Relationship marketing in the banking sector: the impact of new technologies

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Abstract
Having finally embraced the concept of marketing, banks enter the new millennium in a increasingly competitive and fragmented marketplace, consisting of financially literate consumers and direct low cost competition from recognised high street brand names. As customers increasingly interact with banks through remote technological channels (e.g. phone, Internet, etc.) the implications for bank-customer relationships are important. This paper, accordingly, reports on an international research study which explored the perceptions of senior bankers in the UK, Sweden and the USA with regard to the use of the Internet as a relationship marketing tool. There was unanimous agreement that the Internet had a key role to play in relationship management but there was far less agreement about the rates of customer adoption and the extent to which this could or should be influenced by bank strategies.

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Introduction

Having embraced the concept of marketing relatively recently, banks now find themselves operating in a highly competitive and fragmented marketplace, characterised by increasingly empowered and financially literate consumers. This fact, together with the proliferation of direct low cost competition from recognised high street brand names (for example, Marks & Spencer, Tesco, etc.) and dedicated stand-alone Internet banks such as Smile, Cahoot and Egg, make the trading environment for traditional banks very difficult (Howcroft and Durkin, 2000). As a result customers are increasingly interacting through remote technological channels, such as the telephone and/or the Internet and the implications for bank-customer relationships are potentially of key importance.

There appears to be growing uncertainty as to what is best practice in the area of Internet banking. The viability of virtual stand-alone Internet banks, for example, seems questionable with many now "tangibilising" their offer through the opening of high street branches. This raises important questions regarding customer acceptance of online only banks and what are the essential components of a "clicks and mortar strategy" (Yahklef, 2001; Holmsen *et al.*, 1998).

The research study reported in this paper focuses on the first part of a two-stage study which examines the perceptions of bankers and customers regarding the use of the Internet as a relationship marketing tool. The perceptions of senior bankers in the UK, Sweden and the USA with regard to their use of the Internet as a relationship marketing tool is presented in this paper and the implications for bank relationship management strategy are discussed.

The paper consists of seven sections. The first section provides a contextual background and the impact of technology and the Internet on relationship marketing is examined in the second section. The e-commerce strategies of banks are discussed in the third section and the fourth section examines some of the implications of these strategies for banking relationships. In the fifth section the research methods used in the empirical study are addressed and the sixth section presents the findings and the analysis. The final section concludes by discussing the main strategic implications of the study for bank management.

Background

In the 1960s, banks in the UK were exclusive suppliers of financial services and the industry operated on an oligopolistic basis with a cartel restricting price competition (Howcroft, 1998; Llewellyn, 1996). Subsequently, in the 1970s and 1980s legislation was introduced to encourage competition and stimulate an improvement in the quality of service to bank customers. The major elements of deregulation included: Competition and Credit Control (1971), the Banking Act (1979), the Building Societies Act (1986) and the Financial Services Act (1986). Howcroft (1998) sums up the overall impact of such legislative change as:

> ... effectively exposing the clearing banks and the retail banking market to the cold wind of increased competition by undermining the traditional demarcation lines which once separated different types of financial institution into discrete markets.

The expansion in the range of suppliers operating in the financial services (FS)

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markets, has been largely facilitated by deregulation which enabled industry groupings with radically different cost structures to compete directly with each other. These new entrants (for example, Marks & Spencer, Tesco, Sainsbury, Virgin Group, etc.) have effectively "cherry-picked" the clearing banks' most profitable product lines. They only provide those services which guarantee the best returns and by doing this they have become extremely price competitive compared to traditional banks. In addition, the fact that new entrants often have an established and trusted retail brand make them a very serious competitive threat.

With pressure on bank margins coming from these new competitors and from the low interest rate environment currently prevailing in the European Union, banks remain under increasing pressure to reduce costs. Banks have responded by re-engineering their internal and external delivery processes in the hope of achieving efficiency gains (Lynch, 1996). Branch networks have been rationalised and technology has been increasingly used in an attempt to maintain (if not increase) market share and reduce costs. However, the adoption of technology orientated channels, raises important questions for the management of bank-customer relationships. Most of these questions arise out of the basic fact that new and emerging delivery channels, in contrast to branch networks, are remote in the sense that bank-customer interactions do not involve face to face contact.

