Customer loyalty
A case study of Swedbank and Länsförsäkringar Bank

Bachelor thesis in business administration
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Preface

This bachelor thesis was written by three students attending Jönköping International Business School, during the spring semester 2012.

We would like to show our appreciation by thanking following people who have helped and made it possible for us to attain and finish our study; Kenneth Åberg at Swedbank in Värnamo and Edin Paradzik at Länsförsäkringar Bank in Tranås who have provided us with information and been very accommodating. We also want to give special thanks to our tutor MaxMikael Wilde Björling who has been of a great help during the writing process by being committed, resourceful and advisory.

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Abstract

Background: The banking industry is a classic service industry where companies and customers meet and where their interactions take place daily. There are many reasons why an unsatisfied customer can change company to a competitor and the customers that are loyal choose to stay for certain reasons. There is a competition between the commercial banks and niche banks which makes the relationship with existing and new customers more essential for the banks. It is important for banks today to have loyal customers and build up long term relationships.

Purpose: The purpose of this thesis is to understand the difference in strategies of developing loyalty in a traditional bank and a niche bank, based on customer relationship marketing and compare Swedbank to Länsförsäkringar Bank.

Method: A qualitative research method has been used in the thesis by an interview with Kenneth Åberg at Swedbank and with Edin Parazik at Länsförsäkringar Bank. We have used secondary data from other studies and combined with our own empirical findings.

Findings: It has become important to have a customer focus as the competition has increased in the banking market. The general relationship marketing has become more focused on the customer, as more companies value the relationship with their customers instead of only focusing on the product or services. It is equally important for the two Länsförsäkringar Bank and Swedbank to strive for customer satisfaction and good work environment which encourages and strengthens the creation of relationships. It appears for us that there are no major differences between Länsförsäkringar Bank’s and Swedbank’s strategies in creating loyalty. Both the niche bank and the commercial bank are aware of how their organizations are affected by customer relationships and they also have customer loyalty as a starting point to grow more and to get more market shares.
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# Introduction

This chapter makes it clearer for the reader to understand the importance of customer loyalty. We introduce the topic with a short introduction, followed by a background, a specification of the problem, purpose and finally the methods we are going to use.

We have chosen to write a report on customer loyalty within Swedbank and Länsförsäkringar Bank, where we want to compare and analyze how these two banks work and create their loyalty. The choice of these two banks is because we want to examine the working practices between an older commercial bank like Swedbank and a bank that has not been established on the market for so long, the niche bank Länsförsäkringar Bank. Furthermore we have chosen to focus on the relationship marketing which our theory is built upon.

For every person it is essential to have the service of saving. A customer’s need to pay and save is something that the banks and insurance companies are solving. Customers want to be able to pay something without keeping money at home and carrying cash with them. The ability and service to take a loan, save money for retirement, insure and run a business is also something customers need from a bank or insurance company and that is why they have an important function in our society. Banks are fulfilling the needs of customers but this does not mean the customers are fully satisfied. The media has often projected a negative attitude towards the bank operations and the government and other supervisory bodies have often wanted a change. When banks are choosing a service for their customers, they have to assess which risks it entails for their economy and factor in the cost of providing the service. The way banks are thinking and their considerations is something that all companies must have if they are to be profitable (Eriksson, 2006).

What customers think of the service delivered is very important for the banks and that is what they should be focused on, since this is the key for building up a strong brand in a certain market. Positive so called “word-of-mouth” is being created by loyal customers and that is why it is important for companies to establish a good relationship with their customers. This leads to having satisfied customers that recommend the company to friends and family. Having dissatisfied customers can be very damaging for the company where they can speak badly about the brand (Söderlund & Rosengren, 2007).

The banking industry is a classic service industry and in this sector there are many so called “moments-of-truth”, where customers and companies meet and their interactions takes place daily in many areas. There are many reasons why an unsatisfied customer can change banks to a competitor and it is not hard for them to do so, and the customers that are loyal stay year after year for a certain reason. Companies should have regular contact with their customers to understand why they act in a certain way; however this can be difficult because customers are many and the cost of keeping this contact method is high and time consuming (Grönroos, 1990).

Today the growing range of banks is becoming bigger which automatically increase competition in the market. Customers are looking for simple and quick solutions while feeling confident in the banking sector (fincorp, 2012). Many analysts assume that it
will become harder for banks in the market as customers awareness increase (svd.se, 2012).

When choosing a bank, it is important to know the quality, safety and confidence of the other party; this creates value for the customers and it is a good foundation for customer loyalty. Loyalty is something that develops over time with proper planning and interaction once it becomes active (Stone, Woodcook & Machtynger, 2000).

After the 1980s, there arose some deregulations of the Swedish financial market which gave the banks new business opportunities. The deregulation allowed financial institutions and non-financial companies to run banking activities (Lindblom & Andersson, 1994). This also resulted in greater competition among the banks and their approach became more focused on customer orientation (Lindblom, 1994). The established commercial banks solution was to offer a full-service concept designed to attract new customers and keep the current customers. The new banks are called niche banks since they are focusing on a niche of products and services. The competition between commercial banks and niche banks is primarily within the deposit and payment services (Lindblom & Andersson, 1994). The competition makes the relationship with existing and new customers more essential for the banks (Post, 1997). It could be a problem for the niche banks to keep their customers for a longer period since they primarily attract those customers who are more willing to change banks. It is more difficult for them to maintain the relationships long term (Bergendahl & Lindblom, 2000).

### 1.1 Background

The relationship marketing started to be popular for managers, general managers of marketing and service, and within the information technology field in the late 1990s. Today customer relationship marketing is the goal for most companies (Reichheld, 1996). The relationship marketing is all about creating a good relationship with the customer where both parts are in a winning position and value is created between the two parties (Holmström & Wikberg, 2010).

Reichheld (1996) explains how beneficial it is for companies to find the right customers and maintaining the good ones, as well as motivating employees of the company. Reichheld believes that all this work to strengthen loyalty leads to better efficiency and performance and that the company should take advantage of the company’s success. Employees in the company should know how much it means to have a strong foundation and to work with their customers, maintaining a strong contact with customers will simplify cooperation in future business transactions.

In order to apply relationship marketing in practice, the company can use CRM, customer relationship marketing. If a company wants to achieve profitability that will last, then CRM is a good system to use. A CRM system makes it easier to manage a larger number of customers and their relationship with the company. There are five steps with the leading terms: identify, differentiate, dialogue, individual and learning relationship. These steps explain what is required in one-to-one marketing (Gummesson, 2008).

Customer relationship marketing has a very strong focus on the customer, where the goal is to find the customer, get to know the customer, keep in touch with the customer, make sure the person gets whatever he or she desires in the purchasing process and to
ensure the customer gets what was promised to them (Stone, Woodcock & Machtynger, 2000).

The customer is being persuaded in their first meeting with the company, therefore it is important for the companies to be very focused in the first meeting, regardless if the customer chooses the company or not. The customer should always feel that the relationship is valuable and will always have positive development with positive results and a win-win situation for both parts (Dimitriadis, 2010).

