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How Rabobank has used information management and IT to maintain  
its competitive advantage.

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## Introduction

This report has been commissioned as part of a Master of Science; Information Technologies module, it aims to examine how the Dutch bank Rabobank has utilised both information technology and information management to gain and maintain a competitive advantage. This is defined as the process of gaining dominance over ones competitors in the marketplace, which can be achieved by employing a number of different strategies (Greasley, 2006, p.792). A brief background of the entity will be described and the report will separately document how the company has utilised both information technology and information management. It is envisioned to clearly demonstrate that competitive advantage has been established and to show the relationship between said competitive advantage and information technology/management utilisation. The link between competitive advantage and information management will be examined in the context of client relationship development and the link between competitive advantage and information technology will focus on the introduction of low cost IT solutions and the development of Web 2.0.



**Rabobank**

Rabobank Group defines itself as an “international financial services provider operating on the basis of cooperative principles” (Rabobank, 2011) these principles have been lucrative earning the bank an operating profit of €3.2 billion in 2010. Rabobank evolved from two Dutch agricultural co-ops that merged in the seventies and took its present form in 1980, the bank further expanded in 1996 with the establishment of Rabobank International (Rabobank, 2011). Today Rabobank International employs nearly 60,000 people and serves 10 million customers; Rabobank could be better described as an asset institution rather than a bank. It has weathered the financial crisis of recent years well and has kept its AAA rating from both Moody’s and Standard’s & Poor (Rabobank, 2011); it is regarded as one of the world’s safest banks (Global Finance Magazine, 2010). It could

argued that this in itself is a major contributor to competitive advantage as the banking industry is essentially based on trust, but as outlined earlier other contributors to competitive advantage will be examined in this report. Customer retention is less of a concern for banks when compared to other sectors as the difficulty and stress related to changing banks normally ensures that customers do not do so on a whim (Schwanhausser, 2011). Profit can therefore be maximised by focusing on existing customers and costs rather than utilising resources on pursuing rapid growth. The first part of this report will examine how Rabobank has used information management to maximise return from customers whilst minimising associated marketing costs. The second part of this report will focus on the use of IT in general in lowering operating costs; this section of the report will not make reference to any competitive advantage model as it is quite clear that better returns coupled with lower costs do contribute to competitive advantage. The third section will outline the web 2.0 innovations that Rabobank has launched recently. An analysis will then be made as to whether competitive advantage has been achieved by a combination of all three strategies; future opportunities and issues will then be surmised.

### **Knowing the Client**

Within the banking industry it is generally accepted that knowledge of existing customers is of paramount importance in developing marketing strategies. If marketing campaigns can be targeted at specific groups then costs can be kept to a minimum and the success rate of the campaign increases. Analysis of customer profiles allows Rabobank to determine the best way to approach the customer and how to respond to customer wishes, future needs of customers could also be determined. For example if an increase in monthly deposits (salary increase) was noticed, then a corresponding increase in pension contributions could be suggested. With this requirement recognised, Rabobank decided to utilise IBM's SPSS predictive analysis software. SPSS is a



relatively low cost software package originally used to study qualitative data from research in the social sciences. It is worth noting at this stage that much of the information regarding SPSS adoption by the banking industry is available from the IBM website, a critical analysis of SPSS will not be found here. The same can be said for all the software and hardware that will be mentioned, this report is not a critique of these products, it is an analysis of how Rabobank used them to gain advantage by reducing costs and increasing revenue.

Rabobank used SPSS in the following manner, data relating to customers was entered into the software and analyses and trends were produced. Armed with this customer information mined from SPSS and information from market research, new marketing strategies were developed by the Marketing Intelligence Department. The timeframe for developing these marketing strategies was reduced and the campaigns which were launched targeted customers in a more focused way (IBM, 2011). The results were impressive; according to BusinessWire the close rate for a customer that had been targeted as a result of the new marketing strategy has increased from 2-4 per cent to 12-20 per cent. This represents a double saving as marketing campaigns cost less to undertake and campaigns undertaken produce better returns. Paul Groenland, manager of the Marketing Intelligence Department at Rabobank is in no doubt of the impact the SPSS software has had on Rabobank's overall performance "Whereas many financial institutions are struggling in today's difficult economic environment, Rabobank has become even more successful. This success is based on our co-operative structure, increased customer focus, organizational commitment to CRM and investments in supporting technology, such as IBM SPSS predictive analytics software, which deliver true ROI (return on investment)." This customer information is not just for use by the central Marketing Intelligence Department; all branches have access to the information mined from SPSS and are able to use this information to enhance the business relationship with existing customers (iStockAnalyst, 2010).

## Low Cost Solutions

The strategy documented above explains how Rabobank has used information management to increase profits using inexpensive software, thus contributing to competitive advantage; the use of IT by Rabobank to lower costs will now be explored. At the Gartner Symposium held in Cannes in 2010, Pieter Kettering, a program manager at Rabobank, gave a presentation for attending CIOs (Chief Information Officers).



Kettering outlined steps that Rabobank had taken to reduce costs for a relatively inexpensive initial outlay; as the IT solutions that were utilised were not developed specifically to meet Rabobank's needs they were merely installed for Rabobank (Saran, 2010). An early example of this is the installation of Citrix MetaFrame software on the servers at Rabobank at the turn of the millennium, a measure that both reduced costs and facilitated an enhanced customer relationship. Before the installation of this software, each Rabobank branch was running up to 200 business and productivity applications across servers in each branch; the network could not support this diverse range of software and significant access problems in branches across the company ensued. Upon the installation of the new server software staff members were freed up to become mobile. This benefited financial advisors in particular as they were now free to go to each client with a laptop and conduct business by linking up to the central Citrix via mobile phone, the most current market data at the time became available instantly (Citrix, no date).

