service failure in one channel if rectified by interaction through another channel can lead to positive experiences or a series of failures and delays encountered by customers across channels for the same issue can result in a negative experience. Some incidents also illustrate difficult or challenging situations involving a combination of channels such as branch, ATM, phone or Internet as well as the bank's partners such as VISA credit card or international channel networks like Cirrus and Maestro for overseas cash withdrawals and balance enquiries.

**Appendix 6B
Group 1 sample incidents - Single channel**

Group 1: Sample incident	Positive experience	Negative experience
1A: Customer needs/requests	<p>“Possibly when I was taking the big step about the mortgage and I looked about at a couple of other ones. Came in and spoke to the lady mortgage advisor. I was very naïve about that, knew the basics. She sat me down, gave me all the paper work, said take it home, give me a wee phone for any problem. I phoned her up for a couple of wee things and then went in again and that was it”.</p> <p align="right">DI#26, Male-40s</p>	<p>“One thing that I am unhappy about with the bank is so far not issuing me with a debit card. I spoke at the branch. They took a note of it but I have never heard from them. That is the cause of my unhappiness and I might shift banks because of this reason”.</p> <p align="right">DI#21, Male-40s</p>
1B: Handling procedures	<p>“I needed to buy a laptop and I needed the money seriously so I went to the bank. I have read all along that as a student I have this facility and at this point I needed some money, they helped me and it was done in 5 minutes over the counter and I was a bit impressed that they were willing to help. Some other bank I might have had to go through all that process”.</p> <p align="right">DI#8, Male-30s</p>	<p>“When I was buying my second house, went to the bank and I was doing a CHAPS payment transferring large amounts of money as part of the deposit and they put me through six different people. Nobody knew who to deal with. It was quite a standard thing but they didn't deal with it very well either. So I was getting a bit angry with that”.</p> <p align="right">DI#11, Female-30s</p>
1C: Delays in procedures	<p>“My application for the VISA card - first time they forgot to put forward the application, second time I applied, put forward all documentation, something went missing again, then they were not clear about my change of address through the years. I think the whole process started sometime in April and finished in August. I was just patient and waiting for this. I was interacting with the branch and actually I found them quite friendly. All the people were</p>	<p>“As a student, you get a gross interest rate but you don't pay taxes but for some reason they started charging me nett interest rates which means they were charging me taxes. When I go there to find out and change it, they told me it was my responsibility and I should have filled out an application form at the beginning and I told them no they told me nothing about. So they sent me to the appropriate person to fill the form and change the status. Four weeks</p>

	<p>very friendly and very helpful to me".</p> <p style="text-align: center;">DI#5, Female-20s</p>	<p>after that when I contacted the bank, they hadn't changed my information. I was still paying taxes. Filled the same application form three times but still nothing changed. So I just carried my money out to another bank".</p> <p style="text-align: center;">DI#23, Male-20s</p>
<p>1D: Errors</p>	<p>"I used to send money through them overseas to my country all the time. Suddenly their partners changed and their rates changed as well because there was a third party and they had to pay charges to the third party too and to the bank in my country as well, so there were three charges I was paying. They didn't tell me. I realised it when they had taken a lot of money and they said 'oh yes, there is a new partner'. They did give me back the money because they said they should have known and told me".</p> <p style="text-align: center;">DI#9, Female-40s</p>	<p>"I had to change my name on my cards. In my case it was a very simple thing that I asked them to do, in fact it actually stated on the application form how would you like your name to appear on the card? And I wrote it as X Y but the cards came back wrong three times. There is no point in collecting all this information and asking these questions if you are not actually paying any attention to it".</p> <p style="text-align: center;">DI#13, Female-30s</p>

