

Dissertation

The Value Proposition – Proposition or Imposition? Irish Banking Retail Context

Jill Barrett

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Abstract – The Value Proposition – Proposition or Imposition? Irish Retail Banking Context

Jill Barrett

The purpose of this research is to explore the level of importance consideration given to the development of a unique *customer value proposition* and the manner in which this proposition is *proposed* to or *imposed* on the customer within the Irish retail banking context. The organisation which is the subject of inquiry is herein referred to as *Horizon*.

The world of retail banking has changed dramatically over the past twenty years. Channel evolution has advanced from sole branch services, call centres, ATM machines, internet banking, e-banking self-service through to today's, previously unimaginable and unfathomable, self-service mobile banking and contactless cash society. This exponential advancement has been made possible largely by technology, emerging and emergent disruptive innovations, globalisation, new entrants and social shifts. These have resulted in a customer role paradigm shift which have impacted and influenced their expectations, buying patterns and consumer behaviours.

The above coupled with increased hyper competitiveness due to the emergence of new players (for example, Fintechs, Peer to Peer Lending, Apple Pay and Google Wallet), crowdfunding and open source coding have resulted in increased commoditisation of banking products and services and the encroachment on incumbents' previous market positioning advantages and distinct competencies.

This research is justified given that the *value proposition* and intrinsically linked *customer centricity* phenomenon are key differentiators for sustainable competitive advantage. This paper will specifically assess *Horizon's* value proposition, ascertain the degree to which the company is customer centric and determine its level of preparedness for future changes in the industry, where the customer experience will be key.

A single exploratory case study was employed to ensure rich insights, opinions and experiences from key influential strategic, technical and operational executives within *Horizon* were captured. The case study approach is consistent with the methodological vehicle used by previous researchers.

Key research findings highlight varying complexities and inter-organisational obstacles which impede the attainment of true customer centricity. Specifically, individual silo structures, politics and power plays are impeding the collective ownership, alignment and accountability for the value proposition. This is

further exasperated by the absence of the single view of the customer and absence of analysis and use of customer rich analytics. Cumulatively, these factors are adversely impacting on *Horizon's* value proposition and the customers' experience.

Formalisation and co-creation of the value proposition, jointly with the customer and which is communicated, integrated and seamlessly aligned across all communication channels and divisions is required to position *Horizon* on the customer centric path for competitive advantage within the turbulent financial landscape environment.

Key Words: Retail Banking, Value Proposition, Customer Centricity, Paradox, Disruptive Innovation, Millennials, Culture, Agility, Analytics, Exploitation, Exploration.

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Introduction

Research Topic Background & Problem Statement

Cornwall (2010, pp 1) sets out that “*creating a true value proposition for a product/service has never been more difficult or more important*” regardless of the customer type or industry sector. This opinion is endorsed by Bagley (2013) who posits “*how can a business sell a product or service if they cannot articulate its value?*”.

The headline ‘***Value Proposition – Proposition or Imposition?***’ establishes and provides directional focus for the key areas of interest within the paper. The ***implicit*** meaning infers that there is not sufficient consideration or consultation with relevant stakeholders and hence that the value proposition is ***imposed*** to a certain extent.

The objective of the research paper is to explore the critical importance of the value proposition and customer centricity phenomenon in the Irish retail banking context.

Previous research by Payne & Frow’s (2011) uncovered that surprisingly, less than 10% of companies formally develop and convey the essence of their value proposition and that there is very limited academic research and literature specifically relating to the value proposition formulation process.

Consistent with Payne & Frow (2011), Lahteenmaki & Natti (2013) state that few firms can articulate what value means or how best to deliver on it to secure a competitive edge. Lahteenmaki & Natti (2013) further highlight that this extremely challenging task is hindered by numerous inter-organisational obstacles.

Both Payne & Frow (2011, 2014a, 2014b & 2015) and Lahteenmaki & Natti’s (2013) work provides a key compelling

theoretical framework (Yin 2014) to further research these topics and look to expand and build on their previous findings and literary insights to further enhance the importance of the value proposition.

This paper seeks to address the existing literature gap by replicating and ascertaining the validity of the analytical generalisations put forward by Payne & Frow (2011, 2014, 2015) and Lahteenmaki & Natti (2013) to assess their relevancy and applicability to *Horizon*.

Therefore there is scope for further exploratory work to identify the main motivations behind the formulation of the customer value proposition and the key obstacles hindering customer centricity within *Horizon*. This gap, albeit on a small scale, is address in the following *Horizon* case study.

Importance of the Value Proposition and Customer Centricity

This topic is worthy of research given that a differentiated value proposition is a critical defining and distinguishing element at the core of business strategy (Kaplan & Norton, 2001). Within today's dynamic and hyper competitive retail banking environment, the value proposition, as a core element of the business model, is crucial to drive growth, fuel essential new customer acquisition, secure customer loyalty and critical for competitive advantage leverage.

Whilst the value proposition can be investigated and considered from a number of angles and perspectives, this paper will concentrate on the following:-

- Organisational Innovation. Banks will need to employ progressive agility, innovation and new thinking to

adequately position themselves to respond to external opportunities and threats.

- **Technology & Disruption Innovation.** The explosion and adoption of mobile banking, aided by the ubiquity of the smartphone and tablet, is one of the key current changes transforming the banking industry.
- **Competition.** The entry of new Fintech players into the financial services market is bringing channel optimisation, convenience and service orchestration (Deloitte, 2014a) to a new level presenting significant challenges.
- **Customer.** Involvement and engagement of the customer in their new ‘prosumer’ role (Tapscott 1997) will need to be heightened and proactively managed to jointly co-create and deliver an effective value proposition. This will enable the bank to compete effectively in the new landscape, to deliver value and satisfy customer expectations with a high degree of centricity,

Cumulatively, banks will need to understand all of the above factors in order to develop a unique and sustainable customer value proposition in order to fulfil customers needs, wants and demands within the extremely competitive market.

A firm’s value proposition and its *connection and centricity* with its customers is *crucial* to differentiate the firm and to strive for sustainable advantage. The formulation and deployment process must resonate with customers and be underpinned by core organisational competencies and capabilities.

Given that the customer is both the central ‘actor’ (Prahalad & Ramaswamy, 2004) in the co-creation process and the final arbiter of value (O’Cass & Ngo, 2011), *Horizon’s* key facilitators of, and critical impediments to, true centricity are explored, identified and assessed. Specifically, this research

explores and seeks to ascertain the level of strategic consideration given to the value proposition (Payne & Frow, 2014a) and the degree of customer centricity (Boulding et al, 2005, Lahteenmaki & Natti, 2013) within *Horizon's* business strategy and operational processes. Both of which are essential and critical to ensure that *Horizon* remains relevant in today's fast paced financial technological environment.

Overview of Research Paper

In the main, academic papers formed the literature research basis with material supplemented by up to date business research papers and key insights from business practitioners. The value proposition and customer centricity phenomenon are considered through the theoretical lens in the first instance and subsequent real life experiences and insights are used to augment and support previous theoretical findings and research generalisations.

Horizon's retail banking products include mortgages, personal loans, savings, current accounts, overdrafts, debit and credit cards products.

The research will seek to ascertain whether other obstacles and barriers exist which are dictating, impeding and/or diluting *Horizons'* value proposition. These may be originating from other stakeholders with a vested interest in *Horizon* – for example, partners, regulators or shareholders or due to the internal cultural and/or infrastructural factors. Particular emphasis is placed on organisational innovation, technology, disruptive innovation, competitors and the '*working consumer*' (Cova & Dalli, 2009), all of which are individually and collectively anticipated to be key drivers of change. Therefore, these are considered critical to maximise on opportunities and challenges within retail banking over the coming years.

Furthermore, the study strives to assess where is the middle ground between customer centricity and company profitability? More fundamentally, it asks the question if there should be a middle ground, and if so, what is the foregone opportunity cost to the company?

External and internal realities are acknowledged as are apparent inter-organisational contradictions and paradoxes which are hindering a ‘pure’ customer centric focus.

A single bounded (Marshall & Rossman, 1999) exploratory case study into *Horizon* was employed to investigate the value proposition and customer centricity phenomenon. The case study method is justifiable due to the type and style of research questions being investigated. The study itself was carefully designed with open ended, pre-dominantly ‘why’ ‘how’ and ‘what’ questions designed based on theoretical and empirical research.

The data was collected via semi-structured interviews with key influential *Horizon* personnel. The data was subsequently analysed and reported based on a theory building structure whereby emerging trends and patterns were identified and reported within the findings and discussion sections.

Key synthesised findings for *Horizon* are outlined. In brief, whilst a ‘true’ customer centric organisation is the ‘nirvana’, in reality, this path is fraught with internal and external obstacles and impediments. Therefore, the best that can potentially be achieved is a strong, committed, aligned and integrated customer focused approach and a positive organisational mindset with effective levels of balanced centricity (Gummesson, 2008) among competing factors.. There is however, a need for *Horizon* and the entire workforce, down to employee level, to have a true understanding of what value means, how it is co-created, how it

is incorporated into the value proposition and how it is communicated to all relevant stakeholders and customers.

Generalised conclusions and commonalities to theoretical theory were deduced and are set out within the findings section. Supplementary insights and recommendations into the original customer value proposition and customer centricity concepts are set out in the conclusions section. The paper concludes with a closing discussion topic.

The case study contains limitations in that only the opinions and experiences of strategic, technical and operational senior executives were sought and obtained. Further research is merited to understand the opinions and insights of *Horizon's* customers and employees with particular focus on leadership and culture concepts. It is also suggested that there is merit in the conduction of multi cases studies into other Irish financial institutions, with particular emphasis on credit unions. These studies should seek to ascertain if the formulation and communication of the credit union's value proposition is fundamentally different to the banks?

Summary

This paper outlines a tale of numerous paradoxes at a number of levels i.e. proposition versus imposition; exploitative versus exploratory; product centric vs customer centric; product service logic versus customer service logic; and profitability versus customer value proposition. In the words of Kotter (2001), companies need to '*embrace both sides of contradictions*' in order to strive for competitive advantage within today's complex and ever evolving environment. This research paper seeks to establish the level of existent recognition of those contradictions within *Horizon* and if, and how, these are rationalised and justified?

Introduction to Retail Banking Sector in Ireland

Existing Market

A brief high level overview of the existing Irish retail banking sector is provided to provide context for the value proposition and customer centricity discussion. Key aspects from which will be investigated in the literature review stage.

The financial services sector, inclusive of the retail banking division, has and will continue to experience fluctuations and uncertainty into the future. The key factors shaping the industry include the changing financial landscape, the environment, technological advancements, economic conditions, changing consumer demographics and different customer buying behaviours. Post the financial crisis, cumulatively these have led to a paradigm shift in retail banking to one which is now largely dictated and led by the consumer. It is imperative that a similar type organisational mind-set shift occurs to leverage and maximise on the substantive benefits that an aligned, co-created value proposition can bring, and which can result in mutual benefits for both the customer and the provider.

Recent Brexit developments will add further instability and uncertainty to the financial sector in the short to medium term. Additionally, the introduction of the European Directive on Payments (PSD2) will open up a new level of competition in the payments sector. These external factors, over which *Horizon* has no control, will continue to be key influencers on the firm's value proposition and competitive positioning in the marketplace. Ultimately these, combined with inter-organisational factors, will have further implications for *Horizon's* value co-creation process and innovativeness in their product and service offerings.

Future Retail Banking Landscape & Industry Challenges

“The increasing prevalence of globalisation, technological advancements and heightened stringent regulation will continue to impact and upset the retail banking playing field”(Deloitte 2014a,pp 2). Citi Group (2016) research highlights that within the new digitally enabled banking world there will be a shift from physical assets to connectivity – this they label as banking’s ‘Uber’ moment.

The ubiquity and adoption of the internet, e-banking and increasingly mobile banking and customer self-service gratification have transformed the way consumers transact and interact with their banking provider. This same ubiquity also provides a platform for customers to share (negatively or positively) their banking experiences, reinforcing that shift of locus of control from the provider to the customer, and increasingly to customers and communities in the social media space.

New competitors will continue to emerge with new product/service offerings, which in turn, will compel existing banks to review and revisit their customer value propositions, product/service attributes and the means by which they reach and communicate with existing and new potential customers using appropriate and relevant technology within the new digitally enabled world.

Key Messages

What is certain in both the existing and future banking environment, is the extensive level of flux, heightened regulation and competitive activity over which *Horizon* will have limited control. There is therefore a necessity and urgency to ensure that the organisation is prepared and equipped to face these

challenges as '*staying the same is not an option*' (PWC, 2015, pp 3).

Attention will now turn to introducing the key influencers which will directly impact (positively or adversely) on *Horizon's* value proposition. Given their criticality, these will be reviewed extensively in the literature review section in the context of the value proposition and customer centricity phenomenon.

Key Influencers and Drivers Impacting on the Value Proposition & Customer Centricity

Organisational Innovation

Cheaper technology and communications coupled with the modularity of banking products & services have significantly altered the perspective on innovation.

The impact of technology means that agility and innovation are key to ensure that banks keep pace with industry externalities and developments. Increasingly and imperatively there will be a need for banks to have relevant operational, channel and communication strategies which are underpinned by up to date innovations to remain current in the industry. Banks will need to ensure that adequate resources are invested to keep pace with new and emergent industry innovations.

Deloitte (2015) research findings set out that retail banking will need to shift focus from service to value add activities such as the customer experience, innovative products and data intelligence and analytics all of which will pose both opportunities and threats.

Competitors

New non-traditional competitors have entered and will continue to transform the financial services industry. These entrants, unencumbered by historic legacy issues and subject to less regulatory constraints will be well positioned to attract customers via a lower priced customer proposition. This activity is already being evidenced in the payments sector via peer to peer lending, Google Wallet and Apple Pay. Such big brands possess the agility, resources, technology and analytical capabilities to extend their reach to a vast customer base. This in turn positions them to offer a streamlined value proposition with a high degree of customer centricity.

In particular, the emergence of innovative and agile FinTech companies with a differentiated, simplified value proposition along with a differentiated customer experience, will form a key part of that competitive transformation. These new entrants are already active in the consumer and SME business payments sectors.