Another, more recent example of the implementation of IT at Rabobank is the launch of Rabo Unplugged powered by Microsoft; the ability to work securely is of paramount importance for all businesses but more so for the banking industry.

Rabo Unplugged offered employees the flexibility to work securely individually or in groups via IT networks. This is facilitated by the introduction of various Microsoft software packages such as Office Communicator and SharePoint Server. Rabobank feel that the introduction of Rabo Unplugged facilitates a return to the old style of cooperative work, a work style that has many benefits. To further support mobile working Rabobank has provided mobile equipment such as I pads to and tablets to employees depending on need. The final piece of the Rabo Unplugged initiative was the transformation of the physical working environment, Beneluxstaete, a working environment based in Rabobank’s headquarters in Utrecht was established. This workspace incorporates 250 work stations where employees work alone or in groups; this new environment allows a freer style of collaborative work (Microsoft, 2009). These initiatives have had a positive impact in a number of ways according to Pieter Kettering; costs have been reduced by savings on workstations, staff and ICT. Employee performance and relations have also improved as there is lower employee turnover and lower absenteeism among staff. Employee and client satisfaction have also increased.

## Web 2.0

Online banking can now be considered a necessity of any commercial bank, much like the ATM. All of Rabobank’s competitors use online banking technology; therefore the provision of this service could not, in this instance be viewed as a contributor to competitive advantage. Where Rabobank have pioneered in web 2.0 is in the launch of Rabobank’s TransAct which caters for small and medium sized businesses. The TransAct system is an online wholesale business portal that can be customised to the requirements of both internal and external users. The portal (see image on right) is based on FX Accelerator software and



incorporates real time foreign exchange information and treasury portlet; amongst others. The software has been well received by critics and users; the software development company; Netaweb has been listed as a “Hot Banking Technology Company to Watch in 2010” by Forrester Research (ComputerUser, 2011). Rabobank has seen the benefits of the technology; according to Niels van Daatselaar, Head of e-commerce “The flexibility and functionality provided by Nexaweb FX Accelerator has enabled Rabobank to improve its market share with small-to-medium sized businesses and attract new mid-cap and large-cap clients”, here we see a direct correlation between the implementation in I.T and an increase in market share (NoJitter, 2010).

### **Analysis**

When researching competitive advantage that a bank can achieve over its rivals, it soon became clear that the banking sector is different than other sectors. Unlike other sectors such as the technology sector (Apple) or the retail sector (Wal-Mart); banks do not have the option to create that “killer” product or engage in a race to the bottom in relation to costs to obtain competitive advantage (Laudon and Laudon, 2010, p.124-125). Certain traits exist in the banking sector that mark it out as unique when analysing competitive advantage, such as the barriers to entry for the banking sector being so high, in Ireland for example no new bank has been founded since the 1960s. These very high barriers to entry are coupled with reluctance on clients’ part to change provider because of the hassle involved. A situation arises where competitive advantage can be achieved by getting the best return from existing customers and in keeping costs as low as possible. Banks are essentially selling two things, namely trust and financial products, Rabobank in keeping its AAA rating and remaining out of bailout territory has essentially stood out as an institution that can be trusted to manage clients’ deposits. The fact that Rabobank held an additional €40 billion of customers’ deposits between 2009 and 2010 attests to this (Rabobank, 2011). The opportunity for Rabobank to increase profits in

the domestic market will come primarily from existing clients, as outlined earlier the method to achieve this is a more focused CRM (Customer Relationship Management) strategy. A focused CRM strategy will assist a bank in foreseeing their clients' future financial requirements. Banks that can meet these future requirements before their client has committed the deposit to a rival institution has obtained a competitive advantage. Rabobank has met this challenge by utilising SPSS analytic software, this software has also helped to reduce the cost of marketing campaigns by making them more targeted and thus bearing more fruit. Rabobank has also utilised low cost IT products from household names such as Microsoft to keep costs lower; these IT solutions have enhanced staff morale and productivity with the added benefit of staff retention increasing. Few would argue that staff retention is not a vital concern in any client based business. Rabobank has realised that a large technological investment is not required to maximise opportunities with existing clients, it is the smart adaption of existing technologies that will reap reward from existing clients.

## **Future**

At present the future of the banking industry looks bleak in Continental Europe, many major banks have neither realised nor written off losses from Greek bonds (Jyskeinvest, 2011), Rabobank is not one of these banks. Stress tests have indicated that very unfavourable scenarios occurring in the European banking sector could be withstood (Datamonitor, 2011). Its asset book has grown and continues to grow; in keeping with the findings of this report the growth from the Dutch market will come from existing customers. The domestic market is a wealthy and ageing population with very little population growth and increasing pension requirements. Rabobank has a huge share of this market; there are opportunities for further growth by focusing on the future financial needs of this clientele. The data obtained from SPSS analysis can be used to respond to these needs, it is vital that clients with large

portfolios are prioritised. Continuing innovation in knowledge management will facilitate this without large scale investment in new IT solutions being required.

As stated earlier, online banking in itself does not constitute a competitive advantage but there are nevertheless opportunities for growth in this arm of the business. The merger of the traditional “online bank” interface with the Rabobank’s TransAct software provides scope for expansion. A full “online only” financial/asset management product is feasible, again with little initial outlay, this will allow Rabobank to advance into the developing world where internet access has recently taken off. All of the innovations adopted by Rabobank can also be adopted by its rivals, and no doubt many have. The advantage that Rabobank has is that it had both large customer numbers and deposits initially and it has used information management and IT to both increase business and reduce costs simultaneously. The outlook for this company is positive once it uses the large deposits it currently holds in innovative ways in expanding markets (Datamonitor, 2011).

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