Source: Author

Appendix 6C
Group 2 sample incidents - Multiple channels

Group 2: Sample incident	Positive experience	Negative experience
<p>2A: Co-ordination across multiple channels (including partner channels)</p>	<p>"I had my wife with me and it was about £100 and I asked her to pick it up and she didn't understand me what I was saying and trying to involve her, by the third time, it was delayed. However that was satisfactorily resolved after about three months. [SECURITY AGENCY] who looked after the cash line, they swore blind that I had got the £100.</p> <p>I had my statement and I went back 20 minutes later to the branch just to confirm and I put back my card in and it showed that £100 had been taken out. So that is evidence to show the bank manager as it has date and time that £100 had been taken out but it hasn't. The arrangement is apparently in the machines such that money is only available for a certain amount of time, then it takes it in. Say for your card, if you press the wrong numbers once or twice, it takes it away. It swallows the card. Well here it swallowed the money (laughs). But I would have thought it would show somewhere that the money had been swallowed, it hadn't been delivered.</p> <p>I hadn't got the £100 and out of an ex-gratia arrangement, Bank X reimbursed me for a £100. I told the manager of the branch of that cash line facility-I said to him no way am I going to swindle Bank X for a £100 at this late stage of my life. So he was quite understanding and sympathetic about it and giving me the benefit of doubt rather than listen to what [SECURITY AGENCY] was saying.</p> <p>That wasn't shown anywhere. According to their records money had been delivered. Whatever mechanical or electronic arrangement it is because that £100 it wasn't</p>	<p>Once I was put in a position that my SWITCH card was not accepted at [PARTNER CHANNEL-SUPERMARKET] checkout and they started calling Bank X without asking me and that upset me and they said give me the code number and I said which one of them. First of all I cannot understand what is the problem, I would expect someone to talk to me "hello Ms. xxx, there seems to be this problem with your credit card, could you please give me your ID, so that I can deal with this problem</p> <p>And I was like which code because I have many codes and which one do you exactly mean the one I initially got from the bank, my PIN number – what exactly do you need? I actually asked her to explain exactly the process because if I am not explained the process how do I know what to do. It was an issue with the [PARTNER CHANNEL-SUPERMARKET] person that actually didn't let me know what they were doing. Customer relationship like who customer relationship? Of what? They had already given my credit card number, sorry my switch card number plus my name and other things like expiry date.</p> <p>They told me to wait near the cashier while they were using the phone in the other corner and that was a little bit kind of weird. Why are you giving away so much information without actually</p>

delivered, it was offered, wasn't taken and it should have shown so but somebody along the back there was in my opinion sitting on a £100 that didn't belong to them. Whether it was the [SECURITY AGENCY] or Bank X, I don't know. They paid the £100 in to my account but it took 3 months to sort it out".

DI#28, Male-50+

- I should have been doing this and when I talked to the lady, she was much more helpful from the Bank. She helped me to understand what was the process, why she requires this, and then she explained me a few things you know. But I think the way they deal with the information especially with other people like this [PARTNER CHANNEL-SUPERMARKET] for example, they should have refused the [PARTNER CHANNEL-SUPERMARKET] woman to process further. They should have said, I need to talk to the customer directly, this kind of instance or on occasion something happens with my credit card or if they see an irregular kind of withdrawal of money they should immediately let me know before they actually process it".