Interestingly, Capgemini's (2016) global research of retail banking customers found increasing customer confidence in FinTech companies, with 63% of customers across the globe using Fintech products and services. In terms of satisfaction, 55% of customers are more likely to refer their Fintech providers versus 38% of traditional bank customers. Indicative loyalty figures found that only 55% of traditional banking customers are likely to stay with their current bank in next six months timeframe and only 16% likely to purchase another product from their traditional bank provider. This demonstrates that customers are prepared to transfer their banking requirements to new providers if their product/service value proposition meets their financial needs, wants, demands and expectations.

Customers

Of concern to banking providers and as a fallout of the financial crisis, customers more so than in the past, shop around and actively search out the best value. This is contrary to the previously ‘sticky’ branch relationship enjoyed by the existing banks. Regulation and technology have facilitated this move. Online aggregation portals make it easier and far cheaper for the customer to shop around and assess new providers. This, is particularly relevant for the personal loans & credit cards product lines.

Technology & Disruptive Innovation

The financial services industry has experienced significant technological and disruptive innovations. This is expected to continue and grow in future years, with open source models and block chain technology on the near horizon. Deloitte (2015) highlight the need for companies to invest in infrastructure, technology and people talent to adequately equip themselves to deal with this next wave of disruptive innovation.

It will be critical that organisational strategies, process, practices and operational activities are aligned to meet the various challenges this disruptive innovation will present. The impact on the firm’s value proposition, business model and the resultant customer experience will be key strategic imperatives.

Key Messages

More so than ever, review, formulation, re-definition and communication of a true customer centric value proposition will be a critical strategic challenge due to the significant innovation, customer and technological changes. . This will require firms to obtain a clear understanding of customers’ needs, wants and demands with key emphasis on those elements that are fundamentally important to the customer.

Incumbent banks have to acknowledge and respond to the threat of Fintechs. whether this is by directly competing head on with a stronger proposition or through potential partnerships where synergies and mutual advantages can be exploited.

Investment in reinventing the technology and associated refreshed value propositions will be key to maintaining a foothold and securing competitive advantage. Equally, organisational innovativeness will be required particularly within their automation and optimisation activities with highly effective innovation strategies.

Post the financial crisis, there has been a paradigm shift where the locus of control and empowerment has shifted to a more sophisticated and informed customer base and associated communities in the social media space. Banks need to adequately respond to this. Customer loyalty will be harder fought and easier lost than ever in the past and a firm's value proposition is therefore a key strategic objective and challenge.

Literature Review Overview

The following literature review provides the theoretical framework and foundation to inform the specific research questions. In the first instance, the origins and initial theoretical writings on the value proposition and customer centricity concepts are examined, their importance highlighted and the key impediments to customer centricity outlined. Academic and current business insights into the retail banking environment and specifically, the future challenges and opportunities in the sector, are researched. The importance of organisational innovativeness and it's role in the customer co-creation process is investigated. Finally, the key drivers of change –(positively and adversely) – impacting on the value proposition are outlined.

Specifically technology, disruptive innovation, competitors, the role of the customer and in particular, the millennial customer (estimated to account for up to 75% of the workforce by 2025), are critically reviewed and assessed to formulate the basis of the core research questions and objectives. The non-digital native segment is also acknowledged but complete analysis of this segment is not considered within the scope of this paper.

A synthesis of seminal scholarly articles and up to date business research combined with practitioner insights into the present and future retail banking environment are outlined. Their importance and criticality to the value proposition and customer centricity phenomenon are set out. The resultant literature review will clearly delineate the rationale for the specific research questions which form the basis of this paper.

Retail Banking

Current Academic & Business Insights/Literature

Traditional banking institutions were perceived as being conformist and abiding by external “*social influences and pressures*” (Oliver, 1997). This is consistent with the resource based ‘inside-out’ view of the firm, where focus is concentrated on internal competencies to deliver a product offering to suit the market.

Leonard-Barton (1992) states that some traditional banking core competencies are no longer relevant nor sufficient within the new banking world. Leonard-Barton (1992) further claims that that these may in fact now be perceived as ‘*core rigidities*’, restricting and impeding the organisation’s progress. This presents particular concerns for the banking industry considering rapid digitalisation combined with extensive regulatory

requirements which Hobe (2015) describes as the ‘*new normal*’ in the sector. Therefore, analysis of and investment in core competencies combined with an effective value proposition, are key differentiating crucial factors requiring strategic attention.

However, this presents a paradoxical challenge in that the bank has to position itself to identify and manage those effective competencies whilst divesting and appropriately replacing the dysfunctional elements (Leonard-Barton, 1992). Progressive banks should look to adopt a more progressive, customer centric blue ocean ‘*outside-in*’ approach (Kim & Mauborgne, 2005) by identifying and seeking to emulate core competencies employed by successful companies. Lahteenmaki & Natti’s (2013) advocate a similar type approach to one where customers are engaged, listened to and co-contribute to the value proposition process.

Additionally, Gobble (2014) suggests that we have moved from the *Information Age* to the *Data Age*. It is therefore essential that the retail banking industry and particularly *Horizon*, have to move into and be proactive in this space.

Future Opportunities & Challenges

Hobe (2015) maintains that banking has the challenge to restore the resultant ‘*brand damage*’ and trustworthiness post the financial crisis. Increasingly, this involves dealing with regulatory demands which impact on the firm’s infrastructure, operational strategies, and their very business model and carry prohibitively high costs (Hobe, 2015).

Critically into the future, retail banking will need a clear understanding of customer needs and wants and an ability to pre-empt future needs or indeed, create new opportunities and needs that customers are perhaps unaware of themselves. Such a strategic value proposition formulation and development process

needs to be integrated and aligned across all critical business areas at the strategic, tactical and operational levels with a totally integrated organisation-wide approach adopted (Piercy, 2009).

Ultimately, the challenge for traditional retail banks will be to ensure they remain relevant in the current dynamic and hyper competitive environment and to respond to a more sophisticated and demanding customer base.

Additionally, changing demographic, regulatory requirements and new channels will impact and result in agile new entrants taking an increasing share (King & Baatartogtokh, 2015). Therefore banks will have to possess similar, if not superior agility to evolve and adapt to these changing conditions and attempt to gain real insights into their customers, this Gobble (2014, pp 60) describes as a '*human centred approach to problem solving*'. Banks will be increasingly challenged to deliver personalised, relevant, timely and seamless customer centric propositions that have the ability to create and sustain long term customer loyalty and profitability (Visser, 2016).

Banks contain unrivalled treasure troves of customer data (Deloitte, 2014) which they have not and need to be effectively leveraging via advanced analytics in order to truly understand their customers and position themselves to provide value adding products and services for mutual benefit.

In light of the existing and future challenges, the fundamental tenets of and criticality of the value proposition and customer centricity concepts are now considered. Their importance and relevancy have been researched and propounded by various academic researchers, key among whom are (Drucker 1954, Treacy & Wiersema 1993, Woodruff, 1997, Parasuraman 1997, Slater & Naver 2000, Kotler 2003, Lindic & De Silva (2011), Payne & Frow (2011, 2014, 2105) Carvalho & Jonker (2015)

What is the Value Proposition?

Drucker (1954) originally identified a key link between the customer and the value proposition, highlighting the necessity for the firm to identify target customers and understand the customer's values and behaviours in order to guide the development of their product/service offering.

Further exploratory research was progressed by Treacy & Wiersema and Woodruff in the 1990's.

Treacy & Wiersema (1993) elaborated on the critical importance of the client-organisational relationship as a key driver of business success. Treacy & Wiersema's (1993) findings established three core value disciplines, advocating that a firm should focus on one discipline in the pursuit of overall market leadership.



Figure 1: Treacy & Wiersema (1993) Core Value Disciplines

In particular, the customer intimacy discipline was expanded by Woodruff (1997) who defines the value proposition as:-

“A customer's perceived preference for and evaluation of those product attributes, attribute performances and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations” (Woodruff 1997, pp 142).

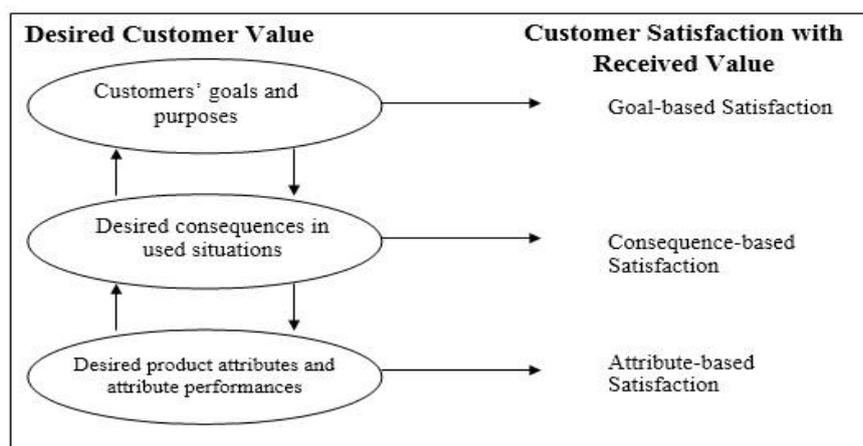


Figure 2: Woodruff (1997) Customer Value & Customer Satisfaction Concept

The above illustration depicts the various levels of perceived customer value and associated satisfaction fulfilment criteria involved in the customer's assessment and selection of product/service offerings across attribute, consequence and goal based satisfaction levels. Originally, firms focused purely on the attribute level, but Woodruff (1997) highlighted the equally critical consequence and goal based levels that need to be considered.

Furthermore, Woodruff (1997) emphasised that customers' perceptions and motivations change at different stages of the purchase cycle (pre, during and post) and that the value proposition has to consider and satisfy all three stages. Recent research by Carvalho & Jonker (2015) also endorses the important economic, environmental and social facets that the value proposition has to satisfy, in addition to recognising a new psychological dimension related to the impact of the value proposition on the customer's mind set. This is critically important for the banking industry given that the purchase of a significant asset e.g. a home, is a key psychological purchase for the customer. This has to be handled with the appropriate level of expertise and skill to ensure that such a purchase.

In this context, similarities can be drawn to Maslow’s hierarchy of needs criteria:-

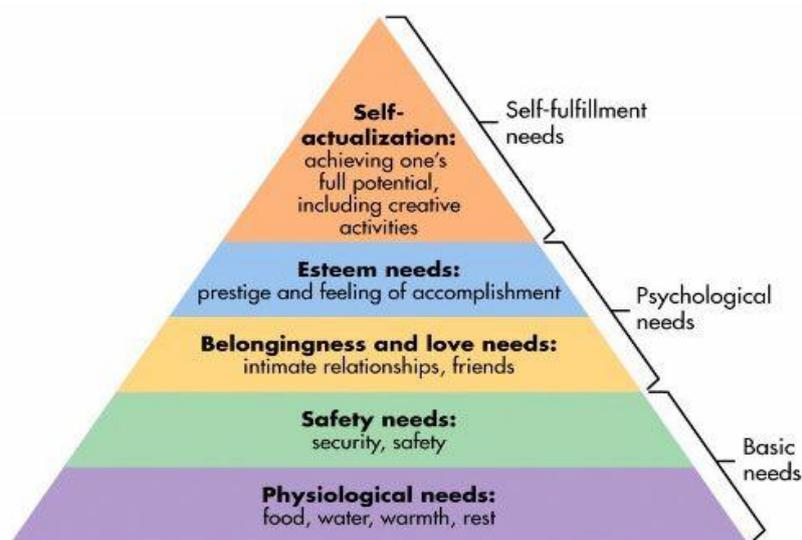


Figure 3: Maslow (1943) Theory of Motivation -Hierarchy of Needs

Woodruff (1997) further depicts the critical and complex internal relationships and linkages between the customers’ desired value requirement and the associated level of customer satisfaction which need to be critically considered at the value proposition formulation stage.

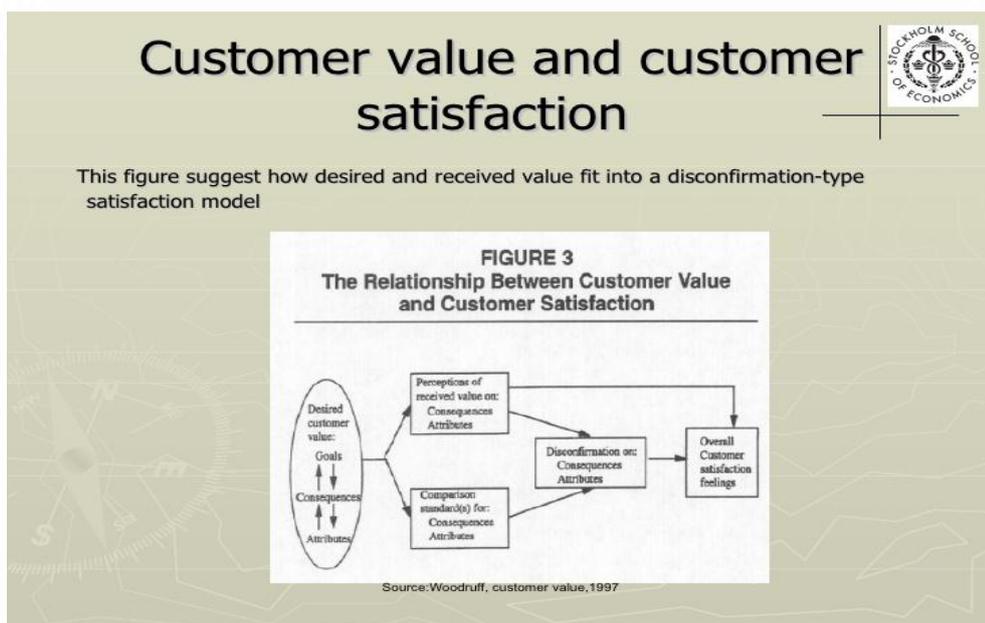


Figure 4: Woodruff (1997) Value & Satisfaction Disconfirmation Model

The above outlines the key determinants of customer satisfaction which have to be attained to ensure an effective and customer resonating value proposition that meets the customers needs, wants and demands.

Customer value is a dynamic process (Parasuraman, 1997) and in firms should have an equally dynamic and repetitive reassessment of the value proposition which considers the customer s' segment stages in their life cycle and the inter organisational business strategies. Slater & Naver (2000) support this contention setting out that companies need to understand the complete evolution of the buyer's perception and expectations over time and as they move through their life stages. This understanding can be achieved by mining the invaluable information and customer intelligence data asset to develop an effective value proposition (Slater & Naver, 2000).