The impact of technology and the Internet on relationship marketing

A popular definition of relationship marketing (RM) is given by Gronroos (1997):

> Relationship marketing is to identify and establish, maintain and enhance and when necessary also to terminate relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, and that this is done by a mutual exchange and fulfilment of promises ...

RM has had many streams of research contributing to its evolution and subsequent incorporation into the academic literature (Copulsky and Wolf, 1990; Ghoshal and Bartlett, 1995). A prevailing theme in the RM literature, however, is the influence of technology in increasing channel efficiencies by lowering costs, or by facilitating more meaningful and profitable relationships between channel parties.

Assessment of the impact technology has had on relationship marketing has largely been confined to the industrial marketing literature. Within industrial marketing there has been a move away from the traditional adversarial stances of channel members towards an acknowledgement of the advantages offered by a more collaborative framework (Levitt, 1986; Jackson, 1985; Gummesson, 1997; Webster, 1992). The development and discussion of relationship life cycles in the literature (see Dwyer *et al.*, 1987; Burdett, 1992) has, similarly, reinforced the need for accurate and ongoing information to assess relationship status over time. This increased focus upon information as a business asset has led to an appreciation of how technology could facilitate the transfer of information not only within firms, but also between firms and their customers (Glazer, 1991; Naude and Holland, 1996).

The Internet has the potential to make the greatest technological impact on banking to date and for some authors it offers the ultimate tool in effective relationship marketing (Zineldin, 2000; Rayport and Sviokla, 1995; Schwartz, 1997; Stroud, 1998). They argue that the Internet constitutes a veritable revolution in the way that key relationships can be managed. The interactivity offered by the Internet facilitates co-production between buyer and seller (Carrington *et al.*, 1997) and provides an opportunity for one-to-one marketing (Peppers and Rogers, 1995) where this is appropriate. As such the Internet can nurture loyalty and provide scope to establish enduring relationships with customers and a wider network of contacts (Coupey, 2001).

A key attraction of the Internet in this relational role is the level of interactivity that can exist between a buyer and a seller. Deighton (1996, p. 151) proposes that "the term interactive ... points to two features of communication: the ability to address an individual and the ability to gather and remember the response of that individual". It is argued that the promise of interactivity lies in its ability to put a more human face on the marketplace without losing the scale economies of mass marketing (Blattberg and Deighton, 1991).

When we consider that "in any buyer-seller relationship, information can determine the relative bargaining power of the players" (Evans and Wurster, 1997, p. 73), it is clear that the Internet also has the potential to alter any "asymmetry of information" (Evans and Wurster, 1997, p. 71) that may have formerly existed in a relationship. Customer relational power is, therefore, increasing because of the advancements in technology and the resultant dissemination of information.

Blattberg *et al.* (1995) argue that one of the key consequences of the information revolution is that firms will be able to identify individual buyers' needs and preferences thereby leading to the development of tailor-made products. If this does occur and each customer has a unique "relationship" with certain firms then each customer effectively becomes a segment in his or her own right (Blattberg *et al.*, 1995; McKenna, 1995).

However, developing the arguments of Evans and Wurster (1997), Carrington *et al.* (1997) introduce a note of caution when they state that bringing bank customers online "transfers control of the business system from the bank to the customer and by doing so banks may lose power because technology is now in the hands of customers". This implies that sophisticated, information-aware customers will be less likely to leave substantial balances in low interest bearing accounts and will move them in search of higher returns. This seems especially true given the low interest rate environment currently prevailing in Europe as well as greater transparency facilitated through the advent of the Euro in early 2002. Such a situation combined with greater transparency and information availability for customers was considered to be a major stimulus for competition in the UK banking market:

> Knowledgeable consumers provide the best incentive to effective competition. With the right information, consumers can take responsibility for their own financial well being, shop around and exert the pressures on suppliers which drive a competitive and innovative market (Cruickshank, 2000, p. xix).

It would appear, therefore, that technology has the potential to empower customers with easy access to comparative data and that it allows them to switch providers at the "click of a mouse". It remains unclear, however, as to the extent to which customers will engage in such behaviour and what the typology of these customers will be.

For financial services firms e-commerce offers the promise of increased information about customers and, therefore, provides the opportunity for more detailed analysis of customers' behaviour and needs. The risk, as identified above, is that these same technologies give consumers the power to compare services and switch from one financial services firm to another. Ernst & Young (1999) illustrate this point by citing the example of MBNA's Web site which allows an individual to compare the MBNA credit card offer with the terms of their existing card.

