
Preface

How You Can Use This Book

So the banking sector is going through a process of change, something we have all accepted by now. But the prevailing attitude is the hope that everything will soon continue just as it did in previous decades and that “normality” will return. It is very tedious to have been faced for a number of years with constantly sinking margins and more critical customers—although luckily not all are so critical—and sometimes also being asked about the values of the banking sector. This is a sector that for a long time represented a dream occupation for many graduates, that contributed to laying the foundation for Europe’s wealth since the beginning of industrialisation, and that at the same time overstepped the mark in the last 20 years, in the eyes of many citizens.¹ Why should you read this book? There are three reasons, whether you are an interested private person or a bank manager or employee: this book will provide you with an understanding of the underlying logic of the twenty-first century and its effects on the banking sector. Moreover, it presents the current thought traps with regard to customer behaviour and modern business tools and therefore allows you to utilise the logic of the twenty-first century successfully. And finally it answers the question of how the necessary changes can be implemented successfully in the company.

Part I: Thought Traps from the Past and Who Benefits from Them (Chaps. 1–2)

This is the part for the view from the putative future, which has already begun. You have already heard a lot about the supposedly new business models that threaten banking in the long term? Google has taken out a banking license. PayPal has done the same. Zalando is doing what Quelle could have done—oh well. Or perhaps not

¹ This includes the stream of endless bad news, such as the fine of 725 million € charged to Deutsche Bank due to Libor exchange rate manipulation or the raids on the offices of the Commerzbank in December 2013, which were first related “only” to the dubious business of an insurance provider, whose products lay in the depot of the Commerzbank (Manager Magazin 2013). UBS (NZZ 2012) and Credit Suisse (Tagesanzeiger 2013a) have also hit the headlines with billions in fines. The same also applies to other Swiss institutes such as the Basle cantonal bank (NZZ 2014) or the Zurich cantonal bank (Tagesanzeiger 2013b).

oh well, but time for “oh wow”? Do you want to check if these change prophecies are simply good marketing by consultancy firms and that nothing has really happened since the dotcom boom? Will the predictions come true and is there something to be said for the ground-breaking changes to business models? What about best practice on the basis of the new success factors? Get a structured overview of these two questions.

Part II: The Logics of the Twenty-First Century and the Tools for Business Model Transformation (Chaps. 3–7)

This is the section for the reader who is interested in relevant and perfectly tailored business instruments. Do you want to understand the fundamental logic behind the pressure to change, in which direction the business models of banks must change in the next 10 years, and what are the most effective business tools for successfully managing this change? Do you believe that classic instruments continue to do their job well? Are you convinced that you have always placed customer needs at the centre of your thoughts and actions? And yet—be honest—you notice that customers are becoming ever more critical and, following the successful industrialisation of your bank’s business model, you might not have approached all of the future challenges to ensure that your bank will still be successful in 10 years? Then it is worthwhile reading this part—addressing industrialisation in such a manner that you will still have a decisive advantage over your competitors in 2 or 3 years is the value proposition of this section.

Part III: Building Specific Bridges and Making Them Accessible (Chaps. 8–9)

This is the section for the reader who is interested in true implementation. One can write all day long—but that doesn’t get things implemented. Many concepts remain on the shelf—in the last 10 years, 75 % of previous change projects have failed. This book does not stop at the diagnosis, but instead shows how change from the inside can be effective—by making those affected to those involved, by liberating oneself from the idea that implementation can be dictated from above. The network age invites dialogue about arguments—and that must be learned. Companies that manage this will also win the customers of the future.

Part IV: Connecting the Dots—How the Components Fit Together (Chap. 10)

This is the section for the fast reader. It combines the findings from parts I to III on the Zurich Model of customer-centred banking architecture. Many books provide good impulses, but do not answer the question as to how they can be implemented in the here and now. This book goes a step further. The Zurich Model of customer-centred banking architecture offers an orientation framework that combines the classic concept and the challenges of modernity in one model. The Zurich Model is the analytical tool for the perfectly tailored transformation of the business model. It gives guidelines for concrete transformation work. The choice is yours—help to design the future!

Appeal for a New Type of Banking

This book can help you to understand the necessity of the evolution of business models towards a customer-centred banking architecture and to master the changes that lie ahead. On the one hand it is an appeal to see the customer as the pivot of business activities in the digital age. You will achieve true differentiation, however, only when you give the added value for the customer the same importance as the added value for the bank—that is the central hypothesis of this book. The following appeal is clichéd, one-sided, and incomplete. But it is very likely to be true when we look back in 10 years.