Kotler (2003) highlights the contractual aspect of the transaction defining the proposition as a promised combination of benefits to fulfil the customer's needs. Anderson et al's (2006) re-emphasised the promise aspect setting out that it needs to be distinctiveness, quantifiable and sustainable to solve the customers' problems ,needs, wants, demands and expectations.

Lindic & De Silva's (2011) contribution added that a customer's perceived value consists of two supporting tenets, benefits & costs (financial and non-financial) with the benefits being the core element that the customer purchases. Non-financial costs include time, convenience and accessibility. It can be argued that a third critical tenet is that the value proposition has to be *meaningfully* different (Hill, 2013) to competitor's offerings particularly in today's market where products are increasingly commoditised.

Later research by Payne & Frow (2014) highlights the criticality of the *offering*, customer *promise* and both *product* and *experiential benefits* and costs required to develop and provide a superior value proposition.

Drucker (2008) contentions and wisdom developed in the 1950's still holds true for today's leaders. Drucker (2008) set out that it is imperative that firms understand 'who their customer are?' and 'what those customers value?'

Whilst appreciating all the above progressive developments and insights into the customer value proposition, the one constant throughout is the customer which highlights and cements the customer's central role in the value proposition process.

One cannot consider the impact of the value proposition without specific attention to the intrinsically linked customer centricity phenomenon and the customer's role in the value co-creation process.

What is Customer Centricity & Value Co-Creation?

Extensive research has been conducted into the customer centricity and the value proposition co-creation process. Seminal writers include Drucker (1954), Parasurman (1997), Vargo & Lusch (2004) and Prahalad & Ramaswamy (2004). The following section underscores the increasingly pivotal role that the customer plays within the new collaborative and participatory banking and e-banking world.

Key research by Vargo & Lusch's (2004) culminated in the service-dominant logic. Vargo & Lusch's (2004) main premise is that all offerings are a service and that part of the service delivery process, it is the customer who determines what is valuable and therefore the customer is the *central* 'actor' (Prahalad & Ramaswamy, 2004). This represents the very core

of customer centricity which Boulding et al (2005, pp 159) succinctly define as the “dual co-creation of value”.

The traditional banking sector was and remains largely product centric with prime focus on sales targets and push marketing focused on meeting shareholder and fiduciary requirements – effectively operating from an inside-out ‘red ocean (Kim & Mauborgne, 2005)’ perspective. However, Shah et al (2006) set out that the true essence of centricity is identifying and creating value jointly with the customer.

Heinonen et al’s (2010) research put forward an alternative customer dominant logic for the co-creation of value and competitive advantage. Heinonen et al (2010) stress that this goes beyond the basic activities confined to the company but that it requires firm to have a greater insight into the consumer’s activities outside of their own company offering in order to drive enhanced value in use. This, in turn, leads to greater customer understanding, empathy and support and results in centricity via tailored customised products based on what the customer wants and values (Heinonen et al, 2010). This innovation in the formulation of a unique value proposition represents untapped potential to reverse engineer marketing (Heinonen et al, 2010) and develop propositions from an outside-in perspective, similar to Kim & Mauborgne’s (2005) ‘blue ocean’ thinking. In order to achieve this customer centricity, it is essential that there is clear alignment between the product/service and the customer’s needs, wants, buying patterns and behaviours (Opperman, 2011) at every customer touch points. This will lead to enhanced customer value, which is by definition, customer centric (Rintamaki & Kuusela, 2007).

However, this poses a paradoxical quandary for the company as to where the appropriate cost-benefit balance between customisation versus standardisation and customer centricity

versus mass marketing can be struck? Ostrom et al (2010) further posit that the correct cost benefit trade-offs between customising services versus the cost of development requires careful consideration.

In partial answer to the above, Groonroos (2012) emphasises the importance of companies seeking customer feedback at the value in use stage to gain invaluable insights into their service experience. Lahteenmaki & Natti (2013) research adds to this highlighting the fact that effective value co-creation is missed due to lack of interaction with the customer (digitisation and self service) and results in provider loss of control over the proposition and their potential to expand their relationship with the customer. Lahteenmaki & Natti (2013) set out that an ongoing interactive and proactive relationship, regardless of fulfilment channel, is required with the customer to effectively position the company to deliver an effective value proposition, which addresses the customers' needs, wants and demands. This in turn will lead to a heightened and enhanced customer experience.

Why are the Value Proposition & Customer Centricity So Important?

So how is such a distinctive, unique value proposition created in the retail banking arena? This is a particularly challenging task within the changing retail banking landscape due to increased commoditisation and competition in the industry. These combined with the heightened regulatory environment makes revision and reinvention of the value proposition a key business imperative (Deloitte, 2015).

Many researchers and academics have espoused the absolute need for companies to be customer centric. However there are a large number of existing and potential stakeholders who can, and

do, impact on the company's value proposition and associated strategy, business model and operational activities. A key organisational leadership requirement is the ability to manage and direct these varying and often conflicting individual priorities and personal agendas.

Payne & Frow's (2014) main contention is that companies need to formally develop an *explicit* value proposition as it forms a core part of the firm's business strategy. O'Cass & Ngo (2011) support this view attesting that value creation and the proposition itself are critical strategic activities, which if formulated and developed successfully, can lead to competitive advantage. Considering the commoditised nature of banking products, a key difference now afforded to the customer is the level of customer experience proffered (Rintamaki & Kuusela, 2007). Anderson et al (2006) agree stating that 'one or two points of difference' are required to establish a unique value proposition.

However, Lahteenmaki & Natti (2013) state that some companies in fact do not understand their value proposition or for those who have a value proposition, that they are ineffective in articulating and communicating it. To ensure this understanding, Payne & Frow (2014b) purport that there is significant business merit & advantage in closely examining, decomposing and reconstituting the value proposition to identify elements of differentiation and particular cost drivers to inform and guide business strategy.

This sentiment is echoed by Roig et al (2013) who argue that the perceived value should be distilled down into distinct dimensions and that the firm should attempt to ascertain those components which are the most important and relevant to their different customer segments. Crystallisation and communication of the key customer value benefits are a key and essential part of this process. Provided that companies appreciate and address

customer needs as they progress through their lifecycle (Coetzee, 2014), the return on this increased customer centricity will lead to increased loyalty, reducing churn and increasing revenue (Loshin & Reifer, 2013).

Prahalad & Ramaswamy (2004, pp 13) further that value co-creation and interactive marketing is perhaps the only way in which the organisation can differentiate themselves from competitors and where, for the increasingly informed and intelligent consumer, 'the experience is the brand' (pp 13). Nysveen & Pedersen (2014) agree that co-creation, motivated through brand experiences, is a key driving force for competitive advantage and concludes that customer engagement in the co-creation process heightens the brand experience from the customer's viewpoint. Neghina et al (2015), consistent with Piercy's (2009) totally integrated perspective, state that this co-creation process has to be a joint collaborative interaction between all key company employees & the customer for it to be holistically effective.

Whilst there is either explicit or implicit appreciation of the fact that customer centricity is key, Gummesson (2008) contends that it is neither realistic nor feasible to exclusively restrict the view of the customer to the end user. Particularly within the heavily regulated financial industry, there are a large number of influential shareholders and stakeholders with individual internal power plays, politics and personal agendas in addition to business drivers that have to be met. Therefore, Gummesson (2008) maintains the customer centricity is not possible and is essentially a wild goose chase. Instead, Gummesson (2008) advocates more so for an authentic balanced centricity across the various stakeholders, whilst agreeing that there is a need to treat customers as co-creators on the customer side. This a critical and paradoxical aspect for the banking industry as they need to balance profitability versus the customer value proposition.

Application

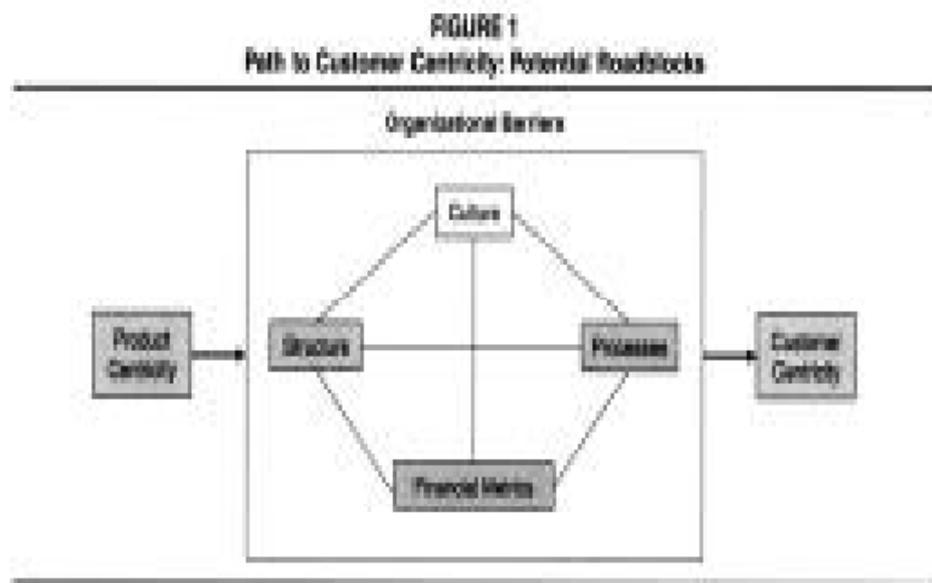
Reichfield (2003) advocates that there is one key number business metric that a company needs to measure ‘*what a customer tells their friends and peers about the company*’ – this he coined the ‘Net Promoter Score (NPS)’. Asking a simple question ‘would you recommend this company to a friend?’ which Reichfield maintains is the best indicator of customer loyalty. The ultimate aim for long term sustainable competitive advantage Reichfield (2003) maintains is to have less detractors and more promoters. Piercy (2009) similarly highlights the essentiality and power that company advocates can lead to company’s value intangible asset. However some academics and particularly (Schulman & Sargeant, 2013) disagree with the NPS score rating citing that it is restrictive in nature, it does not carry sufficient predictive ability and that its attitudinal framework is not sufficient to accurately measure loyalty.

Research conducted by Deloitte (2015) supports this view maintaining that the right balance between multi channels and personalised face to face customer contact is critical for the maintenance of long term relationship and thus customer satisfaction and loyalty.

Value Proposition & Customer Centricity Impediments

Lahteenmaki & Natti (2013) conducted an in depth qualitative case study of a European retail bank to gain an understanding of the obstacles which prevent banks from adopting a customer centric focus. Predominantly within their findings was a product-led approach, employee commitment, customer segmentation and organisational infrastructure. Lahteenmaki & Natti (2013) set out that moving to customer centricity & value co-creation is therefore extremely challenging.

Shah et al (2006) highlight cultural, structural and financial considerations pose a challenge for firms to adopt and align to a pure customer centric approach. Bharti et al (2015) equally stress the importance of company structure and inter-organisational linkages maintaining that to be effective, the structure has to encourage joint engagement, research, discussion and resolution to co-create a valuable value proposition.



Source: Shah, D. Rust, R.T. Parasuraman, A. Staelin, R. & Day, G.S. (2006) 'The Path to Customer Centricity

The potential existence of these obstacles within Horizon will be explored via interviewees questions as part this paper's research process.

Key Drivers of Change

Organisational Innovation

The retail banking value proposition has evolved from the pure branch only advisory services through to the current mobile banking. The physical branch network infrastructure is becoming less essential due to technology but still represents a critical bank advantage due to its' distribution network, local presence and scale which new entrants lack. That being acknowledged, customers have significantly moved on from having to be lead and guided through all aspects of financial services to today's instant self-service gratification which is now actively sought out by a large number of customers, most particularly those in the millennial cohort. Therefore delivery is a key performance indicator.

Deloitte (2015) highlight the necessity for banks in the future to organise by customer segment, as opposed to product or channel, and to build an integrated cross channel strategy to deliver a strong, unified value proposition to customers revolving around the four pillars below

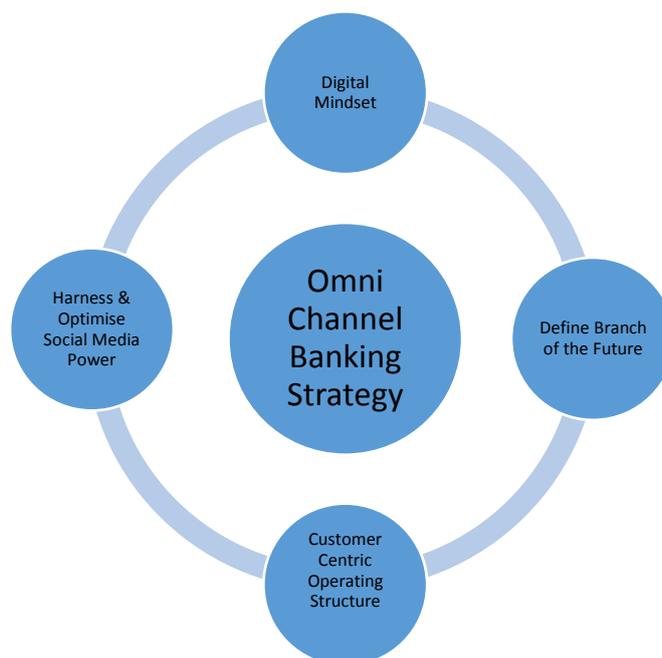


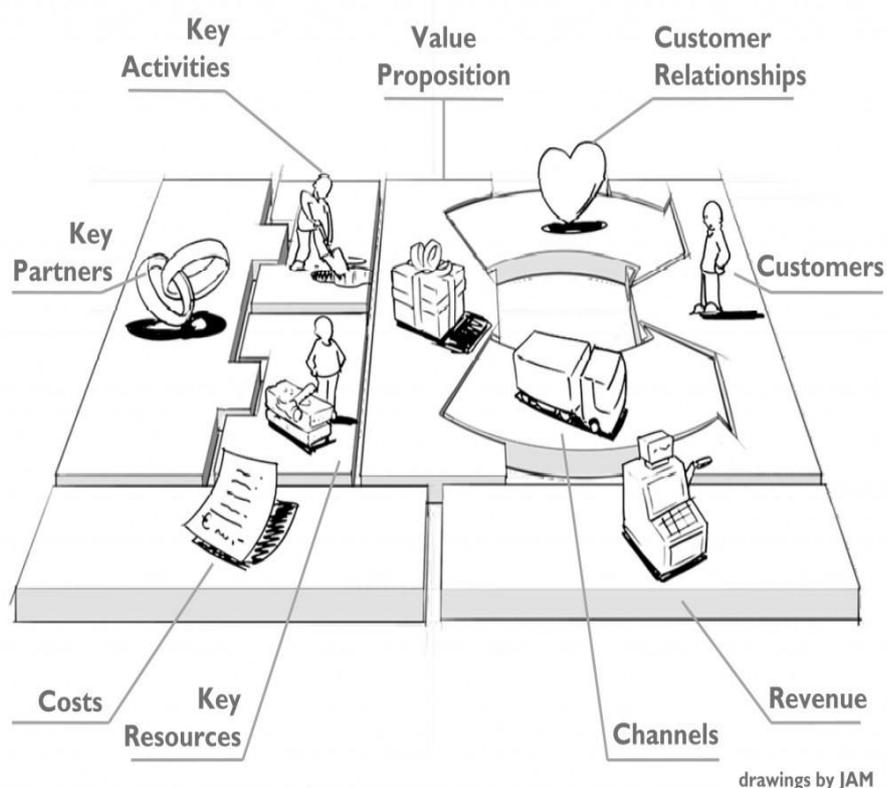
Figure : Deloitte (2015) Omni-Channel Strategy Overview

As illustrated, technology driven innovation is the main key driver of all critical components of the digital banking strategy.

