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Integrating the Activities Required to Recruit and Retain Profitable Customers in Contemporary Retail Banking

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INTEGRATING THE ACTIVITIES REQUIRED TO RECRUIT AND RETAIN PROFITABLE CUSTOMERS IN CONTEMPORARY RETAIL BANKING

Susan Walsh

Today's high street retail bank faces a major challenge in integrating the marketing activities required both to recruit new customers and to retain existing profitable ones. The challenge involves a judicious mix of 'transaction marketing' - mainly aimed at winning new clients - and of 'relationship marketing' - largely aimed at retaining present ones. Evidence from a detailed qualitative study of marketing practice in a UK high street bank, a subsidiary of an Irish headquartered bank, demonstrates just how problematic achieving this balance can be.

The data indicates that this bank underinvested in a number of activities that are of primary importance in transaction marketing. For example, much product development had flaws and delivery systems often lacked efficiency/cost effectiveness. At the same time, the bank under-allocated the core activities in relationship marketing. For example, there was evidence of inadequate training for staff in relationship roles and some data management processes were underdeveloped.

On the other hand, there was apparent overinvestment in what are generally known as promotional marketing activities. For instance, considerable monies were spent on advertising, merchandising and sponsorship, and a robust selling culture pervaded the organisation. The outcome in the bank under investigation was an intensive, time consuming engagement with the promotional side of marketing - made manifest, for instance, by an overly active cross-selling of inadequately developed products to an existing customer base. In sum, neither good relationship nor good transaction marketing was executed. Instead the bank steered a questionable third way. These findings cast a shadow over the future of the high street retail bank as it is constituted currently.

Introduction
Over the past number of decades retail banks have had to alter their marketing activities in order to meet the challenges presented by regulatory and technological factors and changing consumer dynamics in the external environment. In altering these traditional practices banks are facing challenges in two key areas.

First, appropriate marketing activity needs to be developed to enable customer recruitment. In an increasingly competitive and dynamic environment, winning new customers is important in maximising profitability, keeping the costs of the product down (through scale economies) and maintaining market share (Kotler, 1991). Managing the search process in a consistent and innovative manner is key.

Second, effective marketing activity is required for customer retention. This is particularly the case where existing customers are manifestly profitable (Neenan, 1993; Reichheld, 1993; Reichheld and Sasser, 1990). Research on customer retention economics dictates that while it is important to hold onto existing customers, not all customers offer the same level of profitability. According to Berry (1995), 'some customers typically are far more profitable to a firm than others while some customers typically may be unprofitable to serve' (p. 239). Neenan (1993) maintains that in the retail banking context the top 20 per cent of customers...
can contribute up to 80 per cent of the profits. As the environment becomes increasingly competitive retail banks are attempting to identify the profitability of various customers and develop activities aimed at retaining and meeting the needs of these high net worth clients (Neenan, 1993).

There are numerous prescriptions in the literature as to how service organisations should go about achieving customer recruitment and retention goals. To date, however, there has been little conceptual work that considers from an in-depth and holistic perspective the issues involved in developing and integrating the marketing activity required to achieve both these objectives simultaneously. For example, there have been few studies that consider the transaction and relationship activities required to achieve customer recruitment and retention, the issues involved in effectively integrating these activities and the impact that one set of activities have on another. This lack of conceptual development has resulted in real shortcomings in how service organisations, including banks, develop and integrate the activities required to both recruit and retain customers in the contemporary environment.

The first part of this article presents a framework of contemporary retail bank marketing activity, derived from both theoretical and empirical foundations. The second part discusses findings emanating from qualitative, longitudinal research in a retail bank case study and builds towards a model that considers contemporary retail bank marketing activity in practice. The final part discusses the implications of this model and suggests areas for further research.

**The Scope and Range of Marketing Activities**

Marketing activity, as defined by most marketing texts, consists of organisational activities that are 'aimed at facilitating and expediting exchanges' (Dibb et al., 1994, p. 4). In facilitating exchange the marketer can employ a diverse range of marketing activities that can be formulated into different combinations and patterns. Probably the most recognised framework for understanding and classifying the activities that may be used by marketers in facilitating exchange is the marketing mix concept (Borden, 1964). In developing the concept of the marketing mix Borden adopted the idea of the business executive as a ‘mixer of ingredients’ who sometimes follows a recipe prepared by others, sometimes lets his own recipe evolve as he goes along, sometimes adapts a recipe to the ingredients immediately available and sometimes invents ingredients that no one else has tried (Culliton, 1948). In mixing ingredients the marketing executive designs the ‘marketing mix’, which can encompass a diverse range of marketing activities.