DI#5, F-20s

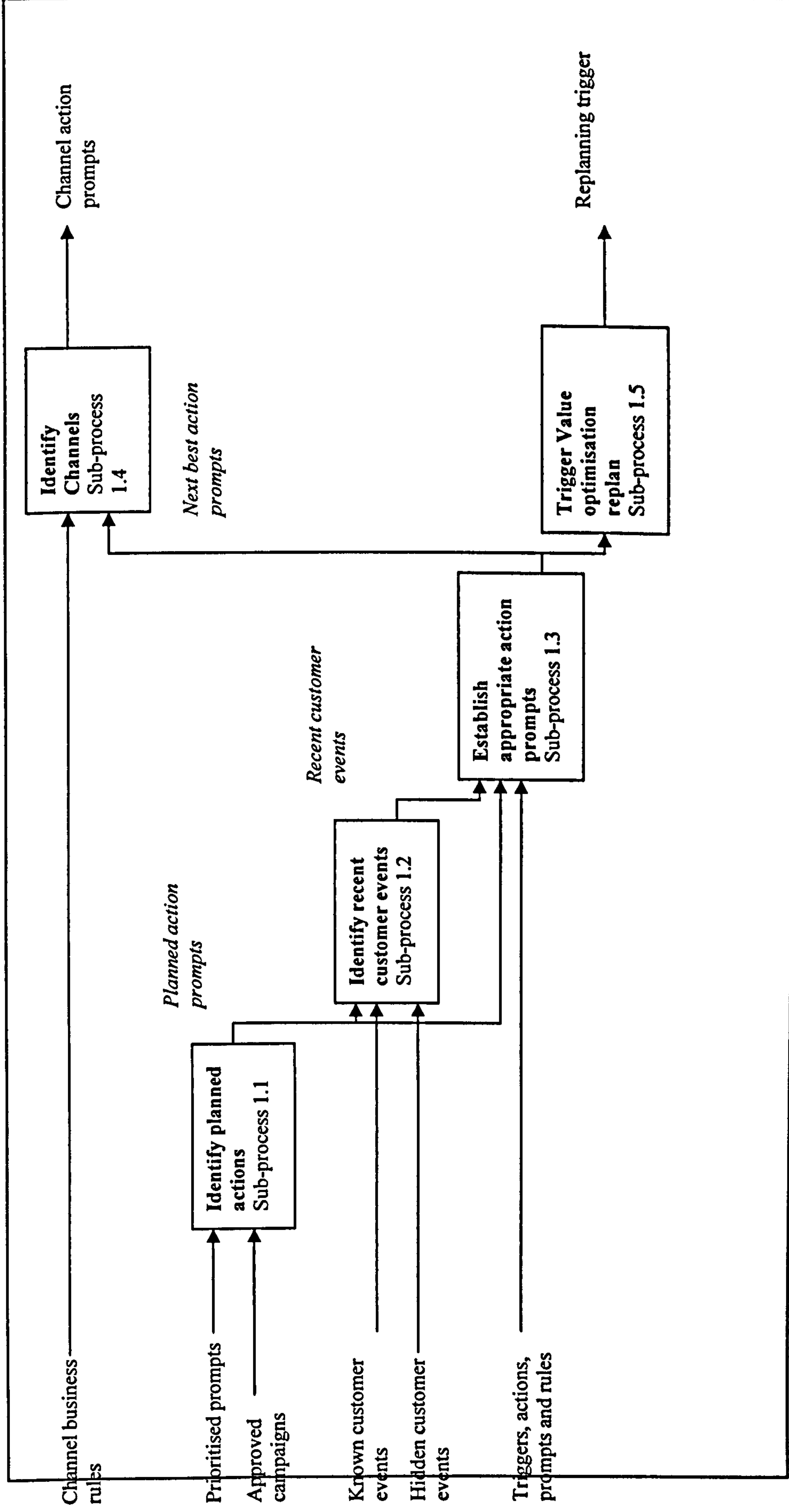
Source: Author

Appendix 6D
Themes of qualitative inquiry

<i>Design strategies</i>	
1. Naturalistic inquiry	Studying real-world situations as they unfold naturally; non-manipulative and non-controlling; openness to whatever emerges (lack of predetermined constraints on findings)
2. Emergent design flexibility	Openness to adapting inquiry as understanding deepens and/or situations change; the researcher avoids getting locked into rigid designs that eliminate responsiveness and pursues new paths of discovery as they emerge
3. Purposeful sampling	Cases for study (e.g. people, organization, communities, cultures, events, critical incidences) are selected because they are 'information rich' and illuminative, that is they offer useful manifestations of the phenomenon of interest; sampling, then is aimed at insight about the phenomenon, not empirical generalization from a sample to a population
<i>Data collection and fieldwork strategies</i>	
4. Qualitative data	Observations that yield detailed, thick description; inquiry in depth; interviews that capture direct quotations about people's personal perspectives and experiences; case studies; careful document review
5. Personal experience and engagement	The researcher has direct contact with and gets close to the people, situation, and phenomenon under study; the researcher's personal experiences and insights are an important part of the inquiry and critical to understanding the phenomenon
6. Empathic neutrality	An empathic stance in interviewing seeks vicarious understanding without judgement (neutrality) by showing openness, sensitivity, respect, awareness, and responsiveness; in observation it means being fully present (mindfulness)