However, Jones (2006) highlights that this disruption is not purely confined to technology and business processes and business models can be similarly disrupted and made obsolete due to increased automation and optimisation. This means that organisational activities at strategic and operational levels, have to be considered and reviewed to complement the technological aspects.

The value proposition is a central component of the firm's business model (see Osterwalder's business model framework below) and directs the key strategies, activities and relationships required for the company's value proposition. and to drive the achievement and sustainability of defensible competitive advantage. In order to do so successfully, Amit & Zott (2012) posit that the business model has to be looked at and considered holistically to facilitate genuine innovation. Chesbrough (2010)

agrees that innovation of the business model is a critical activity which must be undertaken holistically to attain and maintain competitive advantage. Additionally, Hobe (2015) sets out that forward thinking high performing banks are using the new regulations to proactively improve their products, models and business processes. .



However, this innovation impetus is not an easy task as numerous barriers have to be challenged and overcome including leadership styles, silo thinking and operational activities in addition to the organisation culture and resistance to change which need to be led and managed.. Successful companies will be those who can offer an integrated banking model that satisfies the needs and wants of their diverse customer base and affords them a key differentiating customer value proposition.

Johnson et al (2005) define strategy as ‘the direction and scope of an organisation over the long term, which achieves advantage

in a changing environment through its *configuration* of *resources* and *competencies* with the aim of fulfilling stakeholder expectations'. Porter (1996) describes competitive strategy as '*being different*' and sets out that 'it means deliberately choosing a different set of activities to deliver a unique mix of value' with Hill (2013) adding that the strategy has to be meaningful to be effective. Porter (1996) states the companies need to compromise and weight up critical activities, and forsaking others, to ensure sustainability of the company strategy.

Therefore, agility in thinking, strategy, process and the business model are required in order to effectively compete in today's environment. Strategic flexibility (Hilt et al, 1998) and agility are crucial to maintain competitive advantage. Lusch et al, (2010) state that this agility and adaptability is essential for the continued survival and ultimate advancement of a company. As cited by Bharti et al (2015), Tallon & Pinsonneault (2011) define this organisational agility as "*an ability to detect and respond to opportunities and threats with ease, speed & dexterity*". However, Carton et al (2012) set out that in reality legacy bank systems are counter-productive to a flexible value proposition co-creation concept and found that there is a disinclination on the bank's part to change their existing business models. There needs to be commitment and focus from the top level to drive this agenda.

From a reporting and analytics innovative perspective, Skarzynski & Rufat-Latre (2011) advocate that analysis of reports and past trends is not sufficient to meet client's needs and wants but that an organisation needs to talk and observe customers in real time and to view outcomes and insights by looking at the overall bigger picture. They argue that breakthrough innovations can only be successful where the existing competencies of the business are leveraged. Whilst

Leavy & Sterling (2010) advocate that firms should choose action as opposed to analytics, it can be argued that both need to go hand in hand as action will result in new analytics and subsequent analytics will inform action.

Lindic & da Silva's (2011) pioneering research examined the link between innovation and the value proposition, highlighting that a key question companies need to ascertain is what elements to innovate, in order to offer customers a more superior value proposition. Lindic & da Silva (2011) put forward their PERFA framework outlining key dimensions to decompose and reconstitute the value proposition from a customer rather than a business perspective, concentrating on the elements that the customer genuinely values.

P	Performance
E	Ease of Use
R	Reliability
F	Flexibility
A	Affectivity

All of the above can easily be adapted and applied to retail banking.

This is consistent with Payne & Frow's (2014b) recommended reconstruction of the value proposition

Benner & Tushman (2003, 2013) reassessment of innovation and the nature of innovation over a ten year period attests that while innovation has moved on, exploitative and explorative initiatives are critical to progress and strive for sustained competitive advantage, both of which represent short-term and longer term timeframes. Benner & Tushman (2003, 2013) contends that there remains a need for efficiency and innovativeness with the correct balance in the correct environment and structure. Therein lies the paradox as the pursuit of short term aims and incremental change via exploitative actions can actually lead to stunting exploratory innovation (Benner & Tushman, 2013).

Lean Start Up Methodology

Steve Blank (2015) advocates that validation of customer/product fit via iterative research and validated learnings (Ries, 2011). Key is the physical or virtual connection with the customer, where effective customer listening skills are employed at all stages effectively transpiring that the customer effectively co-creates the value (Vargo & Lusch 2004). This process has been met with a high degree of success by pioneering company IDEO for both new start ups and existing businesses with a problem to be solved. Ultimately, it places the company in a position to implement highly customer centric value propositions with full awareness of the customers' needs, wants and demands.

In summary, WARC (2015) trends highlight the importance and necessity for business to be agile and responsive and to harness customer data in order to gain a competitive edge on the competition and in fact that that this data can enhance business insights and innovation initiatives.

Competitors

New entrants, and in particular, Fintechs will increasingly threaten to disrupt and disintermediate the Irish financial market by offering new options to loan and transfer money, back end operations technology providers, payment software, credit risk scoring and consumer focused cloud banking (Rowe, 2016). Such providers are not encumbered with stringent regulations as traditional banking firms and are not subject to capital requirements. Traditional banks lack the technology, infrastructure, agility and in some cases, insights in responding to these new entrants with real threat of loss of market share.

Incumbent banks are cautioned to avoid myopia (Christensen, 1997) in respect of the threat which these new entrants pose. Banks are underestimating the value and service that these companies provide to customers in their redefinition of banking through high specialisation and alternative offerings to banks commoditised products (Capgemini, 2016).

This threat may materialise further in that Ireland may potentially be viewed as the international Fintech hub in the future Rowe (2016). Therefore there will be a real necessity for existing banks to rethink their business models (Rowe, 2016) and to innovate and actively embrace this innovation before FinTech's secure a strong foothold and start developing scale and distribution within their existing marketplace (Citi, 2016). The pace of transformation is fuelled and escalating due to the ubiquity of the internet and mobile phone and the change in consumer behaviours and willingness to adapt to and adopt these new technologies.

In addition to Fintechs, increases in products and services offered by aggregators, peer to peer lending, crowdfunding,

Google Wallet & Apple Pay will further encroach into the traditional banking space. These players will leverage their current client reach, brand strength and identity and ultimately lead to increased customer ‘stickiness’ and customer acceptance of mobile payment options (Citi, 2016).

Citi (2016) research opinion sets out that whilst there will always be competition, collaboration between the existing banking incumbents and emerging FinTechs will become increasingly common in order to leverage and maximise benefits and unique selling points for all customer segments.

Customers

The criticality of understanding customers’ needs and purchase inclinations are a core tenant in marketing.

Colvin & Selden (2003, pp 2) define a customer segment as “*a group of customers with sufficiently homogeneous needs so that segment members can be won with a common value proposition and common marketing*”.

Colvin & Selden (2003) contend that customers need to be segmented on a gradual level and using the appropriate metrics in order to deliver an effective value proposition. The customers’ needs (both financial and non-financial) have to form the core of the value proposition and it is imperative that the company understands and monitors their buying behaviours to assess the most profitable segments requiring focused efforts (Colvin & Selden, 2003).

As previously highlighted, the ‘*working*’ (Cova & Dalli, 2009) customer remains the one constant and central figure in the value proposition and customer centric process. A role which has evolved and resulted in progressive empowerment, engagement, interaction and discussion with service providers. This role has experienced a paradigm shift and ‘*the customer is now in command of the business ecosystem*’ (Greenberg, 2010, pp 411).

Increasingly, this new social customer demands and expects authenticity and transparency from their service provider with trust being a key cornerstone of that relationship (Greenberg, 2010).

This will continue to pose a real challenge in the retail banking sector due to the pace of change driven by globalisation, societal trends and technology. Greenberg (2010) concurs stating that customer micro segmentation and customer experience mapping are key activities which should be undertaken in order to firstly understand all customer segments and their wants and secondly their buying behaviour thought processes. This would position the company to take a positive step towards enhances customer centricity in the value co-creation process.

Client experience is increasingly been seen as a key differentiator – shift from product centred to customer centred with true understanding of want at each stage of the customer lifecycle (Deloitte, 2015), this is consistent with Heinonen et al's (2010) customer logic premise. Increasingly, customers will seek seamless and integrated 'personalised' products and services with their needs and wants taking precedence over the product or pricing structure.

Ple et al's (2010) research into the customer integrated business model suggests that the customer is considered a resource and one which needs to be integrated and which extensively impacts on both the value proposition and the firm itself. Ple et al (2010) emphasis that the customer must be willing to participate, understand and obtain shared learning which will result in a mutually beneficial and reciprocal value co-creation reward and long lasting relationship.. Such innovative co-creation has the potential to have a profound meaningful impact on service excellence and the customer experience (Skehon et al, 2015).

Particularly within the increasingly e-banking and mobile banking environment, Ple et al (2010) caution that customers can assist or impede multichannel co-ordination. Therefore, Ple et al (2010) attest that banks need to have a clear understanding and appreciation of the customer's prosumer (Tapscott, 1997) role to maximise the benefit and exploit the co-creation opportunity these present – which Ple et al (2010) refer to as the 'reversed interactive marketing' concept. This contention is shared by Carton et al (2012) who set out that a distinct detailed value proposition is thus required to maximise on the opportunities. Therefore it is critical that that customer base is strategically identified and segmented in order to tailor the value proposition accordingly.

Technology, market intelligence and globalisation have accelerated the customer's role as a key player (Bharti et al, 2015) making the customer the final arbiter of value (O'Cass & Ngo, 2011). Associated Interparty dialogue and relationships are key influencers that can impact on the value offering, attraction, retention and loyalty. This dialogue and interaction is being referred to as the 'third age' of segmentation (WARC, 2010).

Scale and collaboration is the new innovation. Use collaborative user communities to maximise future customer engagement and feedback. These will be particularly relevant to the millennial segment.

The Millennial Customer

The millennial customer deserves specific mention due to the fact that they have grown up in the digital age which have moulded their expectations, values, buying patterns and behaviours. Industries and firms need to consider their buying patterns, business interactions, transactions and relationship preferences to ensure that an appropriate value proposition is formulated and communicated through their preferred channel(s).

Millennials are those born between 1981 and 2000 (Mobolade, 2016) whilst Ranta (2016) sets out that they are those born from 1980 through to 1995 and Velentine & Powers (2013) categorisation those between 1977 and 1996. Notwithstanding slight variations in dates, all are in agreement that these diverse digital natives will be the leaders of the future and are anticipated to make up approximately 75% of the workforce by 2025. As such, Bowen & Chen (2015) posit that this ‘dominant generational segment’ born between 1977 and 1997, will present both opportunities and threats to many companies.

Tapscott’s (1997) ground breaking and enlightening award winning book on the millennial segment who he coins the ‘Net Generation’, highlights that they are the first digital generation to come of age and that this generation are smarter and quicker and that their usages, experiences, values and expectations are making themselves felt within their many interactions with their peers, communities and organisations with whom they engage and interact. Pitta (2012) sets out that it is therefore essential that firms speak their language and use appropriate channels of communication and interaction which offer speed, convenience and innovation. However, many others have pointed to the potential shortcomings of these digital natives, most notable of

whom is Bauerlein (2008) who maintains and that a major downside of the digital age is the creation of a dumber class of people who are overly reliant on digital devices and as a result, have lost some of their own thought capacities.

Whilst acknowledging the above, Karuza (2015) advocates that the genius of marketing, irrespective of generation, is simplicity where less is more but is undertaken with the customer as the key focal consideration. Today's sophisticated consumers seek to purchase with minimum unnecessary effort and they seek information from trusted parties (Pitta, 2012). This bodes well for incumbent banks, as one of their key cornerstones is trust (albeit somewhat dented due to the financial crisis). Additionally, these digital natives are the most attractive segment for future digital disruptors quotes Greg Baxter of Citi Group (Citi, 2016) and it is this segment that is seen as the most likely early adopters of new technology. For example, millennials were the early adopters of mobile banking at 67% versus a 55% adoption rate by the Generation X cohort (Visser, 2016).

Mobile, internet and social media are the channels of choice for the banking millennials with limited visits to physical branches. In fact, research conducted by Citi Group (2016) found that of the average 17 contacts that a consumer has with their bank in a given month, only 2 visits were branch based. By their very nature, millennials are self-seeking problem solvers and active participants in online communities. This highlights the importance and need for banks to make customer acquisition and on-boarding feasible, available and simple via mobile, internet and phone channels and to collaboratively work with them to solve their problems.

Whiteside (2014) sets out a case in point was Santander Bank's entry into the US market in 2013, where they successfully

leveraged online communities to co-create their US bank and brand. Whiteside further explained that Sandtander wanted their ideal bank to be truly customer centric, getting to know them by building an appropriate relationship and to simplify the banking process.