Gummesson (2008) defines relationship marketing as: “Relationship marketing is interaction in networks of relationships” (p.5). The core concepts of relationship marketing are: relationships, networks and interaction.

1.2 Problem discussion

The increased growth in the banking sector is a result of both increased competition and bigger demand by the customers. There are several factors affecting the choice of bank and it has never been easier to switch banks, but what interests us is how banks create loyalty among their customers when they all offer the same basic services.

Another part that has highly been acclaimed is the employees’ role and its importance, which we have an interest in and want to find out more about. The increased competition in the banking sector has made the perception of both the customers and the employees in a different way with the intent to focus more on working with better results and hold on to. Broadbent (1999) writes that human capital is an important competitiveness in a market with many players.

The development and selection of the banks in recent years has increased and many new niche banks have entered the market, which has changed the conditions such as security and trust in a bank and the commercial banks now have another competitor. We want to know if there is any difference between our two banks in how they work with their strategies to achieve customer loyalty, depending on if it is a niche or a commercial bank. This is interesting to study because the niche banks are competing with the major commercial banks and we want to know how a new bank as Länsförsäkringar Bank can compete with the commercial bank Swedbank, which has been in the banking industry for many years. Länsförsäkringar Bank has a long history in the insurance industry and specializes within that sector, while Swedbank has been in the banking industry from their origination and despite that, Länsförsäkringar Bank still manages to compete against the major commercial banks.

1.3 Purpose

The purpose of this thesis is to understand the difference in strategies of developing loyalty in a commercial bank and a niche bank, based on customer relationship marketing and compare Swedbank to Länsförsäkringar Bank.

1.3.1 Specification of the problem

- How do companies build up customer loyalty within the banking industry?
- What is the difference between the strategies of how a niche bank and an older commercial bank implement customer relationship marketing in order to create loyalty?
1.4 Delimitations

Our limitation is set to studying the customer loyalty within two Swedish banks and how the banks interact with their customers. We are only focusing on the companies’ view of how they create and keep a relationship with their customers. The two chosen banks are Swedbank which is the leading commercial bank in Sweden and Länsförsäkringar Bank, which is newer bank in the industry. We decided on the two banks because Swedbank is a commercial bank and Länsförsäkringar Bank is a niche bank. We will only be focusing on the banks private customers and not the business customers given that more people are included in this target group.

2 Methodology

In this part we describe our choices of methods and why they are relevant to our thesis. We will also describe how we implemented the different methods.

2.1 Research approach

There are two techniques to use when collecting data, either alone or together and it could be implemented in a simple way or a more complicated way. A survey is often a less expensive way to collect information but provides poor result compared to an interview (Eriksson, Wiedersheim-paul, 2006). Usually surveys are used in a quantitative research where the researcher wants to find data that could be expressed in numbers, figures or other aggregate terms. Interviews are often used when the researcher wants to give a deeper understanding of the study, which is a characteristic for qualitative research (Halvorsen, 1992).

When the researcher decides to make an interview or a survey it is important to decide what specific questions need to be answered, what the information will be used for and who will use it. Next step would be to decide what the observation device is, organizations or individuals and how the investigated population should be separated. Decision should also be taken about how many observations are to be made and which method for the data collection should be used. The combination of an interview and survey could be the best in collecting the intended information. A questionnaire could be given to the respondent to fill in or it could be used by the researcher as a help in the questioning. After the data collection the phase of processing the information begins, the information gathered has to be verified, if it is useful and if it is a relevant group of people that have responded (Eriksson, Wiedersheim-paul, 2006).

2.2 Choice of data collection

In a research there are two types of data that can be used, primary and secondary data. When researchers collect new data it is called primary data which is collected through interviews, surveys or other type of information. Data that is collected by others and used by the researcher is called secondary data, such as books, Internet, articles or other sources. Both primary and secondary data can often be used together in studies (Halvorsen, 1992).
The data chosen for the study is both primary and secondary data, the primary data is from our interviews with Swedbank and Länsförsäkringar Bank and the secondary data is primarily collected from books, Internet and papers written by others on the same subject. In our empirical work we have combined our primary data from the interviews together with secondary data from other studies about the banks.

2.2.1 Primary data

The primary data for this thesis was collected through an interview with an employee at each of the banks, a person who is more familiar with strategies used for customer loyalty. A qualitative approach was chosen due to our purpose of how the banks work with customer loyalty from the company’s perspective.

2.2.2 Secondary data

The secondary information came mostly from books and databases from the University Library. The books were used primarily to find theory about the relationship marketing and customer loyalty. In different databases we have found more information about our specific cases Swedbank and Länsförsäkringar Bank and earlier studies that have been done on the subject. In order to build the background of the subject, the information was collected from the secondary sources.

2.3 Case study

We put our focus on the two banks’ strategies in customer loyalty and Yin (2006) mentions that the main purpose of a case study is carrying out a theoretical idea from the empirical analysis we have undertaken, through our interviews with both banks we want to get a better understanding of their difference in importance of customer loyalty.

Case studies have recently become more common where research is encouraged to use different types of data and combining different types of research methods in the study. Examples of this may be that the researcher links different observations together directed with various involved, this suggests that researcher can proceed how to investigate what the person finds interesting (Merriam, 1994).

Case studies are research strategies that are used to increase knowledge about organizations, individuals and groups. This method is equally used in social sciences, as well as in the business world. This kind of study can be used in several areas, especially where it wants to maintain the integrity and the importance, the case referred to the example of life cycles, organizational and management processes, as well as relationships (Yin, 2003).

Depending on the problem or research question, the researcher chooses a specific research strategy. In our case the case study showed to be most preferred where we chose to start with two cases associated to Länsförsäkringar Bank and Swedbank.

This mentioned case method is used when the researcher wants to investigate a problem and understand the situation and the feeling of a specific problem. This approach has been criticized for being weak in order to be considered a research strategy. The method according to critics failed in quantity, impartiality and logical order, but the method is the most appropriate for questions with “how” and “why” (Yin, 2007).
The goal of performing a case study is to gather information, present it, and carefully examine it with high quality and it is precisely here the critics argue can break if the researcher is not taking enough of a neutral position. Case studies are usually associated with qualitative studies and may have objectives that are exploratory, descriptive and explained. The explorative part of our study aims to gather preliminary information by interviews and the descriptive section of the essay is how the banks are working with their customer loyalty (Yin, 2007).

A case study is described by concentrating on the study’s depth before the study’s breadth, there is more focus on the relationship itself than the actual final result and the method is characterized by the variety of sources that is used as a basis. Case studies are characterized by the investigator so he/she can learn in detail and the importance is placed on a special action or development (Merriam, 1994).

2.4 Interview

The interview is an important source of information for a case study. In a case study an interview is essential to operate on two levels at the same time: the need of the study has to be satisfied and the questions asked should be friendly and nonthreatening. These types of interviews are mostly open-ended where the researcher can ask about the specific information and at the same time about the respondent’s opinions of certain occurrences. Most case studies are about human affairs and interviews are an important source of evidence in a case study. Respondents that are well informed can present important experiences from different occasions which can help to find other relevant information of evidence. Interview data could be compared with information from other sources as an approach to corroborate the data from the interview (Yin, 2003).