There have been a number of varied attempts to identify or classify the particular activities that make up the marketing mix (Borden, 1964; Frey, 1961; Howard, 1957). Borden (1964) himself proposed a list of twelve dimensions which include product, planning, pricing, branding, channels of distribution, personal selling, advertising, promotion, packaging, display, servicing, physical handling, fact finding and analysis. The list was reduced by McCarthy (1960) to the more concise four Ps framework which incorporates the dimensions of product, price, promotion and place. Over the years the four Ps framework has been expanded by various authors to form different classifications, such as Judd’s five Ps (1987), Kotler’s six Ps (1986), the seven Ps as introduced by Booms and Bitner (1981), Keely’s four Cs (1987) and Gummesson’s 30 Rs (1996).

As such, there are different definitions as to the nature and scope of the marketing activities that make up the marketing mix. This can be largely attributed to the extent or depth to which various authors have sought to classify (or subclassify) marketing procedures and the fact that marketing mix classifications vary according to the particular circumstances being described (Borden, 1964). It is generally accepted that in a services context (such as retail banking) the marketer can employ a diverse range of activities that move from the more traditional elements of product, distribution and price to the more service-oriented dimensions of physical evidence, process and people (see Figure 1).

**Contemporary Retail Bank Marketing Activity**

As a result of competitive changes, changing consumer dynamics and alterations in technology, the high street retail bank has been forced to alter and
adapt its marketing activities. The alterations have been driven by two key objectives. These centre on the need to develop appropriate marketing activity to recruit customers and effective marketing activity to retain existing customers that are profitable.

While a diverse range of activities can be employed in recruiting customers, the literature indicates that so-called transaction marketing is most appropriate in this instance (Baker et al., 1983; Berry, 1995; Webster, 1992). In transaction marketing the emphasis is principally on the single sale or the event of a transaction (which may or may not be repeated). The primary focus is on economic exchange or profitability through successful exchange of a product or service for money. While other activities (for example, the mass communication and personal sales activities that facilitate demand stimulation, brand loyalty and alterations to the customer's preference) may have some role to play, the product, distribution and pricing activities that support the pure market transaction are of primary importance in transaction marketing (Webster, 1992).

In developing the activity required to retain profitable customers the literature indicates that so-called relationship marketing is most appropriate (Berry, 1995; Gronroos, 1980; Webster, 1992). Relationship marketing is predominantly focused on the interactive relationship between two parties and the extent to which the relationship allows both parties to achieve objectives that are primarily long term. This dictates that while activities such as the product and price are not unimportant, they require less emphasis than those activities that support interactive marketing at the individual customer level (such as physical evidence, process and people).

Building on Figure 1 and the discussion to date, a conceptual model of contemporary retail bank marketing activity is depicted in Figure 2. As indicated, retail banks in the contemporary environ-

ment can be seen as having objectives that centre on customer recruitment and the retention of high net worth customers. While the retail bank can employ a range of activities in achieving these objectives these marketing dimensions are integrated/interrelated and need to be managed in a balanced manner.

Balancing these activities does not necessitate an equal focus on all aspects or a similar commitment of resources to each activity. As is obvious from the definitions of transaction and relationship marketing above, some activities have a greater role to play in achieving certain objectives than others. In effectively integrating these dimensions the importance of different activities in achieving certain objectives needs to be established and resources invested on this basis (as depicted in Figure 2).

As transaction marketing is of key importance in achieving customer recruitment objectives the focus, in terms of resource investment, should be on the product, distribution and pricing activities depicted on the left-hand side of Figure 2. For example, one would expect that contemporary high street retail banks are focusing on product development, building efficient (cost effective) distribution channels and getting the cost of the product down (while maintaining levels of quality).

Likewise, in achieving the long term retention of high net worth customers, the focus in terms of resource investment needs to be on core relationship marketing activities. For example, one would expect that the contemporary retail bank is investing sufficient resources in identifying individual customer profitability, developing customised offerings and putting the facilities, processes and people in place to ensure that profits are maximised by meeting the needs of these high net worth clients.