Particularly within the digital banking environment, a customer intimacy (Treacy & Wiersema, 1995) value proposition, where customer centricity and collaboration are pursued, can provide the opportunity to build and sustain competitive advantage with this segment. Additionally, whilst the use of digital and media channels is emphasised for millennials, research has indicated that they still want and require meaningful personalised contacts and experiences.

Given their increased socialability combined with increased information sharing on open online communities, banking institutions have to factor this into both their strategies and channels in order to deliver a value proposition that resonates, connects and provides something meaningful to the millennial consumer.

Mobolade (2016) stresses that it is critical that this value proposition communicates and lives up to the firm's authentic business purpose. Furthermore, it is deemed advantageous that banks identify, engage and consider influential branch communities and the meaning of their interactions and influences between members (Halliday & Astafyeva, 2014).

Many writers caution that the millennial's customer loyalties are more fluid (WARC, 2010), less brand loyal. Therefore, their loyalty is a hard won asset and as a result, it is more difficult to convert and retain them as lifelong customers and advocates. On the other hand, research undertaken by Garau (2012) found that that the generational differences between millennials and Generation X has less impact on their level of brand loyalty

rather advocating that their stage in their life cycle was more critical. Additionally, both Garau (2012) and Kilian et al (2012) both found that contrary to popular belief, that millennials in general are not a homogeneous group and caution that they should not be treated as such.

Whilst all writers seem to agree that there are generational differences between Generation Y versus the baby boomers & Generations X, caution has to be exercised that it is incorrect to stereotype the millennial and regard them as a homogeneous segment. Indeed, McCrindle's (2008) advocates that generational, life cycle stage, purchase type and channels utilised need to be factored in and considered in totality rather than a singular categorisation and treatment of this customer segment. Therefore banks need to adopt and adapt their value propositions to target all generational cohorts accordingly and where engagement, collaboration, simplicity and ease should be key focal benefits and value drivers across all customer segments. Colvin & Selden (2003) set out that customer want to interact and engage in manner in which their needs are met rather than regarded as a homogenous segment whom the company has to handle in most cost effective manner. Tomorrow's 'one click' consumer will require personalised treatment, tailored communication heightening their sense of unique belonging and more control (Roland, 2015).

Lahteenmaki & Natti (2013) set out that it is essential that the customer's life context is considered when developing a value proposition that resonates with the consumer and which is consistent with their wants and lifestyle and therefore enable them to embed the banking services into the customer's life via the appropriate channel and utilising the most effective mechanism satisfactory to both parties.

Hence, retail banking customers are not a homogeneous group who can be mass marketed to on a holistic basis and segmentation of the customer base is increasingly important and imperative given market disruption, new market players in a hyper competitive environment. So for banking institutions, the challenge is being able to recognise and align both their personal value proposition to millennials with their digital capabilities, on which the millennials will judge the institution (Yurcan, 2016). Furthermore Ranta (2016) sets out the banking institutions need customers will look like the bank's current older generation X and baby boomer customers tomorrow. (Deloitte 2014). Banks must create a truly distinguishable cross generational customer experience and appropriate platforms, channels and strategies to remain connected with their customers.

Whilst the specific focus within this paper has been on the millennial customer segment, banking institutions need to be fully cognisant of the different life and learning stages of all their customer segments. Specifically, Prensky (2011) highlights that the non-digital native segment known as '*digital immigrants*' are those who have to learn to adapt to their environment and technologies. Banks need to provide an educational and advisory support network to assist these non-digital natives on the relevant learning and customer experience journey, via a more customer centric focus assistance focus. Therefore banks have to be aware, acknowledge and proactively navigate this immigrant/native divide via appropriate processes and online and offline advisory services, via for example online customer service (Tesfom & Birch, 2011). Essential to tailor, reach and deliver on their promised value proposition to each unique customer segment via the most appropriate channel. Additionally, Tesfom & Birch (2011) posit that varying degrees of employee personnel expertise are required for the different customer segments in the bank and therefore delivery on the

value proposition promise has to be conducted through the appropriate channel and by skilled personnel along all stages of the supply chain.

Technology & Disruptive Innovation

“Nowhere is the changing landscape of customer expectations of the value proposition and technology more evident than in financial services” Deloitte (2014a).

Current and emerging disruptive technologies have and will continue to exponentially disrupt and disintermediate many existing sectors, organisations and business models at a tremendous pace and at a global level exerting pressure on established brands (WARC, 2015). This disruption is not confined to the business, with Deloitte (2015) research indicating that regulatory bodies will also need to accept and proactively work with this disruption.

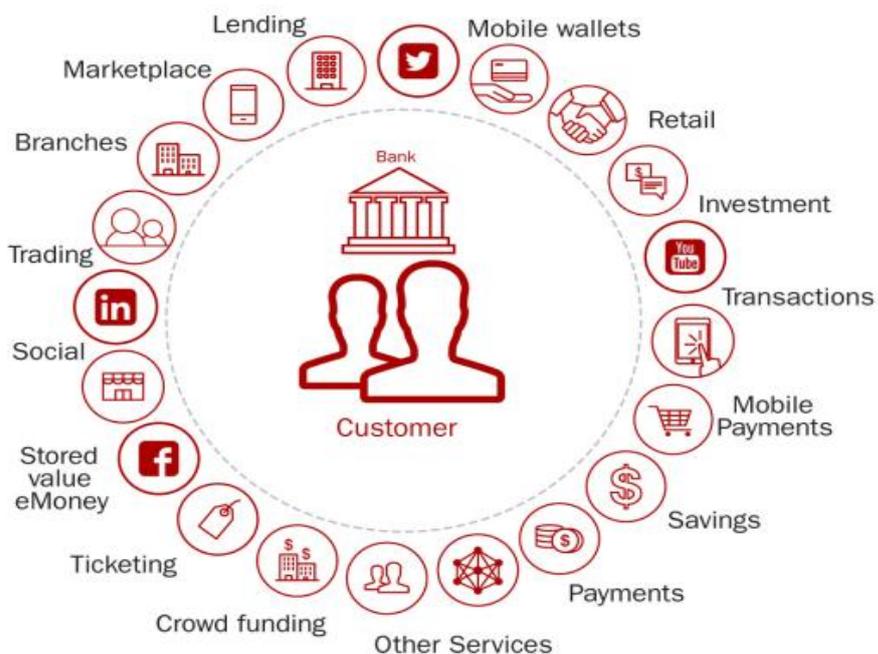
The pace of digitalisation requires firms to be knowledgeable and responsive to the impact this has on customer needs and wants (Edelman & Singer, 2015). However, Chaffey (2015) highlights the necessity for both the firm’s online and offline propositions to be aligned and mutually reinforcing. This is a critical consideration for banks.

As an interesting case in point, Australian bank ‘Westpac’ effectively used technological advances by developing a tool which enabled it to seamlessly accumulate customer data and feedback spanning all channels, which they in turn, converted into useful information to converse with and appropriately market to their customers. This resulted in a return on investment of 172% with a subsequent increase of 22% in the average client balance in the first year (WARC, 2015).

Lahteenmaki & Natti (2013) argue that banks need to optimise these channels to engage and interact more meaning fully and relevantly with the customer. Furthermore, Walters (2016) stress that providers need to maximise the opportunity presented by disruptive innovation to better utilise the wealth of customer data available to them.

Capgemini (2016) research highlights the need for banks to establish and implement complete interconnected smart channels, including social media, that are agile and scalable to enable it to meet the diverse needs of customers and to enable the banks to fully leverage the imminent digital banking ecosystem. Online engagement drives loyalty, increased NPS & is cheaper (Deloitte, 2014). However, increased digitalisation reduces the opportunity of having personal contact which research has found, customers continue to want and to value..

Marous (2015) presents Shelvin’s view of the ‘smarter bank’ where future collaborative nature of incumbent banks and Fintech players in the financial services market:-



Source: J. Marous on Ron Shelvin, *The Financial Brand*, 2015.

Shelvin's illustration highlights the new '*platformification*' where banks and fintech startups will need to collaborate and integrate their services to provide superior value propositions and solutions to customers needs, wants and demands.

King & Baatartogtokh (2015) set out that companies, in response to disruptive innovation, have to leverage their existing capabilities in addition, to increasingly looking to collaboratively work with potential disruptors who complement their business model, strategies and can ultimately enhance their customer value proposition.

Whilst disruptive technology may be considered prevalent and invasive by many, Magretta (2012) quoting Porter advises that in order to fully understand and respond to disruptive technology, it is imperative that the key underlying source of disruption is precisely identified. To be deemed truly disruptive, Porter argues that it must invalidate existing product and value chain traditional core competencies and encroach on incumbents' competitive advantage in such a way that it has significant negative consequences for the business. Porter maintains that true disruptions only impact on approximately 5 - 10% across all industries in any given decade.

Similarly, Markides (2006) warns that Christensen's initial theory of disruptive innovation cannot be used to describe all innovations. Markides (2006) argues that clear distinction has to be drawn between technical, business model and radical product innovations which present strategic and operational challenges for the firm. Deloitte (2015) research reaffirms this contention stating that businesses have to recognise that innovation can additionally come from participants, data, processes and regulation.

Wong et al (2008) found that, despite the substantial move to multi e-business channels, customers retain a high desire for human engagement and interaction with bank personnel and particularly so, when the advice and product being sought is complex in nature. Wong et al (2008) concludes that whilst e-banking is vastly different to the traditional banking structure, both remain critical components of the banking system and should therefore be regarded and perceived as being mutually complimentary channels. There is a need to balance face to face personalised customer contact and engagement with the multiple technological channels and platforms now available to both the consumer and the company. Similarly, King & Baatartogtokh (2015) set out that disruptive innovations can, in some instances, actually complement existing providers operations. Research conducted by Citi Group (2016) agree with Wong' et al's (2008) contention that branches will have a continuing role, albeit more so in an advisory capacity, in the future.

In summary, digitalisation is key driver that affords the opportunity to leverage and augment the customer value proposition co-creation process and a resultant differentiated customer experience (Hobe, 2015). Provided that this effectively meets customers' needs, demands and wants (known & unknown), it can result in increased customer satisfaction, retention, loyalty which can translate into increased market share and higher profitability. However, technological advances carry significant cost and risk which need to be assessed in the context of the macro environment in which the company operates.

Facilitation of the co-creation process and joint formulation of a superior value proposition requires up to date technologies and the awareness and/or utilisation of emerging disruptive innovation in order to ensure that the company can effectively compete in their current environment and deliver long term competitive advantage.

The six key innovations which would disrupt the financial services industry over the coming years; artificial intelligence, cyber, mobile devices, artificial intelligence, software robotics and the internet of things (Deloitte, 2015). Most specifically in the banking world, block chain may replace the current procedural and technological banking infrastructure, although it is envisaged that this is some distance away. Additionally, companies are commencing to look at and invest in industrialised analytics as a means to convert current customer data into valuable insights which can in turn be used to direct strategy and enhance the customer relationship via a personalised approach.

Literature Review Summary

As borne out by the literature, common academic agreement exists that the customer is an essential player in the process – a view shared by and consistent with Tapscott's (1997) prosumer concept and perspective.

The concepts of customer centricity and customer co-creation are intrinsically linked and critically important in the development and formulation of an enhanced value proposition and superior customer experience.

Value proposition academics and authors on the value proposition concur that key fundamentals of the value proposition need to include a set of well-defined benefits and a strong commitment to deliver that value. However, there is no definitive agreement on what constitutes an *effective* value proposition and what value actually represents from the customer's perspective (Treacy & Wiersema, 1995). How and from whose perspective is this effectiveness measured? Indeed, for some organisations, the customer is treated as a peripheral party whose needs are at times, sacrificed for other stakeholder needs and profits.

Gummesson (2008) argues that customer centricity is a wild goose chase and that it is neither realistic nor feasible to consider the concept of customer centricity in isolation, rather arguing that balanced centricity is the most realistic stance in the real world. Carvalho & Jonker (2015) also advocate a balanced value proposition as the diverse conflicting needs of all stakeholders cannot be satisfied all the time.

The knowledge and use of theoretical perspectives gleaned through the literature review informed the basis for this research paper.

As depicted, a firm's value proposition and associated customer centricity can be, and potentially are, the most crucial component within the firm's business model on which it can differentiate its services and offerings in the marketplace. It is therefore critical that the formulation and development of the value proposition is afforded significant focus and investment at all levels within the organisation i.e. strategic, technical and operational. Shared ownership and accountability needs to be built, developed and sustained on a continuous basis in order to achieve a distinct competitive advantage. A misaligned and non-integrated value proposition represents a missed opportunity and an obstacle to achieving customer centricity and ultimate competitive advantage. The value proposition development, modification and reinvention should not be a static one off exercise, but should be a dynamic and iterative process with the flexibility to respond to externalities and customers changing

Research Aims & Objectives

The research aims and objectives are to explore and investigate the critical areas of the value proposition and customer centricity phenomenon within the Irish retail banking context, specifically expanding on previous researchers' findings and generalisations.

The ultimate research aim is to discern, unravel and gain an appreciation and understanding as to whether the value proposition is formally developed, communicated and *proposed* to *Horizons'* customer base or if it is merely *imposed* on the customer with incomplete consideration to customer centricity?

The secondary aim is to gain insights into the firm's opinion of and readiness for innovation, competitors, customer and key disruptive innovation drivers which are anticipated to change and challenge Horizons current position and business strategies.

Relevant themes and emerging trends identified through the literature review were synthesised to identify appropriate questions meriting further investigation within this paper and to expand on existing highlighted literature gaps.

Primary Research Objective

“How well Horizon recognises and appreciates the significance of their value proposition, how their value proposition is developed and how effectively it is communicated to existing and potential customers”?

Secondary Research Objectives

Considering the strategic importance of the value proposition and its intrinsic link with customer centricity, secondary research areas are:-

“What precisely about Bank products, in general, represents value to customers”?

“How does Horizon differentiate their value proposition from competitors and how does it communicate this differentiation”?

“Where does responsibility for the value proposition lay”?