There are three types of qualitative interviews: unstructured, semi structured and structured. In unstructured interviews the questions are just mentioned and are not determined in advance. These interviews will help if the researcher wants to go deeper in the respondent’s concepts and knowledge. The researcher is more of an observer in the unstructured interview and this type is more difficult to analyze. The semi structured interviews are often used together with observation and they have a developed interview guide, anyway it is flexible and the researcher can ask questions in the meantime. When the researcher chooses to follow a schedule with predefined questions, it is a structured interview and the options for answers are fairly open. It is more common with one respondent at a time but it is also possible to have a group of respondents (Østbye et al, 2004). In our study we use the semi structured interview method where we follow a developed interview guide with questions.

We chose to get information through an interview for our study because we thought it was the best way to get more specific answers to our questions. We wanted to find out how the banks work with their relationship to the customer and the respondent at the banks could give us the best answers. If we were interested in what customers think about how banks work with their clients, we would have chosen a different method instead of interviewing. We prepared each interview by calling each of persons at the banks and asked if they were interested in helping us with the thesis and how much time they could give us. Both our contacts were very positive and we chose to meet them at their offices in Värnamo and Tranås. We estimated the duration of the interviews to a maximum of two hours each. Before the interview we read about the banks and
searched for information, both on their websites and other essays, trying to find questions that have not been answered before. We sent our interview questions to each person so that they could prepare their answers if they wanted.

We chose not to follow our questions precisely at the interview because we automatically got answers on some of the other questions. After the interview we chose to combine the information we received and send them to each respondent in order to get comments on whether there was anything that we might have misunderstood or if they had anything else to add.

2.5 Theory collection

In order to find relevant literature we have collected the theoretical data information from different sources, for example from books, the internet and we have also looked at different essays about this subject. Gathering the information from these different sources has given us a good basis on the view of customer relationship marketing and loyalty. When describing the two different banks, we have gathered data from the home pages of these two banks and there was a lot of information there that helped us understand all parts involved in their services.

2.6 Validity and Reliability

Validity is defined as a measurement of the primary tasks of an investigation, in our case it is the performed interviews. Validity stands for the method we are using for our research and to see how trustfully the research and result is (Dahmström, 2000). Before the interviews were conducted, we wrote down questions that can be linked to our theoretical framework in order to obtain an understandable analysis.

There are two characters of validity, internal and external. The internal handles the performance of the essay and the degree to which significant conclusions can be drawn from the survey. The other side of validity handles to which degree the answers of the survey are close to reality. These two are affected by each other and to get a high external validity the condition has to have a high internal validity (Hägg, Wiedersheim-Paul, Aronsson, 1977).

One factor that we consider increases the reliability of our work is our contact with two employees at each bank, Länsförsäkringar Bank and Swedbank. This has further helped us understand how the various banks, for example look at relationships rather than get a general picture of the banking business. It is important how we put together the information that we received from our interviews with our already found theoretical framework and the external validity will be effected depends on how data will be analyzed (Merrian, 1994).

From our point of view, the reason why we chose to proceed with case studies is to get a clearer assessment of how the banks work, we want to gain a deeper understanding which lead to a higher external validity. However, the critical part could be that the interviews are one-sided because the interviewees can twist the answers depending on how it suits them and this would affect the validity of the results.

Reliability stands for the accuracy of the study and the degree to which the survey can relate to reality. Reliability can also be affected by the author. For example the author
might have an objective sight because of a previous experience within the area, which in
the can affects the results (Eriksson & Weidersheim, 2011). We have attempted in our
study to make use of relevant and reliable information, both in literature and also with
previous studies, to make the best to increase precision of our study.

To get the best possible answers from our interviewers, we have sent out the interview
questions before the actual meeting, both as a support for us but also as a preparation for
the respective employees of Swedbank and Länsförsäkringar Bank. We took all parts in-
to consideration and did not ask any questions where the answers could affect the bank
or employees in any negative way.

3 Theoretical framework

In the following chapter we will present various definitions on relationship marketing
and different strategies on how to create stronger customer loyalty.

3.1 Niche bank vs. Commercial bank

The niche banks have developed the last ten years in Sweden and have increased their
range of services in the customer market (swedishbankers.se, 2012).

Unlike traditional commercial banks the niche banks are more limited in their range of
services and are more marketed to the private customer, but otherwise there are not
many major differences such as payments, loans, shares or savings. It is not uncommon
for a niche banks to not have an offices location in that is convenient for customers but
the help of highly developed technology this doesn’t seem to be factor for majority of
customers. Niche banks usually have no charges imposed on physical offices with em-
ployees at the bank, which means that they are more able to keep their fixed costs to a
lower price, which results in lower prices for customers (dolceta.eu, 2012).

There are also so called commercial banks in Sweden, which are among the very largest
banks such as Swedbank, SEB, Nordea and Handelsbanken. Initially when they started,
they only offered service to businesses, today these banks provides services to both the
private and commercial sectors of our society (bolanesidan.se, 2012).

A commercial bank offer a full range services for both private individuals and compa-
nies with all related services that a bank should include. These four mentioned banks
accounts for 75 percent of total bank deposits from the public, which dominates the
banking industry in Sweden. They have a strong position in the financial market despite
their competition against each other. Swedbank is together with Handelsbanken the
bank with the most physical offices around the country (swedishbankers.se, 2012).

3.2 Total Relationship Marketing

Today we often hear terms like relationship marketing, CRM and one-to-one marketing,
which basically has the same meaning but different key concepts. Gummesson (1999)
defines relationship marketing as: “Relationship marketing is interaction in networks of
relationships” (p.5). The core concepts of relationship marketing are: relationships, net-
works and interaction. A relationship is based on two parties that have a contact with
each other, like a relationship between the company and the customer. When a relationship is between many parties then it is called a network, which can develop to more complex patterns. The interaction is created when the parties start having an ongoing contact with each other (Gummesson, 1999).

Marketing focuses intently on a customer base in an organization and the skill to actually be able to satisfy customer requirements. Godson (2009) writes that there are two sides of relationship marketing, one is the seller’s side and the other is the customers, the two different parts are interacting with each other and therefore there is a relationship between them. A good relationship among the managers can promote the organization goals, which is to achieve success. Overall this thinking may sound obvious to many but it took time for the relationship marketing, to be recognized as a theory or strategy. Instead they held themselves to traditional marketing with the four P’s (Godson, 2009). By this thinking the traditional theory was increased in the mass production and the contact between customer and producer did not exist and the only goal was to sell as much as possible. The trust between the different parties in relationship marketing was not possible to exist because the people had no opportunity to meet. It existed in direct relationships in areas as banking and commerce between the business to business markets, but the society still overlooked the theory which was based on developing relationships (Godson, 2009).