E-commerce strategies in banking

Many banks have taken the radical step of setting up independent e-commerce organisations. According to Ernst & Young (1999) there is an increasing segment of customers that prefer to do business through the new more virtual channels. Moreover, it is easier to accommodate these customers by starting a new company than by adapting an existing one. In this respect it is then a process of "natural selection", i.e. eat your own customers by creating a new company or be eaten by the new online competition (Daniel, 2000). Ernst & Young (1999) also suggest that the market will eventually find a natural balance between the traditional and virtual company.

Although it is effective because it waits for the market to decide, this "Darwinian" approach is time-consuming and costly. The alternative is to move forward with a purposeful management of channel mix options within the existing company. If successful, this approach allows the firm to utilise all the knowledge and experience it has of its customers to its fullest advantage through an integrated and seamless infrastructure.

In addition, such a deliberate and integrated approach offers clarity of vision and conveys a consistent message to the market and to customers. These considerations are especially important when one considers the importance of branding and trust in online business. This approach also gives employees a sense of direction and purpose in what are tumultuous and uncertain times for financial services companies. This is important because the commitment of employees in the implementation of any change process has been shown to be crucial (see Durkin and Bennett, 1999; Bennett and Durkin, 2000). Indeed recent research has shown that many banks are now considering taking the separate virtual business back under the parent brand due to spiralling costs (Boss *et al.*, 2000). It is reported that many of the new virtual banks having spent huge resources on promotional activity are generating relatively little interest amongst consumers. According to one commentator, "online banking has not really succeeded, many customers still need the reassurance of visiting their branch".

Despite this lack of customer interest, recent research reports that almost all banks in Europe will offer telephone banking this year, compared to less than one-third in 1997 and that on the home banking front, the increasing penetration of PCs and modems is forecast to support the growth of home banking over the coming years. Remote banking via PC was predicted to grow to 12 per cent of total banking in Europe by 2000 (KPMG, 1997) although the figure is now over twice that estimate. American research similarly indicated that telephone banking would be the most popular delivery channel by the turn of the century. With regard to online banking via PC this was identified as having the greatest potential (Howcroft and Beckett, 1995; Barrett, 1997) with almost one quarter of the US banking population predicted to transact their business in this way by 2005 (up from 1 per cent in 1995).

Additionally interactive television (t-commerce) and m-commerce facilitated through new WAP mobile phone technology are yet more examples of remote interfaces through which customers will be able to interact with their bank. According to Toyne (2000) it is believed that by 2004 almost all mobile phones will offer Internet access and First Direct is already offering simple services through m-commerce technology. These developments highlight that a major challenge for banks is to determine how to integrate such technology in a customer-oriented way. The essence of this challenge is succinctly captured by Riley in Barrett (1997):

> If technology gets too far ahead of the business, you won't be able to sell to the customer; if business gets too far ahead of the technology, you won't be able to deliver to the customer.

Such a pervasive technological influence raises the question as to how banks can differentiate themselves and in what ways will the bank-customer relationship change. In addressing these questions it is appropriate to examine relationship management issues both in a traditional face to face context and in the context of emerging "remote relationships" (Howcroft and Durkin, 2000; Stewart and Durkin, 1999a).

Banking relationships: face-to-face and remote interactions

A key aspect in banks embracing technological platforms and delivery systems is the impact this will have on bank-customer relationships. An editorial in *Bank Marketing* (1998) cautions that "banks are slipping on almost every measure of relationship quality … one reason is the vulnerability of relationships in an alternative delivery environment". Significantly the editorial observes that "technology turns services into commodities – if you want differentiation you invest in people" (*Bank Marketing*, 1998, p. 1). This echoes the sentiments of an argument made over 20 years ago by Mears *et al.* (1978, p. 112) who having conducted research on ATM adoption, stated that the bank-customer relationship "resists the inhuman coldness of automated processes".