“How does Horizon ensure they really understand their customers’ needs, wants and demands, with particular emphasis on the millennial segment”? *“Does Horizon understand how their customers define value and how good they are at providing that value”?* *“How is the voice of the customer heard”?*

“How customer centric is Horizon”? *“How far can and does the bank want to go along the path to customer centricity”?*

“What does Horizon view as the main challenges to achieving a true customer centric orientation and the associated development of a true value proposition”?

“How agile and responsive is Horizon’s value proposition is to externalities – specifically emerging technologies, disruptive innovation and new market entrants”? “How, precisely is Horizon positioned to change in response to these emergent changes”?

“Have technological advancements and multi channels resulted in fragmentation of customer offerings and loss of holistic customer focus & centrality”?

“How does Horizon intend to stay present (technologically and innovatively) in the customer journey to deliver a customer resonating value proposition”?

Having distilled and extracted the relevant primary and secondary research questions based on the literature, focus next turns to consideration and assessment of the most appropriate research methodology and strategies for achievement of the stated objectives.

Research Methodology

The following graphic of the value proposition ‘ecosystem’ illustrates the extensive number of critical business linkages and interdependencies which revolve around the foundational value proposition and formed the basis for structuring the research methodology and questions.

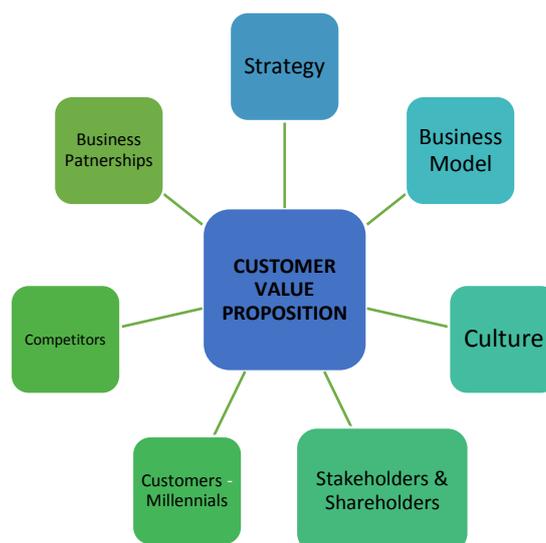
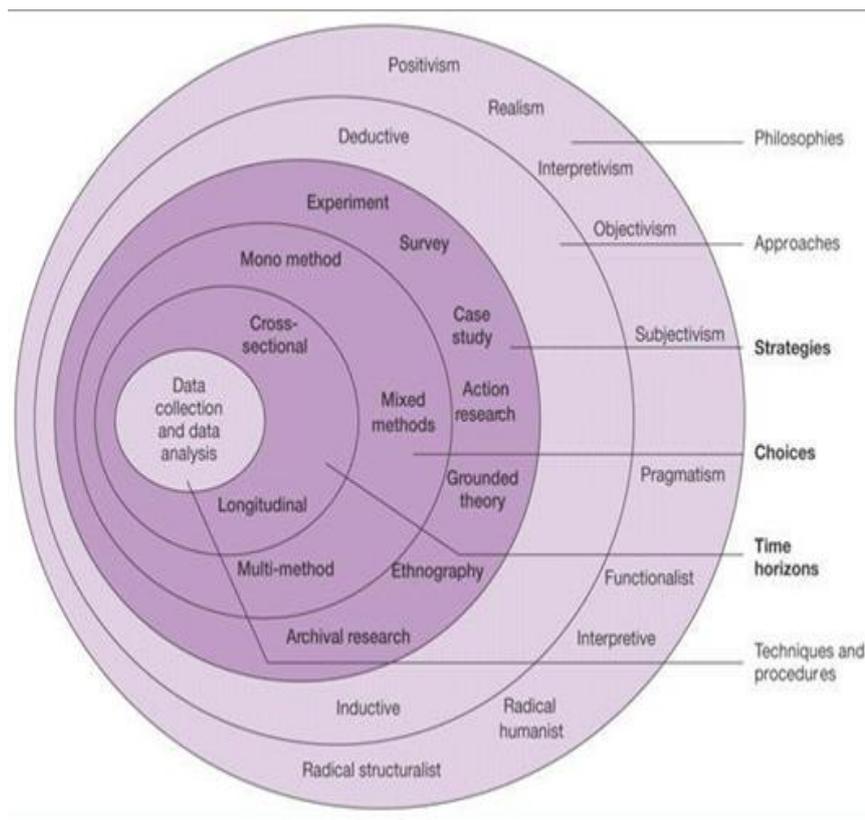


Figure 5: Barrett, J (2016) Overview Customer Value Proposition EcoSystem

As a Horizon employee, access to secondary data and awareness as to the most suitable potential interviewees was leveraged.

Initially, secondary research was undertaken by analysing *Horizons*' key current performance indicators via the company's financial and responsible business reports in addition to research undertaken into relevant internal communications specifically focusing on business and customer initiatives via *Horizons*' intranet.

Alternative research philosophies and approaches were then deliberated:-



Source: Saunders, M. Lewis, P. & Thornhill, A (2013) – Research Onion

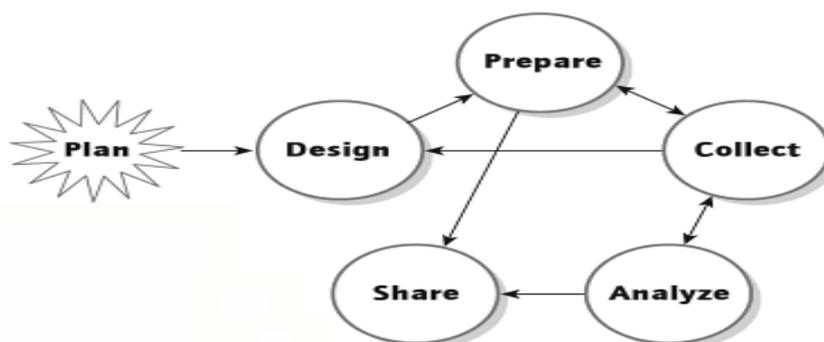
Saunders et al (2013) visually portray the research process as a multi-layer construct with all key layers, from the outside in, requiring deliberation and review prior to considering the core critical data collection and data analysis tier.

Philosophy

At a holistic level, philosophy is concerned with both the origination of knowledge and the composition of that knowledge (Saunders et al, 2013). In respect of this research paper, an interpretivism directional philosophy is relevant in that such a naturalistic case study approach via semi structured interviews, as the primary means of data collection, was considered optimal.

The dual dimensions of epistemology (Saunders et al, 2013) were considered as part of the process – phenomenology is concerned with probing and understanding how the interviewees viewed and made sense of the world in the first instance and symbolic interactionism and secondly how the impact of other interpretations impacted on the interviewees own meaning and actions. Karami et al (2006) state that such a phenomenological approach is useful to holistically comprehend human experiences in their natural settings and contexts, which in turn, adds weight to the choice and application of the case study methodology for this research paper.

Given that epistemology constitutes what is deemed by the researcher as appropriate knowledge (Saunders et al, 2013), the research questions probed the interviewees' understanding, thoughts, motivations and opinions on their general understanding of the value proposition concept, what differentiates *Horizons'* value proposition and the extant degree of customer centricity. Both the logical and irrational thought processes (Saunders, 2013) directing their interviewees' thinking were questioned and explored at the interview stage.

Research Strategies & Choices

Source: Yin, R. K. (2014)

The complete range of research methods were considered in the initial planning stages. The use of deductive quantitative methods via experiments, cross-sectional and longitudinal strategies were not considered appropriate for the phenomenon being explored. Surveys and questionnaires were deemed too limiting and constrictive to gain the rich, revelatory insights into behavioural and attitudinal motivations required. Additionally, the use of deductive quantitative research approaches did not lend themselves to probing type ‘how’ and ‘why’ questions which formed the basis of this case. Therefore, the case study method was deemed most suitable for such exploratory questions.

Multiple and single case studies were the prevalent methods employed by previous researchers – Payne & Frow (2014) and Lahteenmaki & Natti (2013), whose findings form the cornerstone of this research into the Irish banking sector. Additionally, the case study method has the advantage over other types of research designs as a basis for making naturalistic generalisations within the real world context (Stake,1995).

Case Definition, Approach & Research Instrument

Yin (2014, pp 16) defines a case study as “*an empirical inquiry that investigates a contemporary phenomenon in-depth within the real world context and where the boundaries between phenomenon and context may not be clearly evident*”. The study itself is descriptive and exploratory in nature, with interviews used as the conventional means of data collection.

The methodology employed progressed along the above key stages as recommended by Yin (2014). Additionally, a definitive cycle of inquiry (Marshall & Rossman, 1999) was followed throughout all stages of the research.

The research’s qualitative embedded single case study design followed and adopted an inductive logic and strategy (Bryman & Bell, 2003) and is specifically concerned with, and focused on, linking data with relevant theories in relation to real world learning about the value proposition and customer centricity phenomenon. Saunders et al (2013) purport that such an inductive approach is conducive to a small sample size in which in depth research and understanding of key motivations and experiences is required. Given that the case study is concentrated on a small number of key people within the one organisation, an inductive strategy was deemed fitting and most appropriate for the case study.

Sample Profile

Interviewee insights and opinions gain greater weight, value and significance when the interviewees themselves are key people within the firm (Yin, 2014). Additionally, Meyer (2001) citing Glick et al (1990), concurs that the use of multiple informants can effectively be used to cross check the validity of other’s insights.

Therefore the *Horizon* population included a cross selection of senior managers selected on a purposive basis (Miles & Huberman, 2002) spanning the strategic, operations and technical divisions within Horizon to ensure a diverse range of perspectives, influences and motivations were captured and to facilitate cross collaboration at the research analysis stage. Such a cross variety of people also ensured that irrelevant variations could be discounted and assisted in bounding and delineating the limitations, at the findings generalisation stage (Eisenhardt, 1989).

Three of the interviewees recently joined the bank from other institutions and countries and therefore brought a fresh perspective and held differing views to the typical bank ‘mantra’ (Yin, 2014).

Data Collection

Inductive reasoning was undertaken through the development and formulation of a generalised sequence of primary and secondary research questions which formed the central basis for data collection within the research. The primary data was systematically collected over a period of three weeks.

The research study design adopted an exploratory stance whereby insights into the extensive reasoning and logic underlying the interviewees’ thoughts and motivations were sought. Differences between these ‘*social actors*’ (Saunders, 2013, pp 137) were assessed, understood and reconfirmed with the interviewees post interview transcription stages.

Initial meetings were held with two of the senior executives to introduce the focused research topics in order to confirm the viability of the research concept. These pilot cases assisted to assess the validity of the methodology and the flow of the

research questions. Following this pilot, the research questions were redefined to sharpen focus and clarity.

The participants were interviewed in a conversational manner using an explanation building technique and in *Horizons*' real world context (Yin, 2014) within designated areas in the organisation.

A limited overview and introduction to the value proposition and customer centricity phenomenon was communicated to the interviewees. However, care was taken not to disclose any previous findings to mitigate against interviewee bias. Similar to research challenges highlighted by Meyer (2001), the researcher's learnings from the literature review stage had to be constrained and a balance struck between asking open ended questions and refraining from inadvertently imparting pre-existing knowledge (Meyer, 2001). This contributed to enhanced construct validity (Riege, 2003) at both the objective setting and data collection stages.

In- depth face to face thematic interviews (Yin, 2014) via semi structured questions were conducted, with the questions being sufficiently general to permit exploration (Marshall & Rossman, 1999) and spontaneity. The interviews commenced using open questions seeking the interviewee's opinions and values on key directional topics with a view to ascertaining and extracting their knowledge and experiences. Each interview was recorded, with the permission of the interviewee and securely transcribed. No barriers to engagement with the research topic were experienced or encountered with or by any of the participants.

Hypotheses were developed as the interviews progressed and as insights and similar trends and opinions emerged. This is one of the key benefits of case studies undertaken via qualitative interviews in that it allowed interesting areas to be expanded on and probed further.

Data Analysis

Systematic data collection and analysis procedures were undertaken in reviewing the findings (Yin, 2014).

Data from both secondary research and the interviews were assimilated and reviewed. Key emergent themes and opinions were conceptualised and compiled into relational arrays (Miles & Huberman, 1994) in order to clearly delineate emergent themes and commonalities back to the literature review. A pattern matching technique (Yin, 2014) was then used to compare the research findings with previous theoretical research – the outcome of which sharpened the generalisability of the case. Trends were categorised and deduced hypotheses are outlined within the research findings section.

The three main principles advocated by Yin (2014) were employed to ensure the robustness of the data analysis and subsequent analytical generalisation commonalities – triangulation, a dedicated case study data base and a comprehensive chain of evidence and supporting documentation were collected and maintained.

Resultant analytical generalisations expand and contribute to existing value proposition theories. (Yin 2003). Indeed, reliability of the research instrument and a low level bias indication was confirmed by arriving at similar findings as set out by Payne & Frow (2013) and Lahteenmaki & Natti (2013).

Reliability and validity were confirmed via a number of steps. Specifically, to establish construct validity and internal validity, a confirmability audit to establish credibility (Riege, 2003). Certain assertions made by the interviewees were evidenced, triangulated and supported by similar convergence (Yin, 2014) with key data, company documents and marketing materials and physical dedicated innovation hubs across the country, thereby reinforcing the construct validity of the research findings. . The

written transcripts were provided to the interviewees to confirm accuracy and to ensure that the written statements were reflective of what was stated during the interviews. Reliability consistency and constancy was confirmed with all interviewees during the data collection stage. All interviews were recorded and transcribed in detail post interview.

External validity was satisfactorily confirmed by comparing evidence and findings to existing literature and specifically, to the key case studies which formed the basis of the unit of inquiry and research questions.

Ethical Considerations

In agreement with *Horizon*, confidentiality and anonymity of the firm would be respected and upheld. In advance, each interviewee was advised of the reason why their insights and opinions were being sought and all were expressly guaranteed that neither their name nor that of the organisation would be disclosed. Also, individual interviewee's insights were neither disclosed nor shared with other participants. Informed consent was obtained from all interviewees.

Each interview was recorded on a mobile phone and transferred to a secure location within the researcher's personal computer. The anonymised interview transcripts are held on files solely accessible by the researcher and password protected to guarantee the safety and integrity of the data. Following transcription, all interviews were deleted from the mobile phone to eliminate potential risk associated with loss or theft of the mobile device.