While the other marketing dimensions depicted in the middle section of Figure 2 are of some
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**Figure 2** Conceptual Model of Contemporary Retail Bank Marketing

![Diagram of Conceptual Model of Contemporary Retail Bank Marketing](image)

**Methodology**

The research in this article is based on a qualitative, partially ethnographic, longitudinal study in a UK high street bank, a subsidiary of an Irish headquartered bank. While the bank under investigation has both retail and corporate divisions, the focus of this study was purely on the retail side of the business. As such, the study was concerned with gaining an in-depth and holistic understanding of the integration of the transaction and relationship marketing activities used both to recruit and to retain retail customers (namely, those customers with personal as opposed to corporate accounts).

As the study was sponsored by the bank under investigation (and the researcher worked for this particular financial service provider for a number of years), full access to the organisation was obtained. As such, the researcher spent long periods of time living and dwelling in various departments/areas of the bank in order to gain an in-depth understanding of the issues under investigation. For example, at the beginning of the fieldwork the researcher spent six weeks in the marketing department generating data through in-depth interviews, attending marketing meetings, analysing marketing documents/reports and shadowing key marketing personnel in their day to day roles. By spending time in the marketing department in this way the researcher was able to gain an in-depth understanding of the marketing activities under investigation, identify additional issues that needed to be addressed and other areas of the bank that needed to be researched (namely, the retail sales, credit, lending, operations departments and branches).

As the study progressed and the researcher’s understanding increased, the research was less exploratory and centred more on verifying and refining the themes/patterns generated by the early fieldwork. This necessitated more structured
research methods. For example, in the latter stages (in order to verify the themes emerging from the data and to help formalise the emerging models) the researcher went back to people/sites that had been assessed in the early stages and conducted more structured interviews and focused observation. Data analysis was interpretative and centred on the marketing dimensions depicted in Figure 2. In analysing the data the researcher was trying to assess the focus of investment in different activities, the extent to which an emphasis (or lack of emphasis) in one area of the model impacted on another and the precise nature of this impact.

**Contemporary Retail Bank Marketing in Practice**

The data shows that, in practice, marketing activities were not managed in a balanced manner with the bank underinvesting in some activities while overinvesting in others. This imbalance is described in depth in the following section.

**Focus on Product, Distribution and Pricing Activities**

The findings indicate an underinvestment in the product, distribution and pricing activities of primary importance in transaction marketing. The following quotes from one of the managers in the retail sales department highlight the extent of the bank’s interest in the external market and developing innovative quality products that could be used to generate profitability from the mass market.

My biggest gripe against this bank ... is that we are not externally focused enough.

We are navel gazing, looking at our own bellies, we are not looking out there, we are not saying here is a product that we feel is good enough to use as a recruitment tool.

The reasoning behind this inadequate focus is summed up in the following comment by the marketing manager (basically there was a belief that due to customer inertia, it was pointless to try to win customers that already held their current accounts with competitors).

It is extremely difficult in the personal market to get people to switch their current accounts and I must admit now that I am kinda giving up on that ... we tried it in the early ‘80s and I think the game now for banks is in recruitment and the recruitment age is dropping.

Where resources were invested in attracting customers from the external market it was largely on unbanked customers (such as children) and those customers that were not perceived to have an established relationship with another bank (namely students). The bank believed that it was important to recruit these customers (even at a loss) and then cross sell to them over the long term. This is borne out in the following comments by the marketing manager and the manager in charge of current accounts.

Recruitment in banks is happening lower and lower and younger and younger all the time; this year for example ... the other banks made sure that they communicated with their second level students and customers. In the past in third level everything was up for grabs ... we did very well but other banks are getting their acts together in terms of relating to their student customer, this throws up a strategic danger for us ... we love to gain market share on our competitors through our third level campaign; now if the other banks and our competitors are getting their acts together, well that does impact on us because we can’t gain market share as much as we did in the past.

I think you have to get them young and keep them ... we try to attract people to our bank by offering free fees etc. but they just go straight back again ... so we have to get them when they are young.

The underinvestment in product activities was further evidenced by flawed product development and a lack of innovation in the product offering.

The traditional and interest paying current accounts lack a competitive edge, highlighting the need for new product development with innovative features. (Manager in charge of current accounts)

A similar situation was found with regard to distribution activities. The following comment by the marketing manager gives some insight into the focus of the product managers under his control (at the time of data collection the marketing manager was in charge of five product managers who each managed a different product).