One way communication is not supporting the development of relationships, the traditional way of reaching out to the customer through, for example the four P’s which are product, price, promotion, and place. This works very well in one direction, but the customers do not have the ability to communicate back. Promotion is the only factor that might give relationships a chance to work, however in the long run it is not enough to create good contact and loyal customers (Godson, 2009).

During the 1990s the thinking that pointed in one way was noticed and did not bring positive results anymore. The criticism led to the fact that it was understood and that a change was necessary to make marketing more efficient. The author Buttle (2004) argues that a change was necessary when traditional way of thinking limited market dynamics. Although the 4 P’s evolved into 7 P’s and further on to 15 P’s, Godson (2009) thinks that it was regarded as an inadequacy of innovation. Buttle (2004) writes that even the “big companies” such as McDonalds and British Airways could no longer achieve the results that they aspired by simply relying on the brand itself, they realized that they had to produce a strategy that fits customers and their lifestyles.

According to Gummesson (1999), the idea of this type of strategy, relationship marketing, is to develop a sustainable relationship with all involved, starting with the customers but also with partners, employees and so on. The key here is to keep their current customers. Relationship marketing should give the feeling that everyone is valued and seen, especially relationships with customers that give a win-win situation (Gummesson, 1999).

Interaction is another important part Gummesson (1999) points out that it is not possible to have a relationship without having a mutual interaction between the partners. A clear example of this is the motorcycle manufacturer Harley Davidson that has built a strong bond with its customers, which include arranging meetings for its members. The members feel some kind of bond between each other so they feel for the company and this also creates loyalty in the long run. Customers should be treated as individuals rather
than starting from methods that are mechanically founded, in order to avoid the feeling of being static by bureaucratic rules (Gummesson, 1999).

The change in the new method of marketing has gone from attracting new customers to actually retain customers for a long time (Grönroos, 1994). The foundation of relationship marketing is to build relationships with everyone involved in the company, mainly customers. The purpose of relationship marketing is to create loyal customers over time but to also create as stable economic mutual exchange. Another important part of relationship marketing is value, when a customer receives value from the company Christopher et al (1991) describes this as an asset that competitors have and a way to stand out from the other competitors.

It is difficult to measure value of the relationships, the authors Wilson and Jantriania (1993) mentions that it is easier to relate value to a certain product that customers buy for example the brand, quality, look and other factors that are relevant for the customers. These examples above of factors that can satisfy a customer are necessarily not the most value- adding to create a long term relationship.

Relationship marketing is not about a temporary feeling of value, it is more about creating security and trust for one another for a long time to come. This mutual sense of trust should help in increasing business without interruptions. When the customer is happy with a particular company and knows that their wishes are considered by the company, then loyalty is created which is the value of relationship marketing (Wilson & Jantriania, 1993).

### 3.3 Customer Relationship Marketing

The relationship marketing started to be popular for managers, general managers of marketing and service and information technology in the late 1990s. Today customer relationship marketing, CRM, is the goal for most companies and it has a very strong focus on the customer, where the goals is to find the customer, get to know the customer, keep in touch with every customer, make sure that the customer gets what he/she wants in the purchasing process and to ensure that the customer gets what it was promised to (Stone, Woodcock & Machtynger, 2000).

In order to apply relationship marketing in practice a company can use CRM. If the company thinks of profitability that will last long and survive, then CRM is the system to use that can manage a larger number of customers and the relationship with the customers. There are five steps with the leading terms: identify, differentiate, dialogue, individual and learning relationship and these explain what is required in one-to-one marketing. Identify is about finding the customers and state how to contact them. The word differentiate means to separate the customers by what they value and which needs they have. Dialogue is important when connecting to the customers and keeping the contact. Every customer should be seen as special and as an individual by having a personal interaction with the customer. The relationship should always be in learning as it goes on (Gummesson, 2008).

There are different types of CRM, operational, collaborative and analytical. The operational CRM keep all the past activities between the company and customer but also customer data, which is helpful for the sales and customer service. The collaborative CRM is the company’s contact with the customer by seeing the customer, contacting by phone
or by other communication tools. The analytical CRM is used for gathering data about customers and also to apply it and change the data. For all the types of CRM there is computer software needed and often a company combines different systems into a general business system (Gummesson, 2008).

Gummesson (2008) mentions a marketing logic called service-dominant logic, S-D logic, which was presented by Steve Vargo and Bob Lusch. The main approaches in RM/CRM are service marketing, B2B as networks and traditional marketing management. These have been expanded through the S-D logic. There is also another approach that is called no-marketing area, the quality management where customer perceived quality and customer satisfaction is the most important. This type of management has had an impact on the relationship quality. It is important to improve the quality of relationships on not only focus on the product or service. Gummesson (2008) claims that information technology has changed relationship marketing by creating new CRM systems.

Within one-to-one marketing the interaction is between companies and consumer as opposite to many-to-many where the customers’ and companies’ networks meet. Examples of the characteristics of one-to-one marketing is that people interact with their customers, customize for individual and they learn of the relationship (Gummesson, 2008).

There is continuously a gap between the thinking of RM, relationship marketing, and the usage of CRM, which could be an effect from no skills in implementation and diligence. There could also be a problem with grasping the data into theories and make it easier to make decisions and actions. The complexity that can occur is caused by customers, competitors, the general economy and technology change. These variables are the ones that cannot be predicted easily in advance (Gummesson, 2008).

Gummesson (2008) mentions the author Michael Baker that says in his book from 1954: “Marketing is the whole business seen from the point of view of its final result, that is, from the customer’s point of view.” He also says: “…the distinction between success and failure in competitive markets may be reduced to two basic issues, first, an understanding of customer needs, and, second, the ability to deliver added value …” (p.19) This is something that is very important in marketing for creation of customer satisfaction and loyalty and the focus on the customer is becoming more central. The relationship marketing is all about creating a good relationship with the customer where both are in a winning position and the value is created between the two parties (Gummesson, 2008).

### 3.3.1 CRM system

Customer relationship management is used by companies to develop and retain customers through increased satisfaction and loyalty. It has become more important to treat a customer separately and exclusively as required by the customer. To gain competitiveness it is important to manage relationships with customers. In a company’s supply chain the customer is an important part for finding out strategic facts. Change of customers’ behavior has an impact on the company’s actions and the decision making in the future (Xu & Walton, 2005).

Customers should be separated to identify the strategically essential customers because every customer is important in a different way. Identifying the reasons why customers leave and how to avoid this is important for improving the customer service. It is need-
ed to have information about what customers prefer and how they behave (Xu & Walton, 2005).

The CRM system is a software used with internet capabilities for collecting data about customers in a database and provides more knowledge about customers for the companies. This helps the company with future marketing decisions. The data of the interaction between company and consumer is more organized when it is collected by the CRM system. Its main purpose is to use and take advantage of the interaction with customers to provide higher satisfaction and get more profitable customers (Xu & Walton, 2005).