High ethical standards, privacy and confidentiality were maintained throughout all stages of the process from research design to data analysis and reporting.

Limitations

Consistent with research studies, this paper has inherent limitations and constraints. Primary among these is the fact that the research was restricted to a single case study which in turn impacts on the degree of analytical generalisation feasible from the research and potential associated with one investigator bias creeping into the study (Eisenhardt, 1989). However, multiple case research was prohibited due time, cost and accessibility constraints.

Whilst multiple case study would add significantly to both the theoretical research and analytical findings, time, resource and cost constraints prohibited this option.

In terms of shortcomings, perhaps the very staff at the customer cold face could have been interviewed in order to determine if congruence existing between managerial versus employee opinion?

Findings/Results of the Research Interviews

This section presents the main highlights and specific interviewee quotes to the questions raised in the methodology section. Emergent themes and trends and associated linkages with the literature review and interviewees experiences and insights will be outlined in the conclusions section.

In general, the interviewees responses are consistent with Payne & Frow (2011,2014, 2015) and Lahteenmaki & Natti (2011) research findings, thus lending increased confidence to this research paper's generalisations.

Understanding Customer Value Proposition & It's Importance

Q. “How well Horizon recognises and appreciates the significance of their value proposition, how their value proposition is developed and how effectively it is communicated to existing and potential customers”?

In the main, there was an appreciation of the importance of the customer value proposition and its key defining role within the organisation. However, it was acknowledged that a dedicated value proposition formulation, development and redevelopment process is not carried out at a collective organisational level. Practically all interviewees categorically stated that *Horizon* does not communicate its' value proposition well to new and existing customers. The following are some of the key interviewee responses:-

“We are not very good at communicating customer benefits”

“We don't tell the story (Weick) very well at all and I think that this is where we are missing a trick”

“The fact that customers perceive us as being difficult to deal with is a real concern to me”.

“I think we underestimate our customers very significantly. We need to push the envelope a bit more, be a bit more edgy and if we do that, we will get the payback”.

Q. “What precisely about Bank products, in general, represents value to customers”?

This question appeared to surprise and give the interviewees pause for thought. The bank's longevity, community presence, trust and customer affiliation were seen as a core distinct elements of *Horizon's* value proposition.

One executive articulated the value proposition as one which is more aligned with the literature.

“The value proposition is how the customer perceives that you deliver on your promise”

There was however an acknowledgement that the bank does not really know and understand what the customer perceives as value. The following interviewee response perhaps sums up the core issue:-

“We really need to get behind & understand what it is that the customer values”.

Q. “How does Horizon differentiate their value proposition from competitors and how does it communicate this differentiation”? “Where does responsibility for the value proposition lay”?

Respondents agreed that at present, there are very few key differentiators which set *Horizon* apart from the competition, albeit acknowledging some specific products which were very successful and were imitated by competitors. However it was the ownership and responsibility of the value proposition that is an area of concern. The following are some of the key interviewee responses:-

“Channels think they own the value proposition and that drives certain (negative) behaviours. This creates a lot of structural rigidities and subsequent issues”

“Best price is not necessarily the element of the value proposition that is important – it is the intangible trust element that is a key differentiator”.

“I think that differentiation could come about to a great extent if you are seen to be the people who do something different about

educating their customer, helping the customer, building that trust with the customer and being innovative

Q. “Have technological advancements and multi channels resulted in fragmentation of customer offerings and loss of holistic customer focus & centrality”?

“Channel fragmentation is certainly one element preventing customer centrality”

“Our legacy systems and their ability to communicate and integrate with our online presence and functionality, are a key challenge for us”. This is currently being addressed by an organisation wide project to update and streamline our systems”.

“We have a tendency to water down and adapt our VP to fit the technology”.

Understanding of Customer Centrality and Value Co-Creation & It’s Importance

Q. “How customer centric is Horizon”? “How far can and does the bank want to go along the path to customer centrality”?

There was an acknowledgment that *Horizon* needs to orient decision making more so around the customer and the need to put in place systems, processes and communication channels that will more effectively empower and engage the customer.

“We need to get into people’s lives, get into people’s businesses and support the communities they live in”.

“We are absolutely not customer centric. We are product centric & then process centric. The customer is quite the way down the list unfortunately. Journey to travel – from a measurement, prioritisation and thinking perspective”.

“Think that whilst Horizon espouses the customer centric viewpoint, inherently & intellectually, we are dragging our heels quite substantially”

“Our agenda is dominated by the shareholder”

“If you point the organisation in the direction of the customer, the front line, head office, support & I.T. divisions will generally agree”.

“I don’t think we are bringing customers today into that conversation as much as we could”.

“It’s about understanding the experience and trying to understand how you can make that an enriched experience for the customer”.

Impediments to Customer Centricity

Q. “What does Horizon view as the main challenges to achieving a true customer centric orientation and the associated development of a true value proposition”?

“Change is always about the culture. You’ll get over the technology, regulations, organisational design, infrastructure- At the end of the day, what makes it live & succeed is the culture”

“The overarching structure of the company and the biggest impediment is that we are product-led (inside-out) as opposed to customer-led (outside-in) and this does not lend itself to customer centricity. Our structure is created around products and structures that compete with each other. Where does the customer come into that?? Everything else is contriving against you being customer centric. But I am not sure if any bank is customer centric?”.

“Some cannot seem to move on & consider new ways of looking at, interpreting & implementing changes. Mind-set is deeply ingrained and it will be a significant journey to change that”.

“No, there isn’t an absolute resolve from an organisational & Group perspective to put the customer at the centre of everything we do. Because fear of the unknown. Can we allow business to freewheel from a sales perspective? – this is a massive big leap of faith”.

“Technological and analytical capabilities need to be at the cutting edge – we are currently not there yet”.

“Regulation has been used as a 100% crutch. We should be using it to our advantage more so”.

Organisational Innovation

Q. “How does Horizon intend to stay present (technologically and innovatively) in the customer journey to deliver a customer resonating value proposition”?

It was acknowledged that Horizon needs to become more innovative in the development and design of the value proposition. The interviews suggest that the organisation is beginning to become innovative and proactive particularly in relation to design thinking methodology being implemented and rolled out at executive level.

“New realm of service orchestration and job solving led by GAFA (Google, Apple, Facebook & Amazon) & impact on customer expectations. We are quite far behind this, but therein lies the opportunity”.

“So in future, it will be less about the technology, rather it’s going to be more about design thinking, about the analytics, in future it will be more about orchestrating services for and with

the customer and that's where we will get to purer customer centricity and customer value”.

“However, we are very poor at deciphering customer information and taking the 3^d or 4th step to really solve the problem”.

“Where we need to move to is to a more agile development requirement where you can actually engage and involve with the whole process and the most important stakeholder is the customer and the end user”.

“Critical that we have diversity in thought, mind-sets, people, managerial level & competencies & capabilities. Customer e-banking skill capability & confidence”.

“Employee experience (EX) is very important, some say it is as important than CX (customer experience) because you have the right people engaged, tooled employees to serve the customers in the way that we are describing the way in which customers need to be served”.

“Surprise of staff when they see there is a different, faster way & they are learning so much”.

“Capacity to move and innovate is not helped by the culture”.

“Not doing enough in the area of value co-creation”.

“And actually its fundamentally what is the problem that you are solving. The lean start up methodology is a quick fast sprint to be able to decide the customer proposition, solving a real customer need and outlining what that is, designing it, wire framing it and sprinting – fast. Iterate it, show it, prototype it, iterate, iterate, iterate, iterate. Get customer feedback, layer upon layer upon layer, and off we go. That model is working for us very well”.

Customers

“How does Horizon ensure they really understand their customers’ needs, wants and demands, with particular emphasis on the millennial segment”? “Does Horizon understand how their customers define value and how good they are at providing that value”? “How is the voice of the customer heard”?

“I think that the customer is the great white hope & a great organisational unifying point”.

“If you point the organisation in the direction of the customer, front line, head office, support & IT will generally agree”.

“What really matters is that we know the customers needs and wants of tomorrow”.

“It would be a disservice if we did not try to educate our customers in all areas that will add to the value proposition. We need to do what we can to address the digital divide”.

“We need to understand that the customer’s experience can be either real or perceived and therefore we really need to engage continuously and meaningfully with the customer”.

“Get feedback but don’t seem to be able to convert into something that is relevant, timely & value adding for the customer. I am concerned about execution”.

“Everyone in that bucket it not the same, people have different needs and wants so how do we get down to more personalised approach rather than a segmentation approach”. People don’t always live in that segment, they can move from segment 1 to segment 2, so how do we make that transition for when a customer moves.? We need to start understanding the life stage they are in & offer products/services around that life stage”.

“So yes, millennials have a very different expectation but you know, I wouldn’t lose the fact that it is still the emotional connection across, in, up and down generations will be critical as well.

“There is no doubt that they do see and value things differently but I suspect underneath that they are similar i.e. they look for that intangible trust element”.

“Net and mobile are their bible. They snack on this stuff. Anything that takes longer than a second annoys them, this instant gratification and expectation that they have, they want everything on mobile. But interesting they are not just mobile creatures and characters, they have a huge reliance on the community and their family and these are shaping their expectations”.

“Need to help non-natives along the journey. Need to acknowledge & assist this”.

“Millennials definitely less attached to the Bank than the older generation”.

“All customers want to know is – is this helping me in my life?”.

“Customer care initiatives with dedicated customer champions and customer feedback surveys are conducted on a weekly basis to ensure that the voice of the customer is heard”.

Competitors, Technology & Disruptive Innovation

“How agile and responsive is Horizon’s value proposition is to externalities – specifically emerging technologies, disruptive innovation and new market entrants”? “How, precisely is Horizon positioned to change in response to these emergent changes”?

“Have technological advancements and multi channels resulted in fragmentation of customer offerings and loss of holistic customer focus & centrality”?

“We are in the era of simplification and digitalisation – making it simpler, taking out the friction, less products but trying to make them more relevant, make choice and execution simpler for the customer – that’s one thing and I think digitalisation enables that”.

“Fintechs are unbounded by legacy, they are more agile. We see Fintech starting and creating great propositions for customers because they just can – they have a blank sheet of paper.”.

Discussion, Recommendations & Further Research

Central and consistent emergent themes and repetitive patterns were identified in relation to the customer value proposition and customer centrality phenomenon. These recurring themes can be summed up as communications, trust, leadership, culture, organisational structure, alignment, analytics and education (learning organisation).

The findings are linked back to the underlying theory as previously documented by other writers and researchers in the field.

Initially, this paper outlined numerous business paradoxes; proposition versus imposition; exploitative versus exploratory; product centric vs customer centric; product service logic versus

customer service logic; and profitability versus customer value proposition and the need for *Horizon* to manage conflicting contradictions (Kotter, 2001) The research sought to establish the level of existent recognition of those contradictions within *Horizon* and if, and how, these are rationalised and justified? These paradoxes are addressed within this section.

Paradox 1

Paradoxes: Product versus customer led, profitability versus customer value proposition.

As demonstrated throughout the research paper and advocated by numerous academics, key among whom are (Drucker 1954, Treacy & Wiersema 1993, Woodruff 1997, Payne & Frow 2011, 2014 & 2015). The value proposition is the essence of strategy (Kaplan & Norton 2001) and key strategic and pivotal components of a firm's business model. It is perhaps, the only key defining element which can distinguish the firm in the customer's eyes and therefore is critical to gain a competitive edge (Payne & Frow, 2011, 2014, 2015 and Lahteenmaki & Natti, 2013) and for long term sustainable competitive advantage.

It follows that formulation, assessment, reconfiguration and reinvention of the value proposition should be the one key critical strategic activity that is undertaken within an organisation. Such a value proposition should have customer centricity at the forefront in order to develop and offer an *effective* value proposition that resonates with customers and actually meets their needs, wants and demands and solves their existing and future financial problems.

Within *Horizon* the importance and criticality of the value proposition and customer centricity phenomenon is recognised. However, an explicit organisation wide holistic value

proposition is not in place. Whilst regular and frequent customer surveys and feedback is obtained, in addition to the regular monitoring to the company's NPS scores, critical questions are not being asked that really get behind the customers' needs, wants and demands. These questions are required to gain absolute clarity as to what value represents and means to their customers.

Furthermore all interview participants agreed that the firm is *absolutely not customer centric* and that therefore the company is *missing a trick*. The direction that Horizon needs to get to was clearly articulated by one interviewee who stated "*We need to get into people's lives, get into people's businesses and support the communities they live in*

Recommendation 1: It is imperative that the *Horizon* places the formulation, assessment and reassessment of a company wide value proposition as *the* critical strategic activity. This assessment should centre, involve and revolve around the customer (Boulding 2005, Lahteenmaki & Natti 2013).

Critical communication and leadership themes emerged consistently throughout the interview process. Commitment and dedication to this strategic value proposition activity has to be led, managed and communicated from chief executive level and cascaded to all *Horizon* employees. Key participants in the actual process should include all senior managers across all divisions in the organisation. Importantly, this process should also particularly include existing operational and customer facing staff who are the closest to and have tangible relationships with the customer.

In addition to the above *Horizon* contributors, the customer has to be treated and included as a key internal resource to whom *Horizon* should reverse engineer their marketing concept to (Ple

et al 2010). It is therefore critical that the customer is included and involved in the process.

The customer has to be appropriately ‘recruited’ and involved to ensure that *Horizon* obtains insights into their lives and activities (Heinonen et al 2010) to get to the very heart of customer centricity.

Recommendation 2: To assist with the process of deconstructing, analysing and reconfiguring (Payne & Frow 2014b) the value proposition, it is recommended that *Horizon* use the PERFA model (Lindic & Da Silva 2011). This model provides an appropriate framework incorporating key elements for focus i.e. performance, ease of use, reliability, flexibility and affectivity. These areas should be explored by *Horizon* in the first instance and then crucially with the customer, to ensure there is alignment and congruence on the key attributes that the customer value and which *Horizon* can incorporate into their product/service offerings.

Recommendation 3: Ownership, responsibility and accountability for the value proposition has to be clearly set out by *Horizon*’s chief executive. *Channels think they own the value proposition and that drives certain (negative) behaviours. This creates a lot of structural rigidities and subsequent issues.* This should not be the case, the entire management team spanning all divisions should be made clearly responsible and accountable for the value proposition. There should be clear collective ownership of the value proposition and one that aligns with the banks dynamic capabilities (Spaeth 2001). This is consistent with Piercy’s (2009) totally integrated and aligned approach.