While the importance of technology in bank-customer interactions remains undisputed, commentators, nevertheless, emphasise how customer evaluation of the encounter is shaped by social and personal forces (Hollander, 1985; Czepiel, 1990a). It is argued that the social content of service encounters often seems to overshadow any economic rationale that may offer a more expedient alternative. Indeed anthropologists hypothesise that perceived honesty in exchange relationships is inversely related to social distance. In other words, relationships managed at a distance, where social interaction is limited may result in an erosion of trust (Czepiel, 1990a, b). Hewer and Howcroft (2000) support this contention when they highlight that "remote channels may undermine consumers feelings of trust and adversely affect customer loyalty and retention".

The development of close social relationships ultimately approaches what is known as "psychological loyalty", i.e. loyalty which seems contrary to self-interest. According to Solomon *et al.* (1985, p. 100) "in pure service situations … customer satisfaction and repeat patronage may be determined solely by the quality of the personal encounter". Dwyer *et al.* (1987, p. 12) similarly support the importance of "socialisation" in the relationship arguing that "relational exchange participants can be expected to derive complex, personal, non economic satisfactions and engage in social exchange".

There are, however, successful banking models that are based purely on remote relationships. High levels of customer satisfaction make HSBC's First Direct an obvious success story in this regard and Prudential's direct banking subsidiary Egg was, similarly, overwhelmed with interest from the general public following its launch.

There is, however, limited empirical research on the propensity and motives of customers to use technology when interacting with their banks (Zeithaml and

Gilly, 1987; Moutinho and Meidan, 1989). In the main such research has focused on the adoption of automated teller machine technology (ATMs). The study completed by Marr and Prendergast (1991, 1994) found that the main factors encouraging consumer acceptance of ATMs were time convenience, place (locational) convenience and simplicity of use. Interestingly the same study examined motives for consumers not using technology and found that a preference for dealing with humans was also a key factor. This was especially true for older, less educated consumers and blue collar workers.

Roth and Van der Velde (1989) argued that the role of branch staff will be even more critical in the future as technology becomes more pervasive, particularly in the delivery of non-routine and more complex financial services products. Roth and Van der Velde (1989, p. 32) stated that "... people are necessary for establishing the initial customer relationship and are essential for maintaining and servicing customer accounts".

This viewpoint supports a key point made by Chase (1978) more than a decade earlier when he stated that "technological devices can be substituted for some jobs performed by direct contact workers ... the attitude of the customer will determine the ultimate quality of the experience".

The research methods

A number of key questions emanate from the literature review, namely, to what extent should banks embrace the Internet when interacting with customers, which financial services are best delivered over the Internet, and how can the Internet add value to the bank-customer relationship. In addressing these fundamental questions the research had two primary objectives: first, to gain a deeper insight into how relationship oriented banks position themselves with regard to Internet delivery; and second, to better understand the internal and external influences on the strategic decision to go online.

In addressing these issues three interview themes were incorporated into the interview guide. These themes are:

1 the importance of RM strategy and sales culture;
2 the delivery mix and the balance between traditional and remote delivery channels, especially, the Internet; and
3 the type of products perceived as suitable for Internet delivery and the reasoning behind this.

The research study involved in-depth interviews with bankers in the UK (including Northern Ireland), the USA (North Carolina) and Sweden. All the sample banks had traditional branch networks, positioned themselves as being relationship oriented and were at the stage of introducing the Internet into their business. A total of 15 interviews were conducted at the respondents' place of work and each lasted for approximately 90 minutes. All the interviews were tape recorded and transcribed. Most of the interviews followed the interview guide quite consistently and this made a more structured content analysis more straightforward.

Interviews were conducted with executives and senior managers with special responsibility for e-banking, mobile and Internet strategy. The study sample consisted of the following banks: in the USA, First Citizen's Bank, Central Carolina Bank, Wachovia Bank and BbandT; in the UK, the Bank of Ireland, Northern Bank (NAG Group), Ulster Bank, First Trust Bank and Royal Bank of Scotland; and in Sweden, Svenska Handelsbanken, Swedbank (ForeingsSparbanken) and Merita Nordenbanken.

The value of this qualitative stage of the research was established by the use of research methods outlined in the literature (Miles and Huberman, 1994; Gabriel, 1988; Hirschman, 1986). Credibility was established by e-mailing all the participants with the issues which emerged from the interviews.

In this way the participants were given an opportunity to corroborate or disagree with the main findings of the study. Transferability was established by a process of continuous reflection and comparison with the findings from other related research. Confirmability was established by public dissemination of early thinking (Stewart and Durkin, 1999b; Howcroft and Durkin, 2000) through research conferences and publication.