### 3.4 Benefits of Customer Relationship Marketing

A way of creating loyalty is to collect data, with help of CRM-systems about the customers and use this for creating relations through such simplified repurchases when firms can quickly find what the customer last purchased or was interested in. Customer interactions, like customer meetings, it is possible for a company to gather data about customers, which over time has developed. In essence, large parts of the banking sector to some extent implemented customer concepts, which resulted in certain consequences concerning primarily customer loyalty (Grönroos, 1990).

Implementation of CRM is very important because gaining new customers is more expensive than to keep them. Implementing CRM has many benefits as for example; improving the retention and loyalty of customers, which in turn will lead to customers buying more and staying longer. The long term value will be increased and the profitability will be increased as well, the reason behind that is not only because customers will buy more but also through the lower costs of gaining customers, in turn it will not be as necessary to gain as many customers to create a solid volume of business. The existing customers are often being more receptive and that will lead to decreased cost of sales (Stone, Woodcock & Machtynger, 2000).

At the same time using CRM can also be a risk if gaining the wrong customers and to keep them. If the customers that are gained are not profitable, that will be a bad decision when having to focus on retention of the customers as the main priority. This will lead to a higher cost of serving than the benefits that will be received from them. So it is important to choose the right customers that will increase the company’s profitability (Stone, Woodcock & Machtynger, 2000).

Different researchers among several sectors have stated that the customer’s most important requirements are;

- When they are interested in the product/service, they want to be given advice at the right time and in a polite manner and afterwards the seller doing what is promised at right time.
- When being contacted the customers wants it to be in the right time and keep it relevant.
- Easier contacting methods to reach the seller.
- The price of buying the product/service must be reasonable and it has to be complete and work correctly.
- Take advantage of the data that is given by the customer in the right way and used when contacting the customer so that the information is already available.
After the purchase the customer does not want to be bothered often, just when it is necessary if the seller has something important to say (Stone, Woodcock & Machtynger, 2000).

To achieve the customers’ requirements the company has to implement several aspects, which for example is;

- To have good manufacturing/operations and distribution.
- Having the right people that are well trained and motivated.
- Friendly welcoming, good sales and complaints-handling processes and well working measurement systems.
- The information technology has to be good and relevant, so that the recognition of the customer is high and present significant offers, information and advice (Stone, Woodcock & Machtynger, 2000).

According to Stone, Woodcock & Machtynger (2000), the key to CRM is having knowledge which consists of two different types; the first one is to have knowledge of the customer, where the company looks at what the customer perceives at the moment, the need and expectations of the customer and how the situation will look like in the future. The second knowledge is the knowledge of the own organization, where looking at the capabilities of the organization, what the customers are receiving from the organization and how these aspects in the future policies will be affected. The knowledge of the organization is based through two questions and the first one is how the organization is structured to deliver CRM and the second one is how the organization is being handled to deliver CRM.

The knowledge of the customer can be achieved by regular market research and observation, having competitive information where the goal is to know what the customer are buying from other suppliers, having transaction information where the organization gets responses and communication and knowing about complaints and compliments. CRM cannot be managed correctly without customer feedback and a good working process for gaining this feedback. (Stone, Woodcock & Machtynger, 2000).

According to Stone, Woodcock & Machtynger (2000) there are several steps in a relationships strategy approach, the focus is to achieve higher percentage of customers and the steps in the retention strategy are;

1. To define the loyalty
2. To define objectives
3. To define customers’ needs
4. To develop the approach
5. To implement capacity to fulfil the needs identified
6. Finally to measure and test

First step in defining the mind of a loyal customer can sometimes be impossible. Comoditization has taken place in markets and this has made that companies and their products hard to distinguish, this is however because of service failures and marketing of suppliers. To reward loyal behaviours is the only approach that can work for the company in this position (Stone, Woodcock & Machtynger, 2000).
Next step is where identifying objectives that consists of a need of building up a loyalty approach over and beyond existing marketing, sales and service approaches should be defined as an assessment of customer management. This assessment will reveal for example the best customer’s repurchasing rates, levels of loyalty and the rate of customers that change from the company’s products and services (Stone, Woodcock & Machtynger, 2000).

Third step consists of identifying customer’s needs, as well as the level of wanting to be loyal. When developing a loyalty approach some research and testing should be implemented, it can for example be to research of the groups of customers that are important for the company, how these groups act in response to marketing, sales and service approaches and how much do they take action on these approaches and how much the level of loyalty increases (Stone, Woodcock & Machtynger, 2000).

Fourth step is when starting to develop the approach and it is important here to focus in three steps which are to first find the best loyalty support, second to find the most valued support and third to identify qualification levels and segments. To find the best loyalty support consists of finding and implementing the parts of marketing and service mix that works most effective. The key focus should be in the interaction with the customers. To be able to exchange information with them and fulfil their needs, this is the key to keep and build their loyalty. To find the most valued support is when the company should focus in the elements of the product or service mix that gives the most value to the customers and at the same time low cost of provision. To identify qualification levels and segments is involving analysis of the best customers. It is important here to find the purchase history, transactional values and responses of customers. Other important aspects is how much and how often the customer buys the key product/service, the increase of their purchases, the potential in their future purchases and how much information is given to the company by the customers (Stone, Woodcock & Machtynger, 2000).

Fifth step consists of implementing capacity to fulfil the needs identified, where the integration involves key areas such as meeting marketing service suppliers, advertising and direct marketing agencies; a definition of customer service, training employees and different motivation approaches, adjustment of customers that face information systems, to set prices and determine payment terms, determine policy and process development and finally system development. The key is to not develop the schemes in a hurry, because then problems can occur and instead make the approach logically and developed in a thought time perspective. Having the right analysis of customer’s needs, behaviour and experience is very important (Stone, Woodcock & Machtynger, 2000).

The final step is to measure and test where the company’s goal is that the loyalty approaches has been effective and the result should be that the sales and profits have increased. It is always good and important to have different continued testing to determine best timing, frequency, the precise formulation of the offer and creative treatments (Stone, Woodcock & Machtynger, 2000).
3.5 Customer Relationship Lifecycle

The customer relationship lifecycle is an important part of how the companies’ market themselves to attract new customers and also maintain the relationship with the existing customers. Grönroos (1996) describes that the lifecycle is based on three critical stages and these stages is when a customer is most possible to cancel the started relationship because of dissatisfaction and that is the reason why these three stages are critical. Two specific marketing actions have to be taken into consideration when creating the marketing plan regarding the customer relationship lifecycle (Grönroos, 1996).

Potential customers that yet have not been convinced of the companies’ offers are the first action. The companies have to develop their services and offers to increase the appeal. Their ability to strengthen existing relationships and developing further methods to enhance these is the second action to consider. To encourage the customer to be part of a strong relationship with them is the idea behind the model and in long term will increase sales for them. Before the previous stage has been achieved the model describes three more stages the companies have to reach (Grönroos, 1996).

Initial Stage – In this stage the company aims for a future cooperation between both parts by marketing themselves in a way that brings interest in the market. If the companies fail to offer something that interests the client here is then there is a high probability that the customer may be lost and may choose to do service with another company, which is why this stage can be the most critical. The customer can however be receptive to the next stage if the potential customer finds the offering interesting.