7. Dynamic systems	Attention to process; assumes change as ongoing whether focus is on an individual, an organization, a community, or an entire culture; therefore, mindful of and attentive to system and situation dynamics
<i>Analysis strategies</i>	
8. Unique case orientation	Assumes each case is special and unique; the first level of analysis is being true to, respecting, and capturing the details of the individual cases being studied; cross-case analysis follows from and depends on the quality of individual case studies
9. Inductive analysis and creative synthesis	Immersion in the details and specifics of the data to discover important patterns, themes and inter-relationships; begins by exploring, then confirming; guided by analytic principles rather than rules; ends with creative synthesis
10. Holistic perspective	The whole phenomenon under study is understood as a complex system that is more than a sum of its parts; focus on complex inter-dependencies and system dynamics that cannot meaningfully be reduced to a few discrete variables and linear, cause-effect relationships
11. Context sensitivity	Places findings in a social, historical, and temporal context; careful about, even dubious of, the possibility or meaningfulness of generalizations across time and space; emphasizes instead careful comparative case analyses and extrapolating patterns for possible transferability and adaptation in new settings
12. Voice perspective and reflexivity	The qualitative analyst owns and is reflective about her or his own voice and perspective; a credible voice conveys authenticity and trustworthiness; complete objectivity being impossible and pure subjectivity undermining credibility, the researcher's focus becomes balance – understanding and depicting the world authentically in all its complexity while being self-analytical, politically aware, and reflexive in consciousness

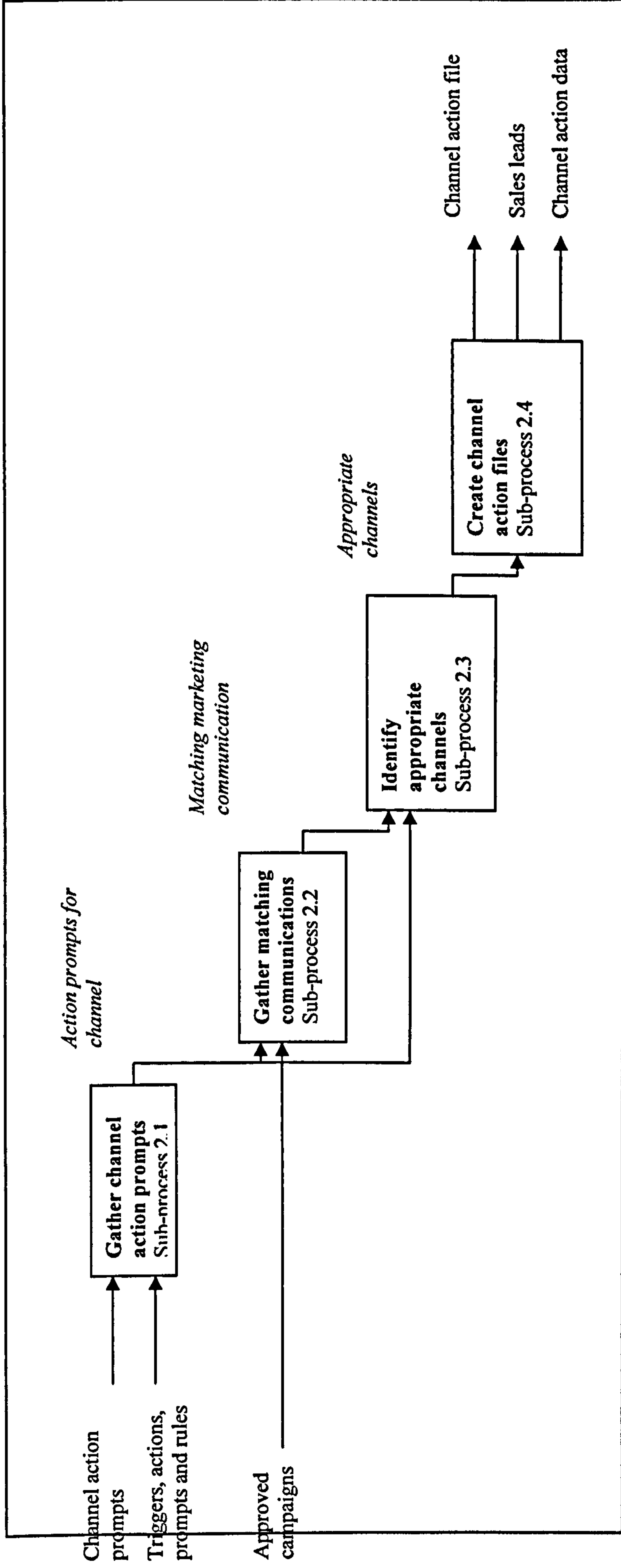
Source: Patton (2002:40-41)