The age of the seller's market is long gone (Geyer 2009). In the seller's market, services were developed in a quite chamber and brought to the customer via the sales department. The processes were clearly and technocratically organised and separated into production and sales. There was no place for the customer in the “standard” value chain. The Cluetrain Manifesto (1999), a collection of 95 theses about the relationship between companies and their customers in the age of social and mobile internet, which was published as early as 1999, begins as follows:

“If you only have time for one insight today, then it should be this one. We are not seats or eyeballs or end users or consumers. We are human beings—and our reach exceeds your grasp. Deal with it.

Networked markets are starting to organise themselves faster than the companies that have traditionally supplied them. With the help of the web, markets are becoming better informed, more intelligent, and more demanding with regard to the characteristics that most organisations still lack.”

Even back then—at the climax of the dotcom boom—a pragmatic view of people, markets, and new communications technologies was formulated. The industry structures in many sectors have changed since 1998. Physical music stores have disappeared from the scene; bookshops and electronics businesses are thinning out drastically as a result of the news sales channel of the internet (KPMG 2013). This book shows why the changed customer behaviour will also affect banking in the next few years.

The theses describe the influence that the new technologies will have on the relationship between service providers and customers. The Cluetrain Manifesto sketches the end of one-sided communication and one-sided sales. The markets and sales of the future will be based on network-like relationships between and among people, between companies and people, and between companies as part of a network.

This shift in power has already begun in banking today. Purely one-sided communication and one-sided sales—without any consideration of customer needs—are working less and less. The buyers' market in the social and mobile web and in the real world stand for

- Conversations between equals
- Human beings and not target groups
- Cooperation and equality
- Openness and transparency

The more Internet based the business model and the customer behaviour, the more advance the shift in power seems to be. In some cases, the historic, self-evident customer focus of every bank—retail banks such as the Raiffeisen and cooperative banks, the cantonal banks, and savings banks as the partners of agriculture and medium-sized firms; major banks as the partners of industry—has experienced an unexpected renaissance in recent years, at least in terms of communication with the outside.

The primary orientation of activities towards creating a high shareholder value has retreated into the background, somewhat, at least in terms of external communication. Instead, investments are being made in a better understanding of customers, their lifestyles, and their needs.² Customer Relationship Management (CRM) has developed from being purely a collection point for customer data to a company-wide and process-integrated support for the whole customer relationship process. CRM systems were supplemented by IT-based customer ratings and statements on the future potential of customers. In some cases, customer break-even analyses were also introduced, even if control is still generally conducted by means of the number of customer contacts at present. Concepts such as Customer Lifetime Value (CLV), ABC analyses, programme structure analyses, and IT-supported customer-scoring models are now also being deployed today in addition.

In banks, customer orientation was frequently reduced to the “golden path” on the way to more profitability and was simply another word for the optimisation of shareholder value and profit. Instead of the truly important question of customer orientation—what added value does a bank give its customers—more interest was shown in the economic value of the customer for the bank. The one-sided optimisation of the “win” worked due to the fact that customers were satisfied with rising prices and portfolio yields, among other things. Real win-win advice in the sense of the honourable trader was not always expected by customers and thus often neglected by the financial services industry, with differing consequences, depending on the prevailing institute culture. From this point of view, the customer loyalty programmes familiar today are something of an uprising against the growing power of customers, who wish to conserve and continue the “good old times”. The next development stage is the creation of effective win-win situations. Striving to achieve win-win—in the sense of the equal importance of the benefits of the business relationship for both customers and banks—is the central criterion of true customer focus and sustainably successful business models—that is the hypothesis of this book. That does not contradict the still valid fundamental corporate principle of achieving profit, but rather expands it by including the long-term and sustainable perspective of added value for both sides.

The authors define win-win as the result of an exchange relationship in which all involved receive a recognisable benefit, which could not be realised without this

² Private banking advisors at Credit Suisse, for example, use a needs-oriented advisory approach (Handelszeitung 2013).

relationship. A balance that suits both sides is aspired to between equal partners. This approach is oriented towards sustainable success and long-term cooperation, rather than short-term profit.

The challenge for banks now is to orient themselves towards effective future added value factors from the point of view of the customer in the digital age. This might sound easy, but the road is a rocky one. This book will provide you with the necessary orientation framework—as a private individual and as a designer of change.

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