Buying Process- Now the companies has to stimulate the customer’s requirements if the potential customer has taken it this far in the cycle. At this stage a range of diverse services and offers may be desirable and the purpose of this is to stimulate the customer into a purchase for the first time. Another step in the cycle has been completed when the customer makes the decision to purchase a service and the final stage can begin.

Consumption Process - In this stage the customer observes and asses the ability of the companies to solve any problem that the customer will encounter. Regarding the problems the company wants assistance with customers evaluating their technical and functional abilities. Further cooperation will be initiated if the customer considers that the quality of the support from them is satisfying. This in turn leads to new purchases of services and offerings which in the end will lead to a loyalty based relationship between the company and the private customer.

Dissatisfaction Phase- There is a risk that the customer will experience dissatisfaction between each stage in the lifecycle, which can cause the customer to deviate from the cycle and the company. This dissatisfaction from the customer’s side can lead to permanent attitudinal detriment (Grönroos, 1996).
3.6 Customer loyalty

Loyalty is referring to the communication between the banking and the private customer, how the relationship is being established and how the two parts cooperate in the future. Banks are always working for strengthening the loyalty and the goal is to get more and more customers. First time loyalty became known was in 1950 in a study, where different factors as customer behaviors and attitudes affecting loyalty were discussed. The definition of customer loyalty is seen different from bank to bank, depending on what the company wants to achieve with its loyalty program. When the definition is interpreted this can result in a control measure which can help the bank with issues regarding customer selection, segmentation and deal of customer loss (Nordman, 2004).

Loyalty has been explained as a state of mind, different attitudes, beliefs, desires and much more. Loyalty is something that develops over time and if different factors of a relationship are planned in the right way and are being implemented properly. The importance of loyalty is not to only manage behaviour but to also manage a state of mind. It aims to affect the customer’s attitudes to do business with the company long term and not just for the next visit and purchase. Companies benefits from the loyal behaviours of customers and a question the companies always have on their mind is what they can do to increase customer loyalty (Stone, Woodcock & Machtynger, 2000). According to
Smith (2000) it is important to find out what factors create loyal customers in their branch and not to only look at customer satisfaction as many companies do.

Söderlund (2001) explains that customer loyalty is like the tendency of an individual to continue show same behaviour in similar situations as previously shown, for example to continue buying the same product or brand each time in the same store when having the need for similar or same product. The concept of customer loyalty is about a relationship over time and the one part in the relationship is an object, while the other part is an individual with a certain need.

According to Aaker (2008) when the individual’s expectations for a product offering is maintained, customer loyalty is being created. The customer is being offered something different within a higher level which in turn creates customer satisfaction and a relationships is being created between them. An existing customer does not require large financial investment and is quite easy to keep, while acquiring new customers is more time-consuming and marketing costs. A loyal customer is more of an economic advantage and at the same time easier to keep satisfied, which in the long term makes the company’s current marketing cost less and other companies will have more difficulties to enter the market. The company’s image and products will be enhanced if having a satisfied customer base. This will lead to bringing new customers to the company, by the recommendations and choice of the loyal customer base and it results in that others find a safety by seeing that others have chosen the company and product before (Aaker, 2008).

Loyalty can be developed by different degrees, which means that there can be customers that are very loyal and other less loyal. Implementing different approaches is how loyalty can be developed and which in turn can create a positive state of mind of the customer. Make all customers loyal is not what companies aims for but instead to improve the loyalty of the customers that are likely to respond (Stone, Woodcock & Machtynger, 2000). According to Reichheld & Schefter (2000) a loyal relationships is being developed and built by trust, which is a vital part in the process.

3.6.1 The benefits of loyalty

A way of working with customer loyalty is by relationship marketing, where the company aims to have professional and personal relationships with the customer, which more often has an impact on the company’s business (Lindberg-Repo & Grönroos, 2004). One of the keys to loyalty is the exchange of information, which gives a connection between behaviours and state of mind. Having loyal customers leads to them giving the company information because they trust them and considers that as a benefit for them. Loyal customers want as well to receive a lot of information from the company and advanced communication is a vital part of loyalty programmes (Stone, Woodcock & Machtynger, 2000).

Reichheld (1996) explains how beneficial it is for companies to find the right customers, but also in maintain the good ones, as well as to motivate the employees of the company and be in contact with investors. He thinks that all this work to strengthen loyalty leads to better efficiency and performance and that a person should take advantage of the company’s success. Employees in the company should know how much it means to have a strong foundation to work with their clients and to be in good contact with their customers will simplify cooperation in future business.
It is mentioned that higher targets, such as CEOs of companies should have known about problems like earlier mentioned, but more important how they could allow losing both customers and employees in such an extent. It sure is a responsibility to maintain customer interest, drop offs as written before may most likely affect most parts of a business, for example the cash flow, employee loyal as well as the growth potentials. This is how some employees of a company explain how they thought it would go through when trying to keep their customer for a more loyal future but it turned out that it was more complicated. They realized that they would never reach out to loyal customers if they have not worked on the depth with employee loyalty. The relationship between creating a loyal customer base without loyal employees turned out hard to achieve and keep alive. To clarify the positive sides between loyal employees and customers, the best employees prefer jobs that delivers such a strong and outstanding value that has built this loyalty among customers (Reichheld, 1996).

Likewise it was critical to try to reinforce loyalty among employees unless the owners of the business was on the same level, if they only worked in the short term, it would never agree to strive for something that is so long and time consuming. There are different kinds of loyalty, the case of customer loyalty for the company, its employees but also investors’ loyalty. These three forms are important for each other to make it possible to work and it is not enough for some parts of the company to pursue, in the hope that all three parties will get advantage (Reichheld, 1996). When employees perform their work with motivation and care, the customers feel taken care of (Yee, Yeung och Cheng, 2010).

When creating customer value there are also characteristics created such as loyalty in the relationship, loyalty itself is a foundation and beginning of growth and profit of the company, according to Reichheld (1996). It is of big importance to create value, however it is even more important to get a good result in the end which it is still the central point of the whole business. The relationship is clear in how creating value and loyalty in order to achieve their goals and results. A strong sense of loyalty also provides benefits such as the ability of employees to coordinate with the company’s strategies that will benefit all affected in the long term (Reichheld, 1996).

### 3.6.2 The Wheel of Loyalty

“The wheel of loyalty” helps companies with how they can work and establish their customer loyalty. The model consists of three steps. First the company has to segment the market to fulfill the need of the customer, deliver good quality products and to have good combinations of services and in this step the company builds up a foundation that enables loyalty. In this step it is important to establish high level of satisfaction for the customer (Lovelock & Wirtz, 2007).

Creating special bonds with the customer is the next step and this is how the loyalty is being created. This can be possible by applying different factors, which can be; giving loyal customers rewards in different forms, strengthen the bonds through more customized products and closer relationships through sales, where more services are being included. The companies should decrease the aspects that cause the customers to switch to another company and this is the last part of the model. The company can do this by having an effective customer service, where the customers can have their problems solved effectively; find out the reason why they change to another company and by implementing full customer concepts. Finally these steps can be implemented by the help of front-
line employees, account managers, CRM systems and by different membership programs (Lovelock & Wirtz, 2007).

