

Master Thesis



Version: 2.04

Master of Science graduation theses Business Administration
PUBLIC VERSION

Presenting an analytical framework for performance indicators of the direct mail marketing communication channel in the context of a retail bank

Author:

Edwin Kompier

s0150673

Business Administration Innovation Management Entrepreneurship

e.j.kompier@student.utwente.nl

Supervisors:

Dr. Rainier Harms, *University of Twente*

Dr. Efthymios Constantinides, *University of Twente*

Drs. Ewout Vis, *ING*

Drs. Judith Janssen-Steenberg, *ING*

Amsterdam, July 2009.



Preface

This thesis presents the research findings after 6 months of working at the ING to finish my study in Business Administration. For this research I have contacted managers from different departments: Internet, Call and Mail. I would like to thank these persons for their cooperation and support.

I would like to thank my supervisor from the ING, Drs. Ewout Vis for inviting me to commence this graduation project, introducing me to the 'ING' field and for the unremitting support and commitment. Also, I express my gratitude to my second supervisor from the ING, Drs. Judith Janssen-Steenbergen for her critical though ever useful thoughts. Thanks to all my colleagues and friends for the inspiring conversations and the advice.

I would also like to thank my supervisor from the University of Twente, Dr. Rainer Harms whose 'open door policy' was very important for this research. Without his comments and support this research would not have been what is now. Further I would like to thank my second supervisor of the University of Twente, Dr. Efthymios Constantinides for his positive mentality and critical reflection.

Edwin Kompier

Enschede, July 2009

Summary

For the finishing of my study Business Administration I have done research at the department Mail of the company ING. Mail supports work related at sales and service activities. A number of these services support Mail also to the customers of the other divisions within ING Retail. Mail answers all written, not-standard, customer questions and remarks, and deals with questions that cannot be answered immediately by telephone or e-mail. Mail develop sales actions, and support outbound mail. This concerns for example physical mail.

The research is carried out in the context of the performance indicators of a direct mail communication channel. The high investments of direct mail marketing communication are becoming a main concern of retail banks which increases the need for an effective way of evaluating the value of physical mail within organization. Therefore the common way of evaluating the direct mail effectiveness is by focusing and using primarily on department internal criteria. These internal departmental initiatives could represent a strategy and it could be controlled and managed by using performance indicators. The performance indicators of the direct mail marketing communication channel in the context of a retail bank are not yet adequately researched. The goal of this research is to develop an analytical framework for the performance indicators of physical mail.

The used theory has relation on performance indicators and quantitative management systems. The theoretic frame consists of:

- Several definitions of performance indicators
- Quantitative management in general and physical mail in particular
- Value of direct marketing in general and physical mail in particular
- The process of management from strategic management to operational management
- Criteria for performances indicators
- Two performance management system development theories
- Supported methodises, which supported the constructing and designing of a performance management system

Research data is gathered through exploratory cases and a questionnaire at three divisions: Mail, Call and Internet. Chapter 2 introduces the theory about the business value of physical mail and the theory about the performance indicators of physical mail. Chapter 3 describes the practical situation of the ING which will be analysed and compared with the theory which is described in chapter 4 and 5. In order to study what value of direct mail activities this physical mail encompasses, the following research question is formulated

1. What is the value of direct mail related to physical mail according to the literature?

The research of Harper and Shatwell (2001) elaborate some attitudinal preferences for physical mail, mail can be seen an indicator of the quality of the sender. Nevertheless there are several doubts about the long-term results of this research since the predictions are not being borne out. However this research elaborates also that there is still a significant portion of today's customers who want something in their hands. Customers won't stop using the Internet. It is about expression and not about data. Customers look at it as a welcome relief from the internet juggernaut. Customers put more trust in what they read on paper than what

they see digital (Harper and Shatwell, 2001). The second question of chapter 2 addresses on the performance indicators of physical mail. The following research question is addressed:

2. What are the performance indicators of physical mail according to the literature?

The research of Dan Scharf (1999) described the development of key performance indicators of the government of Canada. Their research indicated 9 performance indicators: Applications/Pieces Opened, Applications Completed, Applications/Mail in Process, Average Cycle Time, Pass Through Ratio, Client Satisfaction Level, Service Complaints, Cost per Contact, and Applications Received. However these performance indicators are difficult to use for this research because they are focussed on operational tasks. Most of these tasks (for example; application / Pieces) are outsourced through the department Formula Management Direct Mail. The third research question is addressed on the literature:

3. How could the literature be applicable in the context of a direct mail communication channel?

The interview results have resulted in 93 performance indicators. Secondly, these performance indicators are compared with SMART criteria. The advantages of SMART criteria are that objects are formulated in such a way that it has a great chance to success in practice (Bouckaert and Auwers, 1999). The SMART criteria exist of 5 separate criteria: Specific, measurable, acceptable, realistic and timely. Each criterion is used to judge every separate performance indicator. This has resulted in a number of performance indicators which could be used in an analytical framework for performance indicators of the direct mail marketing communication channel in the context of a retail bank. The following research question is addressed on the comparing of SMART criteria with the performance indicators of direct mail:

4. What are the performance indicators of physical mail in the context of a direct mail communication channel?

The 93 performance indicators are compared with the SMART criteria. This is done in five steps. Firstly, the performance indicator has to be defined sharply and is focus on the corporate goals and strategies. The second criteria: The performance indicator is easily to measure. The third criteria: A substantial portion of employees must agree to the goal. The goals have to be in the realm of known possibilities of achieving the goal. The fourth criteria: The performance indicator should be attainable to the situation at hand. Goals that are unrealistic are not allowed. There must be sufficient know-how, capacity, means and competences. The last criteria: The performance indicator should to be time bound to be effective when the goal is achieved. This resulted into 22 selected performance indicators. The 'final version of the balanced scorecard' resulted in the following question:

5. What is in the context of a direct mail communication channel an applicable framework for the performance indicators for physical mail?

The choice for this research project is made on the Balanced Scorecard. The Balanced Scorecard puts unconditionally the strategy central. Furthermore the Balanced Scorecard is focused primary on the future and prevents the under optimize through the aiming or a balance between decisive factors. The Balanced Scorecard appointed separately the learning

and growth perspective and foresees in an image of the extent in which the organisation can perform the future. Annex D include the final analytical framework for the performance indicators of physical mail. The framework is built up around the four dimensions of the Balanced Scorecard.

Conclusion and recommendations:

The success of the Balanced Scorecard is determined first of all by the cooperation of the top management. It may be important that there is a large extent of agreement about the view and strategy of the department Formula Management Direct Mail. The results of the interviews indicates that the introduction of the Balanced Scorecard have to be 'step by step'. It may be important that the Balanced Scorecard is used as a tool to analyse the progress and not to control the personnel. Otherwise it could be possible that the managers will sabotage the information supply. The results of the interviews tell us that the Balanced Scorecard has to be maintained. Through changes in the surroundings, old performance indicators could be unnecessary and some again necessarily. Also through adjustment of the strategy, the accents of the performance indicators can change. If all these conditions are met in a satisfactory manner, the chance is high that the Balanced Scorecard will be a valuable instrument for the ING. The Balanced Scorecard gives an opportunity to translate the business strategy to concrete and operational objectives. It is possible to indicate changes and adapt the strategy if necessary.

Thesis Contents:

| | |
|--|----|
| Preface..... | 1 |
| Summary..... | 2 |
| Chapter 1 Introduction..... | 6 |
| 1.1 Overview..... | 6 |
| 1.2 Problem definition..... | 7 |
| 1.3 The research project..... | 8 |
| Chapter 2 Literature review and the proposed model..... | 10 |
| 2.1 Introduction..... | 10 |
| 2.2.1 Criteria for performances indicators..... | 17 |
| 2.2.2 SMART criteria..... | 19 |
| 2.2.3 McShane and Von Glinow criteria..... | 21 |
| 2.2.4 Conclusion..... | 22 |
| 2.3 Management models..... | 22 |
| 2.4 Conclusion..... | 29 |
| Chapter 3 Case ING..... | 31 |
| 3.1 Introduction..... | 31 |
| 3.2.2. The primary process of Mail..... | 33 |
| 3.2.3 Corporate goals & strategies..... | 35 |
| 3.2.4 Criteria for a performance management system from ING..... | 36 |
| 3.3 Theoretical framework..... | 37 |
| 3.4 Research Methodology..... | 38 |
| Chapter 4 Research Results..... | 39 |
| 4.1 Introduction..... | 39 |
| 4.2 Interview findings and discussion..... | 39 |
| 4.3 Application of the literature in this particular context..... | 42 |
| Chapter 5 Conclusion, limitations and recommendations..... | 46 |
| 5.1 Introduction..... | 46 |
| 5.2 Conclusion..... | 47 |
| 5.3 Limitations..... | 49 |
| 5.4 Recommendations for future works..... | 50 |
| References..... | 51 |
| List of annexes..... | 56 |
| Annex A: Questionnaire respondent..... | 57 |
| Annex B: Total number of performance indicators..... | 61 |
| Annex C: Performance indicators of the final Balanced Scorecard..... | 62 |
| Annex D: Final Balanced Scorecard..... | 65 |