Research findings and analysis

The findings are summaried in tabular form in the Appendix by country. Figure 1 illustrates an integrated and comparative model showing the extent to which respondents in different countries responded in a similar fashion and where there were discrete views based on the themes explored.

The most effective way of gaining an holistic overview of the findings is to view

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Figure 1, together with Tables I and II. Table I shows the instances where all respondents cited a particular issue as being important. Table II categorises instances where there was a divergence of opinion between respondents. Both tables also reveal the three main themes which comprised the interview guide.

Figure 1
Integrated qualitative findings model – identifying threads of commonality between countries

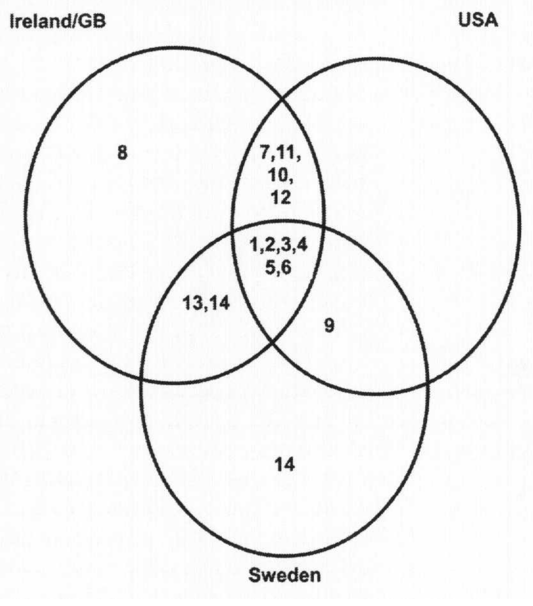

Table I
Issues cited as important by all countries

Key	Issues	Interview guide theme source
Common issue 1	Relationships are key	1
Common issue 2	Branches are integral to effective RM	1
Common issue 3	Branches will remain a key distribution channel	2
Common issue 4	Staff will need new skills to cope with online channel	2
Common issue 5	Important to educate customers in online use	3
Common issue 6	Passage of time is key to customer adoption	3

Table II
Other issues arising

Key	Issues	Interview guide theme source
Issue 7	RM and sales culture difficult to reconcile	1
Issue 8	No Internet product offered	1
Issue 9	Internet product offered	1
Issue 10	Systems integration key barrier	2
Issue 11	Net attractive mainly for cost reasons	2
Issue 12	Not all products suits net delivery	3
Issue 13	Consumer behaviour changes not considered a barrier	3
Issue 14	Direct mail important in communication	2,3
Issue 15	Customer will embrace at own pace	3

Managing relationships

All respondents clearly viewed managing relationships as being of paramount importance. Rather interesting, however, was the fact that they all regarded the bank branch as a key facilitator in this process (issues 1 and 2).

> The branch is still the key channel and will continue to perform two key functions; one is in sales and advice delivered face to face, the other is to tangibilise the brand and allow customers to have a physical "place" to go to (IGB1DM).

While this issue is common to all respondents, the US and UK respondents recognised that there was a difficulty in reconciling branch based incentivised sales campaigns with a customer focused relationship marketing strategy (issue 7). This conflict largely centred around the need for staff on performance related pay schemes to meet individual selling targets and simultaneously act in the best interests of the customer:

> Its really hard. We say to staff "Guess what, we're going to cut your pay by a third and you will have to make it up by selling" (USA1RMSC).

UK respondents were surprisingly unique in the overall sample because they did not offer a dedicated Internet product sold at branch level (issue 8). Both the Swedish and US banks had such products (issue 9) and also MIS tracking software that was capable of attributing subsequent online sales to the branch which originally made the Internet product sale.

Delivery channel issues

All respondents agreed that branches would remain a key distribution channel well into the foreseeable future. However, it was recognised that branch staff would need to have new skills in order to cope with the changing technological environment (issues 3 and 4).

Indeed, one Swedish bank has created an "e-certification" scheme whereby all branch staff who deal directly with customers have to show a competence in using the Web and own the bank's Internet product prior to being allowed to sell it to customers. Similarly, in one North Carolina bank, branch staff were all provided with bank PCs in their homes to develop their online skills and to familiarise them with the technology for online bill payment (issue 2).