4 Empirical Result

In our empirical work we present the information we received by interviewing employees at Swedbank and Lånsförädlingsbanken. We have also added information we found from interviews in other studies.

4.1 Swedbank

"The many people’s bank" Kenneth Åberg (personal communication, 2012-03-09)

Business Presentation

Swedbank is a commercial bank and its history goes back to 1820 with the Swedish savings bank tradition. The bank’s focus has always been to work near their customers and the local society. Swedbank is a bank for both private individuals and companies, offering a full-service with many different financial services and products. They say that the customer’s needs and wishes are in focus and not the product. Sweden, Estonia, Latvia and Lithuania are Swedbank’s home markets where the bank has a leading position. The
bank has 9.5 million private customers and around 622,000 companies and organizations (swedbank.se, 2012).

As Swedbank is a service company they want to investigate the information all the way to an individual level. They create a good customer database that provides long term relationships. It is the aim of their strategy to have wide distribution networks and a large customer database. This came to evidence when they expanded their market over the Baltic States.

In Sweden the main focus has been growth, attractive customer offerings, de-centralized decision making and local presence. With attractive customer offerings they will have a wide distribution network, to be leading in service through the availability and simplicity. The effectiveness in process and cost, internet access and risk control are important to Swedbank in order to maintain and develop its leading position in Sweden.

Although Swedbank is the leading provider of banking in Sweden, they use benchmarking like many other companies. This means that they keep an eye on their competitors and are always trying to be a step ahead. In order to stay updated on their competitors Swedbank use information from SKI, the Swedish Quality Index which contains information about customer expectations, perceived quality and value of services. They also receive information from the Swedish Bank Association which is an association of all banks in Sweden where it says quarterly how much share the bank has in Sweden and how much the banks have loaned to different customer groups (swedbank.se, 2012).

Swedbank’s profit for the first quarter of 2012 reached 3.4 billion SEK which is a big increase compared with the previous quarter. Swedbank is one of the major banks that have their main focus on households and private customers (svd.se, 2012).

4.1.1 Customer Service

Swedbank aims at being customer oriented and making sure that the services generate a win-win situation. Since the banks’ products do not differ significantly between each other Swedbank tries to add more value by providing a complete solution for the customer. That way they can offer the customer a solution of all banking and financial services which the customer requires. If this strategy is successful the customers will stay at Swedbank and quit the interaction with the competitors. By dividing the market in different segments Swedbank can offer customized solutions for the appropriate target group (Lilja & Shidani, 2009).

The strength lies in being accessible as a bank and making sure that the service provided is the best solution for the customer when they compete with the niche banks that might offer lower prices. The price is not always important for the customers as they are looking for the whole solution and they rate trust very highly. The major commercial banks in Sweden offer almost the same services and the only difference is in the brand, history and the shape of the services. Swedbank’s strength lies in being near the customer locally (Lilja & Shidani, 2009).

On the private side the employees usually ask questions to determine customer needs. Knowing what the customer wants is essential for the employees. When the employees are curious about the customer the questions will come more naturally and not be intrusive. The best is to give the customer an explanation of why questions must be made and to give suggestions to the customers that are adapted to their needs. This will also
make the employee more comfortable with asking the customer questions. (Karlström & Mattila, 2011).

Swedbank’s office uses a tool called sales methodology to ask questions to customers. This tool is more adapted for booked customers while a different method should be used towards unplanned customers. An employee that uses a customer base has usually known the customer for a long time and trust has been created between them. When they trust each other the customer can let the employee make important decisions for him or her (Karlström & Mattila, 2011). The customers can come to the Swedbank’s office for advice on different services such as funds, loans, savings, pensions or insurance (Brantås & Nilsson, 2008).

With the purpose of reaching out to young people at an early stage in life Swedbank has special offers for students but they do not differ much from the ones at other banks. Kenneth believes that all banks want to reach people who are on their way out to the working stage of life. With the Saving Banks Foundation Swedbank does a lot for the society and also offers internships for students to improve their résumés, but also to help students show that they could be an interesting future employee. Sometimes they try to reach new customers with campaigns and special offers (K. Åberg, personal communication, 2012-03-09).

The bank sometimes has to be realistic and understand that they cannot be the best at everything. They wish they had more services in other countries; more than they probably could afford to have. Kenneth thinks that Swedbank is a complete bank that meets most areas in the private market as well as corporate market. Their challenge is to compete with e.g; Icabanken, Scandiabanken which do not have offices and staff in the same way (K. Åberg, personal communication, 2012-03-09).

4.1.2 Customer management and Complaints

Swedbank has measured customers’ satisfaction for about 20 years with market capital research. They contact customers and ask them how welcomed they feel and other direct questions. This is reported back to the offices where it is further discussed, if the bank has the expertise and other important questions. Hospitality is what makes a difference to customers. Being available to the customer, responding phone calls or e-mails as quickly as possible is extremely important to the bank. The advantage of having an office is that the customer can come in when no one is answering the phone (K. Åberg, personal communication, 2012-03-09).

It is very important that the employees at Swedbank’s offices see the customer and focus on helping the person instead of speaking on the phone or doing paper work in that moment. Employees should never assume that someone else will help the customer. Attending the customer as soon as possible is essential. (Karlström & Mattila, 2011).

Things can of course go wrong in customer service but it mustn’t be too many errors. People can have bad days both as employee and customer. It is important to manage it in a good way and correct the problem. There is a Compliance department at Swedbank that takes care of these issues. There are many people who are watching and keeping an eye on banks, e.g. the media, but banks have internal rules and codes to handle situations in addition to laws.
A problem has to be tackled in a serious and structured way. A customer can be very angry and disappointed in some situations, e.g. if he or she does not get a loan or something bad has happened (K. Åberg, personal communication, 2012-03-09). It is important that the customer can explain how he or she feels and receive an explanation from the employee at Swedbank informing him or her why something did not work. The customer’s advisor should talk to the customer personally and give a clear explanation (Karlstrom & Mattila, 2011). If the advisor cannot give the customer a satisfying explanation the office manager makes a decision. If the office manager cannot solve the problem the customer can turn to Swedbank’s Compliance department to report this. The customer has to feel that everything is handled with respect (K. Åberg, personal communication, 2012-03-09). By listening to the customer the bank can identify its weaknesses and develop by the learning (Lilja & Shidani, 2009).

### 4.1.3 Relationships

When Kenneth at Swedbank is asked what their most average customer looks like, he responds “We are the many peoples bank”, which means that they are available to all kinds of customers. The most common customers are of all sorts, but often an ordinary wage earner. They focus on involve the whole family because people choose a bank they know is safe. Swedbank want to reach out to customers that need some type of security and they offer services such as insurance, family law, help to start a business, buying a house and giving hopes of expectations about future plans in peoples’ lives. Nowadays whenever a customer goes to the bank it is much more than just depositing money into the bank account (K. Åberg, personal communication, 2012).