Appendix 7A: Process map – Process 1: Execute Campaigns and Contacts



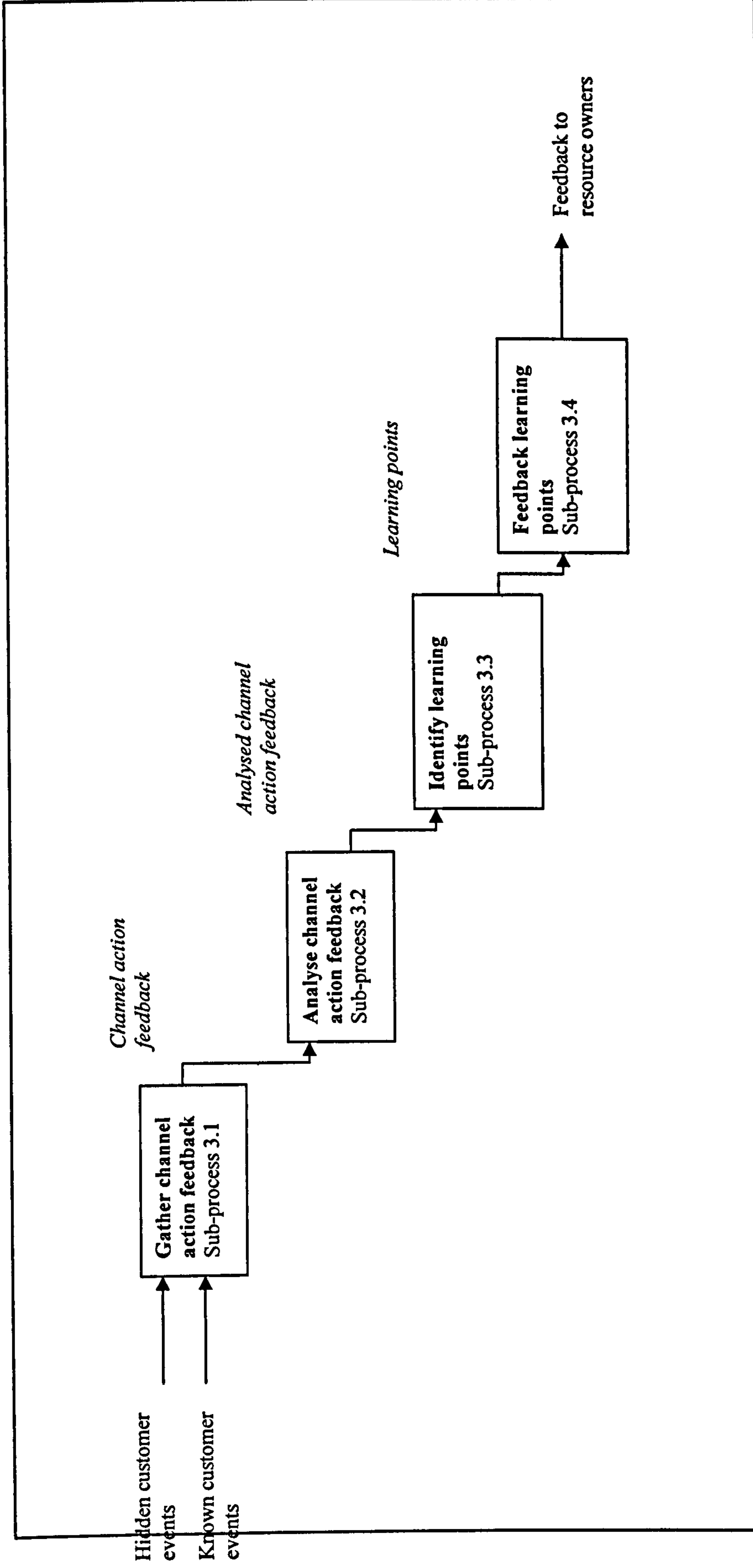
Source: Bank X retail strategy and marketing business operating model document, June, 2003:69