Recommendation 4: Given that the customer value creation is a dynamic process (Parasurman 1997), a critical review of the *Horizon*’s value proposition should be undertaken in an equally dynamic manner. This process has to be made mandatory,

timely and relevant. Reassessment and reinvention of the value proposition is particularly essential when external factors, be they competitors or disruption innovation, threatens to impact on the firm's existing value proposition and product/service offerings.

Paradox 2

Paradoxes: product service logic versus customer service logic; and profitability versus customer value proposition

Feedback from *Horizon* interviewees clearly highlighted that the structure and strategic focus of the company, is impeding the attainment of pure customer centricity. This is exasperated by the unconnected legacy systems which are challenging and prohibitive in nature. *“Our agenda is dominated by the shareholder. We are product centric & then process centric. The customer is quite the way down the list unfortunately. Journey to travel – from a measurement, prioritisation and thinking perspective”*. Consequently, the value proposition is fragmented due to the structural design of the organisation and the individualised and departmental agendas at play. There is an imbalance and bias towards shareholder satisfaction at the cost of the relegated peripheral customer.

Technological disruption and advancement, globalisation, new market boundaries and the rise of big data highlighting the importance of analytical capabilities are converging and driving companies to adapt and prioritise agility as a key concern (WARC Trends, 2015). This begs the question as to whether Irish retail banks, given their structure and legacy systems, have the appetite, resources, strategic intent and foresight to pivot their traditional business model and adapt in order to keep pace with the market and new and existing competitors/new entrants?

The paradox is that *Horizon* is not able to allocate the necessary investment to this critical activity due to short term focus on shareholder fiduciary requirements, costs, the regulator agenda etc. Therefore, as quoted by some, *Horizon* is ‘*missing a trick*’ and an opportunity cost. Such an approach is not and will not be in the best interests of any stakeholders in the long term due to rapid pace of technological and competitive change in the industry.

Horizon is still very much a traditionalist bank, bounded by significant legacy and some outdated core rigidities (Leonard-Barton, 1992) with enduring ‘banky’ mindsets, politics and personal agendas at play. *There is a need for leadership guidance and direction to ensure that all divisions – channels, networks & individual units are similarly aligned and focused. Divisions should and could collectively co-exist and work together in a collaborative and complimentary manner.*

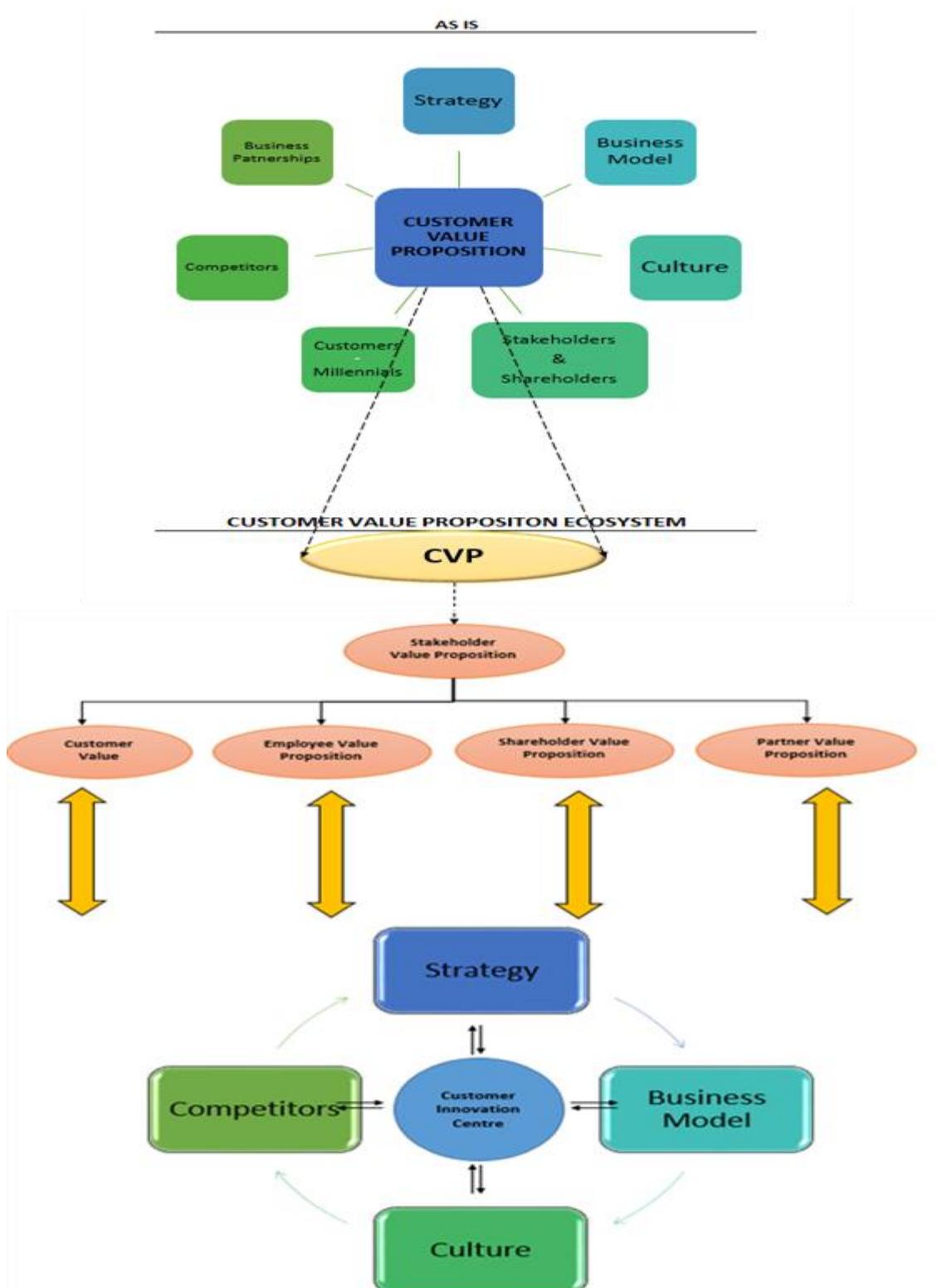
Critically, *Horizon* is also constrained by regulatory and capital requirements with the resultant impact that some divisions purely following the agenda under their area of control i.e. risk management focuses on capital holdings, costs of funds etc. and there are subsequently forgone opportunity costs to these decisions. Therefore there is a need to balance costs versus benefits (Ostrom et al 2010) Gummesson (2008) puts forward that a balanced centric approach is the only realistic option to gain internal alignment and agreement on where the best balance can be obtained.

Recommendation 5: It is recommended that a more balanced centric approach is adopted (Gummesson 2008, Carvalho & Jonker 2015), with a fairer consideration assigned to each relevant stakeholder and their needs, wants and demands (both in the short and long term).

Recommendation 6: The previous ‘As Is’ customer value proposition ecosystem overview (which informed the methodology section of this paper) was reassessed following the interview process.

Due to the conflicting agendas within *Horizon* and with a view to implementing Gummesson’s (2008) balanced centricity approach, it is suggested that *Horizon’s* customer value proposition (CVP) be more appropriately relabelled the stakeholder value proposition (SVP). and then further subdivided into the CVP, EVP etc. It is recognised and appreciated that this will require a mindset shift to replace the ‘*inertia*’ currently in place. The proposed concept is conceptualised below:-

In addition to the aforementioned PERFA framework, this could perhaps be employed to assist in the formulation, development and reinvention of *Horizon's* value proposition.



The key underlying premise of the above framework is that it would clearly provide a framework under which each stakeholder's value proposition could be set out. The critical linkages to the core business strategy and business model can be identified whilst also factoring in the crucial competitive and cultural elements which impact, dictate and drive key components of the individual stakeholders' value propositions.

At the centre of the above diagram, is the customer innovation centre, the idea behind which is outlined in the following recommendation.

Paradox 3

Paradoxes : product versus customer, value proposition versus profits and exploratory versus exploitative

Within the organisation, previous core competencies have become 'core rigidities' in some areas (Leonard-Barton,1992). There is a need to ensure that the banks correct core competencies are recognised, promoted and retained in addition to the development of new distinct capabilities achieved via exploratory initiatives

The current silo structure and culture within *Horizon* does not lend itself to the creation of ambidextrous subunits as put forward by Benner & Tushman (2003, 2013).

Technological disruption and advancement, globalisation, new market boundaries and the rise of big data highlighting the importance of analytical capabilities are converging and driving companies to adapt and prioritise agility as a key concern (WARC Trends, 2015). This begs the question as to whether *Horizon*, given their structure and legacy systems, have the appetite, resources, strategic intent and foresight to pivot their traditional business model and adapt it in order to keep pace with the market and new and existing competitors/new entrants?

Recommendation 7: A spinout outfit (referred to as the Customer Innovation Centre in above diagram) could potentially be established. This would be similar to Google's Alphabet offshoot and similar type offshoots set up by pharma companies today.

The establishment of such an ambidextrous unit would help alleviate some of the paradoxical demands identified earlier. Both the lean start up methodology and the design thinking process currently being employed by *Horizon* can be applied within this new sub company to heighten effectiveness. They would help bridge the gap between the explorative and the exploitative. This new company would facilitate an experimental sub company free of the existing inherent organisational obstacles, agendas and restrictive mind-sets and where crucial exploratory work can be undertaken independently and autonomously.

Focus should adopt both an inside-out and an inside-in view perspective in order to achieve best complementary balance. The vision for the new company does not necessarily have to be revolutionary but is should be designed to be perpetually and ubiquitously evolutionary. The ultimate aim would be to create a distinct and unique value proposition with customer centricity at the core and which satisfies the interests of all stakeholders i.e. customers, employees, shareholders (Kotter, 2001).

It is recommended that this new subsidiary is headed up by a cross selection of key management positions under a network type structure. Some of the management personnel should be external to the existing *Horizon* company thereby bringing new skill sets, fresh ideas and cultural perspectives to the table.

Therefore there is a requirement for *Horizon* to be organisationally disruptive but within a controlled and contained

environment where ideas, customer insights and the value proposition can be pivoted to arrive at true value adding co-created product & service offerings.

In recognition of the way the financial services sector is moving, potential partnerships with agile FinTech providers may well speed up this exploratory process and enable the bank to quickly and efficiently reverse engineer and market (Heinonen et al, 2010) the new offering into the business and therein recommence the exploratory cycle. Effective leadership will be a key pivotal requirement. .

The question therefore is does the *Horizon* have the will, leadership, culture and appetite to transform and redefine itself to, to confront existing irreconcilable paradoxes in to more effectively position itself within the new financial ecosystem? (

Recommendation 8: Use of information and customer intelligence was raised and highlighted in a number of instances. In terms of inter organisational innovativeness, this represents a readily available and significant competitive advantage over new firms looking to enter the market. This needs to be leveraged and maximised (Slater & Naver, 2000) and real insights and value add information extracted which in turn can be used to generate distinct core competencies and capabilities. Horizon should look to the market, identify key skills necessary to conduct this and invest the time and resources to ensure that this controlled, available asset is leveraged. Need to mine all the rich data & turn it into value add information which is refreshed daily, lead indicators outlined, measured, monitored and controlled. Identified trends, opportunities and ideas need to be shared, their meaning managed and collectively acted upon by all executives and senior managers and with appropriate directions and actions cascaded to relevant units within the organisation.

This will accentuate and improve the value proposition and support the customer. This will place in advantageous position to employ further disruptive technologies in the form of artificial intelligence and machine learning

Further Research

This research contributes to the literature in relation to firm's formulation of the value proposition, particularly in relation to millennials and in light of potential emergent disruptive innovations with the retail banking sector

Further research is merited to further explore *Horizon's* key leadership, communications and culture concepts which strongly emerged throughout the investigation. They were outside the scope of this paper.

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Conclusion

This concluding section addresses the final paradox posed within the thesis question:

Value Proposition – Proposition or Imposition?

Lahteenmaki & Natti (2013) propose that future changes in the regulatory and competitive retail banking space will ‘*force companies to focus on providing an integrated and holistic value-in-use*’ value proposition. This suggests that the firm’s unique value proposition will be more appropriately ***proposed*** (collaboratively co-created with the customer) rather than ***imposed*** on the customer.

As outlined within this paper, the retail banking environment and the manner in which customer’s interact and transact with their provider is and will be subject to considerable uncertainty.

Consequently, businesses will need to proactively and perpetually scan their environment, analyse all relevant data, identify meaningful shifts, share, communicate and respond to these uncertainties to ensure that their firm remains relevant, current and competitive in the customer’s mind. This will entail the formulation and development of a meaningful, reconfigured value proposition and associated customer experience (Payne & Frow, 2011, 2014, 2015), facilitated by new and disrupted frictionless technology and cogniscent of evolving customer needs, wants, demands and expectations. The customer will have to be a key pivotal ‘*actor*’ in the value co-creation process to ensure that the rewards are mutually beneficial to both parties.

Although the ideal is a customer centric, jointly created value proposition - ***proposed*** by both parties, in reality, some element of ***imposition*** is required as the customer cannot be viewed and

treated in isolation given the numerous stakeholders, extensive organisational factors and limited organisational resources impacting on the more broadly labelled stakeholder value proposition. This will be increasingly so given the prevalence and acceleration of automation and digitalisation in the industry.

So, yes there are conspiring factors which mean that the value proposition is *imposed* on the customer. However to attain an *effective* level of customer centricity, this then needs to be augmented with true value being co-created with the customer.

Paradoxically when considered on a segmentation and generational basis, it can perhaps be argued that the ‘*working prosumer*’ (Cova & Dalli, 2009, Tapscott, 1997) and particularly, the millennial cohort, actually want a value proposition that is both *proposed* to them and *imposed* on them to a certain extent.

In summary, it is suggested that it should more so be a case of *proposed, composed* and *imposed* but done on an exploitative and exploratory basis (Benner & Tushman 2003 & 2013) under the helm of the correct organisational leadership and direction.

Equally and conversely, it could be argued that it is the customer who *imposes* the proposition on the firm, given their evolved and participatory role.

The *paradox* remains but it is the management of the contradictions which are *key*.

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