Product managers have three specific responsibilities ... one of which is new channel development ... that is one that we haven’t worked on all that
The reason behind this lack of focus was that these managers were rewarded on the basis of product sales. As such, distribution activities were the least of their priorities with their time being spent developing sales campaigns and motivating branch managers/staff to sell. The following comments by the manager in charge of credit products provides us with some insight into the driving forces behind the actions of product managers.

It is very evident from looking at the sales that actually being in the branches, training them, showing them the sales, showing them how to handle queries, showing them how to close the sale, taking them through all these areas, that is what actually gets the results...my tangible presence in the branch or any particular product manager's presence in the branch, it just means an extra focus from an external source. (Manager in charge of credit products)

I would actively manage the branch's sales activity, as I said earlier if the branch is low I'll be down there. I'm not waiting for the head of retail banking to phone me and say why is that branch low...I'll be on the road down to that branch to train them up, to identify their problem and get their sales kicked in. (Manager in charge of credit product)

Where resources were invested in distribution activities these were primarily focused on the traditional channel (namely the branch network). Where new channel development did happen it was motivated by the need to find more efficient/cost effective ways of servicing existing customers as opposed to developing channels to meet the needs of those in the mass market. For example, while it was recognised that alternative distribution options were available it was felt that the repercussions (for staff and customers) in closing the branches would be too great. Therefore, resources were invested in making this channel more effective (by increasing sales and cutting back on servicing through this outlet) as opposed to closing the branches and developing delivery mechanisms that were more cost effective, efficient and profitable.

We play around with other distribution channels but really the branch network is the only one. (Product manager in charge of credit products)

You know brutally our customers could be very well handled in some sort of a direct set up...but the implications for a branch network are huge...I mean you would be closing branches. (Marketing manager)

I think the main concern there is cost...We have the cost of the branches, therefore they need to be our primary channel. If a telesales unit sells better than our branches then let's close down the branches; a letter can sometimes be a more effective sales tool than a member of staff at the branch and that's the frustration...Really a lot of what we do is concentrated on the branch. (Product manager in charge of credit products)

Direct bank...one of the decisions we have made with regard to that is service only...we will only service customers through that medium. (Manager in the strategy implementation unit)

With regard to pricing activities the data shows a similar picture. The following quote highlights the extent to which the bank was competing in the external market with regard to pricing or developing low cost, competitively priced products that appealed to the mass market.

Between all the banks you can hardly tell the difference in terms of pricing. I mean they are all watching each other like hawks, there is not one bank that will all of a sudden say let's do a car loan product at five per cent and saturate the market...yes you will see someone doing it at 6.75 and then we will say maybe we will do it at 6.65, so in terms of that we are all fairly homogeneous in our pricing. (Branch staff member)

The basis of transaction marketing is profit maximisation or the exchange of a product/service for some sort of satisfactory profitability. As such, resourcing to ensure that individual products are profitable is important in this context. However, in practice, these resources were not invested. For example, some products (or customers using these products) were not profitable (as a result of implicit pricing structures and the fact that products were delivered through a high cost branch network). In some instances also, loss leaders were used to attract key segments (such as students) from the market.

The situation in relation to the contribution from other accounts is much more serious...with one particular product...accounts with balances between 100 and 300 credit are actually being held at a loss. (Manager in charge of current accounts)
Students are even more of a loss leader, it really is just cost, cost, cost; like it works our at something like £25 a student just to recruit them. (Manager in charge of current accounts)

We have a lot of lead products, which do tend to be loss leaders to get customers in. (Manager in group treasury)

Focus on Physical Evidence, Process and People Activities

The data indicates that in practice, the bank underinvested in the physical evidence, process and people activities of primary importance in relationship marketing. One of the basic premises of relationship marketing is that this type of approach should only be engaged in with customers who are profitable at the individual level and capable/willing to pay for a relationship service. Hence, when adopting a relationship marketing approach it is vital that appropriate resources are invested in identifying the profitability of individual customers. The following quotes highlight the fact that, due to non-integrated technological systems and the existence of the branch network, the retail bank under investigation could not evaluate the profitability of individual customers.