Where there was a divergence of opinion it centred on US and UK banks' difficulty with systems integration, specifically the integration of CRM/CIS systems which provide customer relationship bookkeeping information. This was not identified as a problem by Swedish banks who claimed to have systems which allowed them to take a "single view of customers". Such systems enable Swedish banks to profile customers and simultaneously calculate average relationship profitability. Moreover, integrating the Internet through PCs, mobiles and televisions did not seem to pose a problem for any of the Swedish banks interviewed. More problematic was predicting the extent to which customers would use the various channels (issues 10 and 15):

> We win of course if customers do their banking business themselves through the Internet ... the mobile Internet channel is becoming more and more important ... it is a channel within other channels. However, the extent to which customers will use each of these channel options is difficult to gauge (SE1DM).

Another different perspective between the Swedish and UK/US respondents was highlighted by the fact that a key factor behind the UK and US banks' adoption of the Internet was cost reduction. Swedish banks, on the other hand, appeared to be driven more by the notion of "adding value" to the customer proposition (issue 11).

Product appropriateness for Web delivery

This was an area which led to a diversity of opinions (issue 12). UK and US respondents felt that not all products were appropriate for Net delivery. In general they believed with complex products face-to-face interaction was more important. While Swedish respondents did not fundamentally disagree with this argument they were much more focused on differentiating between a reactive situation (where customers initiate the search-buy behaviour themselves through the Web site) and a proactive situation (where the bank actively targets appropriate customer segments with online products through the email, and wait for self completion by the customer).

The Swedish interviewees argued that their customer knowledge facilitated such proactive activity but acknowledged that it would probably be most appropriate for high net worth customers. The use of mobile phone "alerts" which draw the customer's attention to online offers was also regarded as a key facilitator in this sales process. This response was not entirely unexpected given the high penetration of mobile phones in Sweden. None of the banks, however, in any of the three countries were clear on exactly how and when customers would embrace such initiatives but Swedish banks were clearly ahead in their thinking and had already launched a number of trials.

Customer education

All of the respondents were agreed on the importance of customer education in encouraging the adoption of online banking (issues 5 and 6). As discussed earlier, the branch platform and branch staff were seen as key enablers in this process and US and Swedish banks had training initiatives to develop staff skills in this area. UK and Swedish banks mentioned how unpredictable consumer behaviour was with regard to online adoption. In contrast, however, Swedish respondents were fairly confident about adoption in general (expecting 66 per cent of the banked population to be online by 2003) but they were less certain about what interface would be favoured by different customer segments (i.e. PC, WAP or iTV). US banks were the most circumspect in predicting how consumer behaviour would change and what the speed of change would be. Nevertheless, there was agreement by all respondents that irrespective of customer education programmes and general awareness campaigns, consumer behaviour would only change gradually. In this respect, only the Swedish banks mentioned direct mail as a means of generating awareness and educating customers. The Swedish respondents felt that direct mail was a very customised way of reaching customers and in collaboration with in-branch merchandising/trial displays, etc. it would add to overall effectiveness.

None of the respondents were in favour of actively migrating customers to online delivery channels although they all recognised that there were obvious cost advantages in doing this. Differential pricing was, however, mentioned by a cross-section of respondents as a possible method of encouraging future adoption. One respondent encapsulated the general view when he said "there is no such thing as an unprofitable customer, just unprofitable channels". Interestingly there was also a marked difference between Sweden and the USA in terms of what customers they felt were the most appropriate targets for online delivery. The Swedish banks felt that, in general, high net worth customers would be best served by online delivery whereas in the USA the "low net worth high transactor" seemed to be the preferred target. However, policy was not as polarised as this might imply because all of the Swedish banks provide Internet facilities for transaction banking and one of the US banks is aiming to target high net worth customers.