Appendix 7B: Process map – Process 2: Deliver to channels



Source: Bank X retail strategy and marketing business operating model document, June, 2003:73

Appendix 7C: Process map – Process 3: Channel action feedback and learning



Source: Bank X retail strategy and marketing business operating model document, June, 2003:75

**Appendix 8A
Customer in-depth interview data - Respondent profile matrix**

Age band	Gender	Annual salary band	Education	Occupation	Banks	Duration of banking	Banking Products	Channels
20s YOUNG								
DI# 2	F	A - < £20,000	University PG	Teacher	Bank X	3-5 years	CA, SA, Debit card	Branch, ATM
DI# 3	F	A - < £20,000	University UG	Junior Nurse	Bank X	>5 years	CA, SA, SWITCH card	Branch, ATM, quick deposit
					Bank F	1-3 years	Mortgage	-
					Bank E	>5 years	SA	By cheque
DI# 5	F	A - < £20,000	University PG	Student	Bank X	>5years	CA, SA, VISA credit card	Branch, ATM, Internet
DI# 6	F	A - < £20,000	University PG	University research staff	Bank X	>5years	CA, SA, VISA credit card	Branch, ATM, Internet
DI# 7	M	A - < £20,000	University PG	Student	Bank X	1-3 years	CA, SA, Credit card, Debit card	Branch, ATM
					Bank C	1-3 years	CA, SA	Branch, ATM
DI# 18	M	A - < £20,000	University UG	Temp worker	Bank X	>5years	CA, SA, Overdraft,	Branch, ATM
DI# 23	M	A - < £20,000	University PG	Student	Bank X	3-5 years	CA, VISA, SWITCH, Overdraft	Branch, ATM
					Bank D	6-12 months	SA	Branch, Internet
DI# 27	M	A - < £20,000	University UG	Marketing Executive	Bank X	>5years	CA, SWITCH, VISA, Overdraft	Branch, ATM, phone
30s MATURE YOUNG								
DI# 1	F	B - £20,000-30,000	University UG	IT Developer	Bank X	0-6 months	CA	ATM
					Bank C	3-5 years	CA, SA, Credit card	ATM, Internet
DI# 11	F	C - £30,000-40,000	University UG	Marketing Manager	Bank X	> 5 years	CA, SA, Credit card, joint account	ATM, Internet
					Bank J	1-3 years	Mortgage	-
					Bank G	> 5 years	SA	-
DI# 13	F	A - < £20,000	University UG	Secretary	Bank X	> 5 years	CA, Credit card	Branch, ATM, Internet
					Bank J	> 5 years	SA	-

DI# 24	F	B - £20,000-30,000	University UG	Data Analyst	Bank I	1-3 years	Loan	-
					Bank X	1-3 years	CA, SA, Credit and SWITCH card	Branch, ATM, Phone, Internet
DI# 8	M	A - < £20,000	University PG	Student	Bank C	> 5 years	CA, SA, Credit and SWITCH card	
DI# 12	M	A - < £20,000	University PG	Student	Bank X	3-5 years	CA, SA, Credit card, overdraft	Branch, ATM, Phone, Internet
DI# 14	M	C - £30,000-40,000	University PG	Project Mgr - Construction	Bank X	> 5 years	CA, SA, joint account, credit card, loan	Branch, ATM
DI# 17	M	C - £30,000-40,000	University UG	Project Manager - IT	Bank M	3-5 years	Mortgage	-
40S MATURE					Bank X	> 5 years	CA, SA, Credit card	Branch, ATM, Internet
DI# 9	F	B - £20,000-30,000	University PG	Teacher	Bank A	1-3 years	Mortgage, CA	Internet
					Bank O	0-6 months	Investments, stock broking	Internet, face2face
DI# 15	F	C - £30,000-40,000	University UG	Administration Manager	Bank X	> 5 years	CA, VISA credit card	Branch ATM Phone Internet
					Bank A	> 5 years	TESSAS	-
					Bank J	3-5 years	Mortgage	-
DI# 20	F	B - £20,000-30,000	University UG	Secretary	Bank X	> 5 years	CA, SA, IASA, Mortgage	Savings by postal mail
					Bank J	> 5 years	CA	Branch ATM Phone
					Bank H	1-3 years	SA	Quick deposit box