I couldn’t tell you for every branch how many products a customer holds without going down into the branch to look at one, two, three, four, at least four or five different systems and add them all up ... now that is crazy ... hopefully some day we will be able to say this is what you hold and this is what you are worth. (Manager in retail sales)

It would be a question of a calculator and a bit of paper and trying to work it all out before the customer comes in; we can’t define profitability for personal customers. (Branch manager)

While not in a position to identify customers who were profitable at an individual level, the bank did invest resources in establishing the potential that different customers had to purchase products. As pointed out by one manager in retail sales:

While we would like to relationship manage one hundred per cent of our customer base we don’t have the staff or the resources to do that so what we have done by way of compromise is to split our customer base and to try and identify our top customers and relationship manage them. So what would make a customer a relationship customer? ... They would be high potential customers, that could mean that they are a very ordinary customer whose salary comes in and out on monthly basis and we don’t see them on any reports anywhere, the sort of customer who is going to want the personal loan and the mortgage and maybe save a bit, the sort of bread and butter services that we as a bank provide.

Once the customers with the greatest potential to purchase additional products had been identified (which happened to be 20 per cent of the existing client base), these were offered a relationship banking service. While the bank believed that they were building relationships and engaging in activities to retain these customers the data shows that this was not the case. This was evidenced by the fact that the bank underinvested in the physical evidence, process and people activities required to expedite such an aspiration. In fact what the bank was really doing was targeting customers (that had the greatest potential to purchase additional products) and ensuring that these customers had a dedicated person (in the form of the relationship manager) to contact them and inform them of new product offerings.

The following comment (by one of the managers in retail sales) provides evidence of the underinvestment in physical evidence activities.

It was decided to put the investment into the sales training rather than the bricks and mortar; ideally you need both because the environment has to be right.

This inadequate investment resulted in the failure to develop specifically a range of products for the top 20 per cent; tangible representations of the offer could not be customised if required; and a service environment with the ambience, decor and staff appropriate to the relationship circumstance was not provided. For example, the top 20 per cent did not have their own service area in the branch, which created a situation whereby these customers were forced to use the main retail branch space, along with other customers, in order to get their needs met.

With regard to processes, these were largely structured around the product as opposed to the customer. This meant that the necessary information
was not in place to allow the bank to identify the needs of the top 20 per cent of customers. To quote one of the managers in group treasury:

But we don't have the MIS and that is the problem; we need to develop the MIS that will allow us to actually track customer profitability and customer hot buttons ... what a customer at a personal level is likely to want.

In addition, sufficient resources were not invested in developing flexible processes that could be customised at the individual customer level. For example, while relationship managers were asked to manage relationship portfolios they were not allowed to customise pricing for individual customers or manage the profitability of these portfolios. This contention is supported in the following comments.

I wouldn't have the confidence that the relationship managers at the end of the day would do the hard bit of the sales management process, that is go for value added pricing ... they would tend to take the cheapest route: either the lowest mortgage rate or the highest interest rate on deposits ... So pricing is controlled at the centre and the relationship with our customers is on a non-pricing-discretion basis; in other words the relationship manager can discuss everything they want but the price. (Marketing manager)

It is the management of doing what is right by the customer and managing profits for the bank ... I think it is easier if we in head office do that job rather than letting the people at the branch do it. (Manager in charge of credit products)

Similarly with regard to people activities sufficient resources were not invested in facilitating managers in the relationship role. In a lot of cases relationship managers were not available to customers in their portfolios. This was due to the fact that they had another branch job to do as well as their role as relationship manager. This, coupled with staff shortages and the large volume of customers coming into the branch meant that relationship managers spent a lot of their time dealing with the day to day problems of branch banking. This is evidenced by the following quotes.

I am not solely looking after the portfolio but accounts outside of the portfolio as well. To me the more we get into this ... the more it doesn't make sense ... it is obvious that the bank are having a stab at this but I don't know if anyone has really thought about this fully. (Relationship manager)

Even though you are a relationship manager you are not 100 per cent of the day contacting your portfolio of customers like a portfolio manager should be doing ... you've got your day to day stuff to do as well, the other admin work that goes on in branches, staff problems, etc. (Relationship manager)

We are swamped because of staff problems in the bank, not only in this branch but throughout the area ... Take for example we are down two key posts today and the manager is away at a managers' meeting ... He will be away all day so I take all his calls, I do all the signing in the branch, all the lending administration. So in terms of contacting relationship customers or looking after the customers in my portfolio it's a bad day for it. (Relationship manager)

Even when relationship managers did get time to focus on the top 20 per cent, the high volume of customers in these portfolios meant that they were largely unmanageable. The following quote highlights the pressure that relationship managers were under to manage portfolios that were constantly increasing as new customers with perceived potential to purchase were added.

