6 Concepts for Life-Cycle Solution Provision

Having laid out a vision and a sustainable strategy for a financial services provider in the (Post) Information Age in the preceding chapter, two important concepts will now be presented and discussed that may facilitate and contribute to the implementation of the strategy described above. The first one, a content model for the financial services market, aims at keeping a customer better informed about financial services by facilitating the individualization of finance-related content distribution, thus contributing to solving a financial problem in the broader sense with respect to information needs. The second one, a product model, facilitates the process of generating an individualized solution to a customer’s financial problem in the narrower sense, i.e. the need for an intertemporal liquidity distribution.

IT plays a very important role in the implementation of the strategy and particularly of these two concepts due to various reasons:

- Financial services are immaterial, i.e. they are just information and therefore are preeminently suited for IT-enabled processing.
- The solution space for financial problems is very complex. Profound product know-how as well as knowledge about superior combinations of financial products has to be present to generate superior solutions.\textsuperscript{331} Enormous CPU power is needed to generate good solutions for a customer.
- Financial services often have repetitive character since investment strategies have to be controlled over time. If the ex post performance is significantly different from ex ante performance expectations, the investment strategy has to be adapted. Therefore, the relevant information has to be stored and made accessible for a controlling process.
- A complex and fast-changing environment with respect to national taxation and other laws makes it nearly impossible to provide good consultation services without the support of an appropriate information system.
- The time of a personal financial advisor is expensive and his ability to take care of customers is limited. Therefore he should be able to focus on value added instead of standardized undemanding activities.

\textsuperscript{331} See e.g. (Buhl et al. 1996).
There are significant scale effects that may be realized utilizing appropriate information systems. One prominent example with respect to the customer interface – not related to the two concepts – is an online money transfer application.\textsuperscript{332}

Though this list of items is definitely not exhaustive, it should become clear that applying appropriate IT is not just a nice-to-have but a necessity to survive in the market. However, in contrast to Internet boom times at the beginning of the third millennium, economic considerations must be the guidance for any investment decision into IT. Even though the indirect effects on the profitability – such as contributing to building trust and loyalty towards a financial services provider – of an IT venture and its contribution to the overall objectives of the organization can often not be determined with exactness, a thorough cost/benefit analysis should be accomplished for each project. In the following, two models – a content and a product model – will be presented in which it seems reasonable to invest scarce resources due to promising scale effects as well as substantial improvements for CRM with respective positive effects on trust and loyalty. Both aim at providing a customer with an individualized solution to his financial problems, the first one with respect to informational needs, the latter one with respect to desired cash flow streams.

The chapter is organized as follows: After these introductory remarks, the general research framework is presented in Sec. 6.1. Special parts of this general research framework, namely the content model (Sec. 6.2) and the product model (Sec. 6.3) are covered in the subsequent sections. A brief summary concludes this chapter (Sec. 6.4).

\subsection*{6.1 Research Framework}

The problem of providing customers with individualized solutions to their problems is very complex.

Firstly, the customer himself has to be modeled and a machine-readable representation of his (changing) preferences and (latent) needs has to be provided.

Secondly, the quite different financial products in terms of cash flow effects, risk, and complexity, to name just a few, have to be modeled in order to generate a sound bundle of financial products based on the customer’s needs.\textsuperscript{333} A financial problem is often only the second step with respect to an overall problem or need.

\textsuperscript{332} In fact, the scale effects on the one hand and the cost reduction effects on the other hand seem to be massive, since German HypoVereinsbank offers a special checking account where the customer gets a credit of 0.26 Euros for each transfer performed by using technical communication channels such as online banking or ATM. See (Dzienzio\-l et al. 2002) for a contribution that deals with multi-channel pricing in the financial services sector.

\textsuperscript{333} On the issue of bundling financial products see Sec. 6.3. Also see a seminal contribution by (Will 1995) with respect to IT-related issues.