DI# 22	F	A - < £20,000	School	Print unit staff	Bank J	-	Mortgage	-
					Bank X	> 5 years	CA, SA, Debit card, Loan	Branch ATM Phone
					Bank K	-	Mortgage, credit card	-
DI# 19	M	A - < £20,000	School	Self employed-business	Bank X	1-3 years	CA, credit card Loan	Branch ATM
DI# 21	M	A - < £20,000	University PG	Mature student-career break	Bank X	3-5 years	CA, credit card	Branch ATM Internet
DI# 26	M	B - £20,000-30,000	School	Security officer	Bank X	> 5 years	CA VISA credit card Mortgage	Branch ATM
DI# 30	M	C - £30,000-40,000	College - HND	IT and administrative officer	Bank X	> 5 years	CA, SA	Branch ATM Internet
					Bank D	> 5 years	CA, Internet SA	Branch Internet
					Bank H	-	Credit card	-
					Bank N	-	Mortgage, SA	-
50+ SENIOR								
DI# 4	F	B - £20,000-30,000	School	Secretary	Bank X	> 5 years	CA, SA, Gold 90, Mortgage (paid off)	Branch ATM Phone Internet
DI# 10	F	A - < £20,000	School	Administrative staff	Bank X	> 5 years	CA, SA	Branch, ATM
					Bank B	1-3 years	Investment	-
DI# 16	F	Pensioner	School	Voluntary social service	Bank X	> 5 years	CA, SA	Branch ATM -fare
					BOS	> 5 years	CA, SA, Credit card	Phone
					Bank B	3-5 years	Mortgage	-
DI# 25	F	A - < £20,000	School	Secretary	Bank X	> 5 years	CA, SA, Credit card	Branch, ATM
					Bank D	> 5 years	SA	Quick deposit
					Bank F	> 5 years	Joint SA	Branch, ATM
					Bank M	> 5 years	SA	Phone

DI# 28	M	Pensioner	School	-	Bank X	> 5 years	CA, SA VISA and Master cards SWITCH	Branch ATM
DI# 29	M	B - £20,000-30,000	College - HND	Car salesperson	Bank X	> 5 years	CA, VISA credit card, SWITCH	Branch, ATM, Phone
DI# 31	M	A - < £20,000	School	Library assistant	Bank L	> 5 years	Savings	Not much interaction
					Bank X	> 5 years	CA, SA, Credit card (Mastercard)	Branch ATM
					Bank A	> 5 years	Mortgage	-

NOTE:

1. CA-Current Account
2. SA- Savings Account
3. All banks and building society names are pseudonyms to maintain confidentiality

Appendix 8A (contd.)

Age and gender

The sample included 16 female and 15 male respondents across the four life stages. Each life stage has been labelled as follows:

- 20-29 years – Young
- 30-39 years – Mature Young
- 40-49 years – Mature
- 50+ years - Senior

The respondents were distributed across the four life stages and the youngest respondent was 21 years and oldest was 77 years old.

Education

Difference in education level was evident across the life stages where university education (undergraduate and postgraduate) was reported largely by the 'Young' (20-29 years) and 'Mature Young' (30-39 years) life stages. In contrast, the life stage 'Mature' (40-49 years) was a mix of university and school education level and the 'Senior' (50+ years) life stage was entirely of school level education.