If you were to get through the 300 in the existing portfolios ... that might just be manageable ... but in a branch like this you are constantly taking on new relationship customers. In the next few months I will take on another 390 which means I am actually running to stand still. (Relationship manager)

While there was underinvestment in the processes and systems required to support a relationship marketing approach, adequate resources were also not invested in ensuring that relationship managers were competent and empowered in their relationship role. The following comments shed light on the extent to which relationship managers were empowered and the nature of their competencies/training.

Giving too much power to relationship managers can be a dangerous thing. (Relationship manager)

To make the whole relationship marketing thing work you need to be able to give the relationship managers the means to decide what level of profitability they can get ... So if you are coming into your relationship manager as a customer, he should be able to see the impact of offering you this mort-
gage at a price in terms of your overall profitability to him, the value that can be derived from you with this additional product. The guys at the front line don’t have the means to take those decisions or competence to take those decisions and even if they did ... I don’t know would we want to hand them that sort of decision making power. (Manager in retail sales)

Basically the majority of staff in the branches today are career bankers; they were trained in the business of lending, money management; they are not good negotiators, not mature enough to be given responsibility for pricing ... they would give the business away. (Marketing manager)

The first tranche of relationship managers ... some of them have been promoted and gone, new ones have taken over ... I have to try and play catch up on the training; it’s very hard to keep the whole thing in sync and try to develop their skills. (District manager)

The basis of relationship marketing is the interactive relationship between two parties and the extent to which the relationship allows each party to achieve certain objectives. The findings show that in practice the interactive relationship with customers was not of primary concern to the bank under investigation. For example, in many instances the bank displayed a lack of integrity, engaged in activities that were not conducive to building trust in the customer relationship, and was more focused on generating individual product profitability than gaining individual customer profitability from long term relationships. This is evidenced in the following quotes.

Yes there is potential conflict between where the organisation wants to go in terms of profit and doing what is right by the customer. (District manager)

The relationship programme would tell you ... if the relationship customer has 325,000 pounds in a current account you really should be telling that customer that they are not making a lot of money on that ... that’s what the theory tells you but unfortunately people like me have to operate in the real world and I would not be encouraging branches to transfer funds out of low interest or non-interest bearing accounts. To do that we might as well close the place down ... This is the real world ... Do you think it would be good business practice to tell people all the time that they are getting a poor return? (District manager)

Focus on Mass Communication, Sales Promotion, Publicity/Sponsorships and Personal Communication/Sales Activities

The previous two sections have shown that the focus of the bank, in practice, was not on core transaction or relationship marketing activities. The following quotes show exactly where the focus of the high street retail bank under examination was.

What that is really about is changing the culture of the bank, it’s getting people into thinking in terms of their daily jobs, what their priorities are. Their priorities have tended to be in the past about providing a reactive service to customers ... that service has to be continued to be delivered because that is what people need ... but from a sales point of view we have got to change the culture of the organisation to be more proactive in making the contact with our customers. (Head of retail banking)

From an area where two years ago you couldn’t possibly have called us a sales organisation I do see great strides and if it continues I will be very happy ... We are not there yet ... but if the journey continues at the same pace as over the last couple of years I would be reasonably happy. (Marketing manager)

You have to look at where the banks have traditionally come from, it’s the branch as a sales versus a service outlet. Traditionally the branch outlet has been seen as a service outlet not a sales outlet and it is only now that there is conflict about that; if you had a branch network that was functioning 100 per cent as a sales network that would be 100 times more effective. (Product manager)

The emphasis in terms of resource investment was very much on sales and on creating a sales culture based primarily on cross selling additional products to existing customers. As one of the managers in retail sales commented:

Our products may appear to be aimed at the whole market but they are really focused on cross selling to our own customer base which I think is another problem.

Similarly, the marketing manager and the manager in charge of credit products stated that:

We decided that something had to be done about beefing up our sales of multiple products to customers.

The simplest and most cost effective way of increasing personal loans sales is to concentrate on increas-
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Due to the fact that some current accounts were not profitable and loss leaders were being used to attract customers from the mass market, the emphasis in terms of cross sales was on high margin products. As is indicated in the following comments, the sale of these high margin products was important for cross subsidisation and maintaining overall profitability.