Conclusion

The paper has shown that as consumer usage of remote bank delivery channels increases, relationship management will become more important. Significantly, this importance stems from the fact that with most remote delivery channels, the opportunity for social interchange is reduced. To compensate for this social deficiency there will, therefore, be an increased need to collect information on consumer behaviour patterns, etc. and use it to reinforce the bank customer relationship. In one respect it is perhaps rather fortunate that the Internet and other forms of remote delivery channels, are conducive to collecting information and directly accessing customers. This provides the banks with an opportunity to target specific customer segments with messages and products. However, the lack of face-to-face contact will remain a long-term problem. This probably explains why all of the respondents anticipate a future role for branch networks, in order to tangibilise the bank's brand and introduce a social aspect into bank-customer interactions. Similarly, although respondents in Sweden had a slightly different opinion, the interviewees from the UK and the USA believed that more complicated products were best retailed via a face-to-face interface through branch networks.

This suggests that the future mix of bank delivery channels will consist of a combination of traditional and new delivery channels. Moreover, rather than being perceived as discrete or competitive, the findings indicate that these channels will be complementary. For example, it is envisaged that in some instances, online products will be sold from branches and cash-flows generated from these products will be attributed to the branches which originated the sales. Such an approach will involve radical changes in staff training programmes in order to provide staff with the necessary online skills and product knowledge. Explicit in these training programmes, however, will be the need to fundamentally re-educate bank staff (and bank customers too) and move away from regarding technology solely as a means of efficient book keeping, towards regarding it as a means of accessing information and providing a more appropriate way of satisfying customer needs.

This is important because the findings suggest that the UK and US respondents have a tendency to regard technology as a method of increasing transaction banking efficiency rather than as a means of improving relationship management. This belief might have its origins in the fact that both the UK and US respondents perceived the primary advantage of remote delivery channels, almost exclusively, in terms of cost reduction. In contrast, however, the Swedish bankers, who were far more aware of the relationship management potential of technology, saw the primary advantage in terms of adding value to the bank customer relationship.

Finally, although there were differences of opinion within the sample about the future role of remote delivery channels in relationship management, there was unanimous agreement that the real difficulty lay in predicting which customers would use remote channels and exactly when wholesale adoption would take place. There was also general agreement that consumer behaviour, irrespective of bank strategy, would only change gradually. Therefore, although all of the respondents recognised the potential of differential pricing in encouraging the usage of remote delivery channels, its introduction was unanimously tinged with caution by all of the respondents. The power of one party in the bank-customer relationship was being perceived as increasingly important and unusually in this industry, that party was not now the bank, but rather the customer.

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Appendix

Key themes from USA findings

1 *RM/sales culture*:
- relationship are of key importance;
- need for localised decisions/ responsiveness;
- branch key role in RM management;
- difficult to reconcile sales and RM approaches; and
- Internet product proactively sold by staff.

2 *Delivery mix/Net integration:*
- branch to remain key channel;
- systems integration key barrier;
- Net very cost advantageous; and
- Net seen as a "must do".

3 *Product appropriateness:*
- not all products suit;
- in general the simpler the better;
- loan decisions need more face to face; and
- risk of lost differentiation if too much delivered online.

Key themes from UK findings

1 *RM/sales culture:*
- relationship are of key importance;
- staff retention problems compromise relationship building;
- branch has a key role in RM management;
- sales culture sits comfortably with RM strategy; and
- no "Internet product" sold by staff.

2 *Delivery mix/Net integration:*
- branch to remain a key delivery channel and to tangibilise brand values;
- systems integration key barrier to multi-channel delivery;
- consistency of quality across channels hard to control;
- Net very cost advantageous;
- Net seen as a "must do"; and
- new skills required in staff to adapt to e-banking.

3 *Product appropriateness:*
- not all products suit but Net good resource for information gathering;
- in general the simpler the product the better for Net delivery;
- investment decisions need more face to face; and
- can't predict how customers will embrace online in UK/Irish market.

Key themes from Swedish findings

1 *RM/sales culture:*
- relationship are of key importance;

- branch has a key role in RM management;
- sales culture sits comfortably with RM strategy; and
- "Internet product" sold by staff through incentive system.

2 *Delivery mix/Net integration:*
- branch to remain a key delivery channel and to tangibilise brand values where extensive network exists;
- consistency of quality across channels hard to control;
- Net seen as key to adding value to customer; and
- new skills required in staff to adapt to e-banking – staff training completed.

3 *Product appropriateness:*
- all products suitable for Net delivery where bank determines appropriateness – need to be proactive;
- in general the simpler the product the better for Net delivery;
- some evidence that investment products selling better than credit based online; and
- can't predict how customers will embrace ITV, WAP and Net in Sweden.