Occupation

The heterogeneity of the sample is evident in the diverse occupations mentioned by the respondents, which ranged from students, temporary workers, security officers, nursing, teaching to full time middle management executives and managers

Banks used for banking product needs

Two broad groups emerged among the respondents –

- *One:* Who were banking only with a single bank - Bank X (12 respondents), and
- *Two:* Who were using more than one bank and/or building society for different banking needs (19 respondents). The sample of respondents represented heterogeneity in terms of the products held – current account, savings account, credit card, debit card, personal loans/overdrafts and mortgage

Appendix 8B

Breakdown of total respondents across the annual salary bands

A <£20,000	B £20,000 - 30,000	C £30,000 - 40,000	D £40,000 - 50,000	E £ 50,000+	F Do not wish to disclose	Pensioners	Total Respondents
17	7	5	0	0	0	2	31

Annual salary band

Appendix 5E in chapter 5 presented the 5 annual salary bands and a sixth option for respondents not wishing to disclose their annual salary. Appendix 8B presents a breakdown of total respondents across the annual salary bands.

As illustrated in Appendix 8B, out of the total 31 respondents, 17 (54.84%) respondents stated that they belonged to band A, representing annual salary less than £20,000. 7 respondents (22.58%) placed themselves in band B, for annual salary between £20,000-30,000. 5 (16.12%) respondents stated their annual salary to be in band C, £30,000-40,000 and 2 (6.46%) respondents from the 50+ life stage stated themselves as pensioners. Gender representation across all the salary bands was evident in the data without any disparity across genders. For the life stage 'Young' (20-29 years), all the 8 respondents belonged to band A representing annual salary <£20,000.

Appendix 8C
Duration of banking with Bank X

0-6 months	6-12 months	1-3 years	3-5 years	>5 years	Total respondents
01	0	03	05	22	31

Duration of banking with Bank X

As illustrated in Appendix 8C, 22 respondents were banking with Bank X for more than five years and the oldest banking duration was mentioned as 42 years by a respondent from the 50+ age group. A consistent pattern emerged in the data whereby respondents across the four life stages mentioned that they had been banking with the Bank X for an extended period of time. The following reasons were mentioned by the respondents as the starting point of their banking association with Bank X:

- started as a child account
- started as a university student current account for student loans which was later converted to either a standard current account or a current account with special features
- opened first account for wages/salaries

Appendix 8D

Internet banking users and non-users profile

	Internet banking and usage groups	N	%
Non-users	➤ Do not use Internet banking	18	58.1%
Users	➤ Use Internet banking only to check account balance	05	16.1%
	➤ Use Internet banking to check account balance and pay bills	02	06.5%
	➤ Use Internet banking to check account balance, pay bills and move money across accounts	06	19.3%
	Total	31	100.0%

Source: Author

Non-users:

- 18 (58.1%) of the respondents said they did not use Internet banking. This data was further analysed and revealed further sub-groups:
 - using Internet banking with other bank but not Bank X
 - use computers and Internet at work and leisure but not inclined to use for banking purpose
 - not computer literate
 - registered for Internet banking but do not use
 - not doing Internet banking but open to the idea

Users:

- 5 respondents (16.1%) stated that they used Internet banking only for checking account balance and printing monthly statements
- 2 respondents (6.5%) stated that they used Internet banking to check account balance and pay bills but were not confident of moving money between accounts
- 6 respondents (19.3%) stated that they used Internet banking to check account balance, pay bills and move money between accounts
- Among the users, barring three exceptions who had started using Internet banking without first doing phone banking, other users had *migrated* from phone banking to Internet banking

Level of maturity with Internet banking and type of activities performed:

The data revealed wide spectrum of maturity with Internet banking, whereby at one end of the spectrum were respondents who had been using Internet banking for more than three years and on the other end of the spectrum were respondents who had started Internet banking 3 months ago.

Interestingly, the level of maturity was not corresponding to the type of activities performed through Internet banking. It appeared more relevant to one's comfort level with Internet as a medium and its use for banking activities. For instance, a respondent had been using Internet banking for 2 years but did so only to check account balance as security concerns prevented her from paying bills and transferring money. On the other hand, another respondent had been using Internet banking only for 6 months but used it for a wide range of activities despite the security concerns.