At the end of the day you gain recruits to your bank through a money transmission account ... and then once you have them you cross sell other more profitable services. (Marketing manager)

We rely on cross subsidisation no matter whether it is fees or mortgages; it is a fact of life. (Manager in retail sales)

At the minute the good customers are paying for ... the cost of opening and closing accounts that are unprofitable; if we start messing with the financials on that in a one-off way we are going to disappear. (Manager in retail sales)

I can point out areas where this is an unresolved issue; it's one that bothers me a lot ... the likes of our product for older customers, where white haired customer A is getting 6 per cent ... and white haired Mr B next door, if he walked in tomorrow might be getting 7 per cent. A lot of things need to be sorted out on the product and pricing strategy side ... there is still not congruence yet and it is going to be difficult to achieve. (District manager)

To raise awareness and get existing customers to buy additional products, continuous promotional campaigns were run. The following quote shows that there were eight campaigns every year that lasted six weeks each. In each of these six weeks different products were promoted.

I suppose from the campaign side of things we split the year into eight slots of six weeks ... and in those slots we try and decide which are the best products to promote during those six weeks. (Marketing communications official)

These campaigns were largely centred around a price offer whereby pricing was discounted for a specific time period (these products reverted to a higher margin pricing after a certain amount of time). The following quotes show the thinking behind this price discounting (by discounting the price for a limited time period the bank raised awareness of the product and encouraged sales).

I would describe the campaigns last year as very much price dominated ... I mean it was a discount off here or 1 per cent extra on your savings or whatever but it was all price based. (Marketing manager)

The generic product with mid pricing provides the highest income stream within the product range ... the packaged loans are designed to create awareness, increasing sales activity ... this promotional pricing ensures high customer awareness, while allowing the generic margin to remain more lucrative. (Manager in charge of credit products)

We have a package for teachers, we have a package for lecturers ... but the offer is very short term; it's free banking for three years and then they start paying real fees. (Marketing manager)

For the six weeks of each campaign considerable resources were invested in communication in the branch (such as fliers, posters in the windows and point of sale merchandising) as well as publicity/sponsorship activities and direct marketing.

With the in-branch promotional literature, it is questionable how advantageous it is ... window displays are different, people walk past windows, but spending a lot of money within the branch, which we do, is probably not as advantageous as it was ten years ago and I do think we need to find new ways of getting messages across and converting some of the branch spend away from the literature to give to some other type of activity. (Manager in group treasury)

We have done four campaigns since last year; the first one was personal loans and there was a big focus on personal loans. Now there were other products up on the posters at the same time so we were looking at the promotions as giving us another tool to promote another product alongside the two or three that we were doing. (Marketing communications official)

What I am trying to see is when we have a focus, say when we had the mortgage campaign, was there a drop in sales on other products or what can we do when the big push is on one product ... we still need to sell the other products and that is something we have to manage. (Marketing communications official)

In addition to these promotional and communication activities huge resources were invested in one...
on one personal sales activities. For example, every branch staff member was given a sales role in conjunction with their day to day branch responsibilities.

If you are coming in to the branch to carry out some transactional piece of business, there is a whole sales process going on, with every customer coming in the door there is a sales opportunity, every contact with the customer should be a sales opportunity. (Head of retail banking)

Every single customer has been assigned a sales consultant ... or a relationship manager. The sales consultant would look after say 80 per cent of the customers ... they would be customers that have £1,500 or less in their account , either debit or credit ... beyond that the likelihood is that there is a relationship manager involved unless it is a one off transaction. (District manager)

As part of this sales role, staff were expected to needs-analyse every customer that they interacted with and try to meet these needs by cross selling products.

Any sales that were there and there were little would have been pure product pushing ... now we are very clearly saying to our branches that people have needs ... and it might be just another way of saying the same thing but we are saying not to hassle the customer like they used to be hassled. If we have a good product offer on bring it to the attention of the customer that you think might be interested in it ... that I don't think is product pushing is it? ... maybe it is, product pushing is saying to everyone who walks in the door you must have a credit card, you must have a credit card, sign up here, we don't advocate that type of approach but when we have an offer on we say to everyone do you have one, do you need one. (Manager in retail sales)

The customer sales consultant's role is to needs-analyse when they come in to us. So it is a much more opportunistic thing, unlike the relationship managers who are proactively going after people, the sales consultant is a reactive thing ... the customer comes in for a cheque book, we will take the opportunity and do a needs-analysis of that customer there and then. (Manager in retail sales)

Contemporary Retail Bank Marketing in Summary
Summarising the case data in the foregoing sections, it is possible to characterise contemporary bank marketing as follows. Figure 3 shows that resource investment in marketing activities, in reality, was unbalanced. There was underinvestment in some activities and overinvestment in others. As depicted in Figure 3, the bank's focus in practice was not on core transaction and relationship marketing activities. On the contrary, the concentration was very much on developing a sales culture and cross selling products to existing customers through promotional activities.

Consequently, the marketing aspects depicted in the centre of Figure 3 did not come about as a result of decisions made about the marketing activities at either end of the figure. Yet good marketing decision making suggests that decisions and allocations about promotion and sales should be predicated on the more core transaction and relationship marketing dimensions. In this bank, decisions about promotional marketing activities were made in isolation and this resulted in substantive investment in these aspects.

Implications of Study
The findings generated by this research have implications for both theory and practice. From a theoretical perspective this study highlights the need for marketing academics to consider more fully the issues involved in integrating the transaction and relationship marketing activities required to recruit and retain profitable customers. Apart from recent work by Coviello et al. (1997) and Brodie et al. (1997), the literature has treated transaction and relationship marketing in an isolated manner and not sought to integrate these theories. In not integrating these perspectives at a conceptual level the literature has also been myopic in its treatment of the issues and challenges facing organisations in practice in attempting to integrate these aspects.

This research also has practical implications. This study has shown that in reality the focus on marketing activities was unbalanced with an intense concentration on promotional/sales activities to the neglect of the core activities in transaction and relationship marketing. In other words, in practice, neither good transaction nor good relationship marketing was engaged in, but rather the bank under investigation was intent on taking up a third position and steering a course that revolved around extensive investment in promotion and sales. Retail banks may judge that concentration
on these promotional activities delivers high levels of profitability, particularly in the shorter term. The experience of retail banks in the Republic of Ireland over recent years would seem to confirm such thinking on the part of these banks. However, evidence from this case study questions the long term viability of this approach and, indeed, the very future of the high street retail bank as it is currently constituted. In particular, the following points need to be considered.

- By concentrating on sales and promotional activities, to what extent are contemporary high street retail banks meeting the needs of diverse customers (whether these are customers that want a transaction or relationship banking service)?

- The more retail banks concentrate on sales and promotional activities, the more they neglect core transaction and relationship marketing activities and the managerial decision making, structures and competencies required to support these marketing approaches. This places a question mark over the quality of the retail bank offer into the future. It also raises competitive issues and highlights the ease with which other organisations (which have become proficient at either transaction or relationship marketing) could threaten the position of the high street retail bank.

- As this study has shown, when marketing activities are not integrated effectively the result can be duplication and wastefulness. This raises the question of whether it would be possible for retail banks to generate higher levels of profitability by managing marketing activities in a more balanced and integrated manner.

In summary, this study casts a shadow over the future of the high street retail bank as it is cur-
rently constituted. Banks must learn to manage adroitly the principles of both transaction and relationship marketing and thus recruit and retain a valuable customer base. Failure to do so will likely result in a continuing haemorrhage of resources, profits and customers. The high street retail bank’s reinvention into other forms and structures may then become necessary.

Further Research
The use of single case based research was justified in this study as it facilitated an in-depth and holistic treatment of the issues under investigation. This was important in developing the conceptual model (a version of which has been outlined in this paper) and getting a complete picture of the entire scope and range of issues involved in integrating the activities required for both customer recruitment and retention. However, this methodological choice imposed some limitations on the research. In particular, the research is limited by the fact that the study is based upon one company operating within a very specific service industry, in a certain geographic location. Consequently, while analytical generalisations were achieved through continuous comparisons between the theory and what is actually happening in practice, there are industry and geographical limitations.

On the basis of these limitations there is scope for research that considers the issues facing retail banks in other geographical locations in effectively adopting and integrating transaction and relationship marketing activity. In addition, there is a need for research that considers the issues facing other financial service organisations in integrating transaction and relationship marketing perspectives and assesses the extent to which organisations such as building societies, credit unions and insurance companies are facing similar issues to the banks in this regard. Finally, as other service and non-service industries are dealing with dynamic change and are facing the challenges of having both to recruit and to retain customers, there is a need for research that assesses the issues facing these companies in integrating the transaction and relationship marketing activity required in achieving these objectives.

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