It is important that the advisor at Swedbank has a discussion and gets to know the customer in order to build a relationship at the first encounter. If there is a strong relationship the employee can acquire information about when a competitor contacts the customer but if the customer is satisfied with the existing relationship, he or she will not leave before talking to the advisor at Swedbank. If the customer does not acquire any attention or what she or he requires it can result in losing the customer to a competitor (Karlstrom & Mattila, 2011).

As the modern technology has developed it is more difficult to develop deep relationships with the customers. However, it has been proved that the customers do not want to do everything by themselves. They would rather have an interaction with the bank and have their needs identified. New technology might risk the relationship with the customer but Swedbank wants to collaborate with the technology. Internet banking can help the customer start a relationship and the customer could end up visiting the local office (Lilja & Shidani, 2009).

It is important to the bank to be a good citizen, a responsible role in the society that not only makes money but also takes care of the society. Swedbank believes in acting this way in the long run and also profiting from it. They believe in investing in customers and people that do not have rapid changes, e.g. children. Everything consists of building up loyalty and to have loyal customers in the end (K. Åberg, personal communication, 2012-03-09).

The older customers are less likely to switch banks because they have accustomed behavior from the past. Younger generations are more open towards changing banks because they see more options and this sets higher demands on the bank but also gives
Swedbank more business opportunities. Since the niche banks came to the market, customers are investigating more and comparing the banks. However, customers want to feel safe and do not always want to take the risk and change bank in the belief that it is complicated to change (Lilja & Shidani, 2009).

4.1.4 Customer Loyalty

“It is not good if the company rest on old victories, one has to have a wide windshield and still have a rearview mirror to look back” (K. Åberg, personal communication 2012-03-09).

There is no clear definition of loyalty internally at Swedbank. Instead they use their policy and values to identify a clear vision. However the customer has highest priority and it is essential for the bank to keep a customer for a long time. The interaction between an advisor and the customer is the situation when loyalty is created (Lilja & Shidani, 2009).

Swedbank want the customers to feel satisfied and recommend the bank to other people. If they do that, the bank has achieved a feeling of loyalty. Swedbank offers almost the same products as other banks, the credit card is the same everywhere and the bank account and interest rates are what the customer finds at all banks. Technically and in terms of products it is identical to other banks, the difference is how to package and distribute it. It can be easy to do that in a way when the customer is satisfied but it is too easy and not enough. The important part is that the bank exceeds customer expectations (K. Åberg, personal communication, 2012-03-09).

Swedbank have to be considered very interested and deliver more than expected. Customers that visit the bank have different questions compared with going to a regular store. It is often about a bigger change in their lives. If the customer has lost his or her job, is going through a divorce, cannot pay the loan, or if someone has died in the family or wants to know what to do, he or she has to be met in a good way and with empathy; they need to be understood and receive relevant advice (K. Åberg, personal communication, 2012-03-09).

Swedbank’s values are to be open, simple and caring. Many people do not have a job or an ordinary income, but these people also need to have a bank although they are not of economic interest to the bank today, but they could be tomorrow. The bank is modern and keen on bringing young customers with different cultures and backgrounds; it should be a bank where more people can identify themselves (K. Åberg, personal communication, 2012-03-09).

The general rule at Swedbank is that one employee takes care of his or her customers and the customer can always turn to that person. This is because the bank wants to get to know the customer and does not need to say the same things every time. The customer will also feel more secure and they can create a relationship. A customer does not change bank often. He or she is loyal and will have a closer relationship with the employee, rather than Swedbank itself (K. Åberg, personal communication, 2012-03-09).

Some years ago a customer could use two banks at the same time for different services but now Swedbank do not want to offer a service in that type of situation because it is
more difficult to have a good relationship. The bank wants to sell a whole package that is personalized for the customer. The customer will be more loyal if he or she feels that they get a customized package with the services needed and if the advisor at Swedbank is well-informed (Karlström & Mattila, 2011).

Kenneth thinks Swedbank is a good employer and that values, such as openness, are as important internally as externally. When building a corporate culture the bank has to build from the inside of the company. As employer they want to mean something more than just the employer that pays out the wages. A good employer should be understanding even in peoples different life stages, the employee that is working in the bank and is happy with his or her job is also the person that will do a great work. The employees should be involved in shaping the business. Swedbank have activities with their employees outside the work such as eating dinner together. It is important to have skilled managers who see the employees and can approve them (K. Åberg, personal communication, 2012-03-09).

They also have in-house operations so the employees can expand their competence. Employees are trained in how to meet customers because money is a personal and sensitive subject. Both managers and colleagues can be at a meeting between a new employee and a customer, to listen and give the employee feedback. There should be a dialogue between the customer and the employee so the customer feels comfortable. Kenneth means that economy is intimate and it is all about body language, tone, questioning techniques and eye contact. This is ongoing work and training at Swedbank. There are measures of performance in the bank between managers as well as other employees, individually and sometimes as group (K. Åberg, personal communication, 2012-03-09).

Swedbank use their CRM-system to measure the customer loyalty which is very narrow, but it is up to the employees to take in the information and make the right decisions. The important information to look at from the CRM is the customer share and the goal is to increase the share of full-service customers by making measurements. This is important in order to develop customer loyalty. There is a connection between customer satisfaction and loyalty, to increase to loyalty the customers must be satisfied (Lilja & Shidani, 2009).

By regularly inviting customers to the office the loyalty could be improved by giving customer advice. If the customer seeks advice from the bank it is important that the employees see it as an opportunity to learn and should also be committed to the customer. The information about the customer is saved in the computer system to make it easier next time when the customer visits the bank and needs advice. Being near the customer and have local sponsorship is essential in order to create loyalty in the relationship (Lilja & Shidani, 2009).

One thing that Swedbank has which is different from other banks is the Savings Bank Foundation. One of the principal shareholders of Swedbank gets as much money from the shares, but this money goes back to the community in form of scholarships, cultural activities, including Jonkoping International Business School and other things that are good for the community where the Savings Bank Foundations contribute (K. Åberg, personal communication, 2012-03-09).
4.2 Länsförsäkringar Bank

"Be there for the customer” Edin Paradzik (personal communication, 2012)

Business presentation

Länsförsäkringar Bank is a niche bank and has its roots back in 1800 century and around 1996 they started to offer services within banking (Lansforsakringar.se, 2012).

The advantage with Länsförsäkringar Bank is the close relationship that they have developed with their customers. Their goal is not just to earn as much money as possible, but to also offer low premiums and high service and at the same time make it possible for the company to work correctly. Länsförsäkringar Bank offers the big companies their own solutions, based on their local organisation within insurance and pension solutions. In Jönköping they cooperate with the university and want to be involved in the community and be an attractive employer (E. Paradzik, personal communication, 2012-03-21).

Länsförsäkring Bank is the fifth biggest retail banking in Sweden. The basis for the banking business is the large customer base that they have, with its strong brand and the local presence. Customer contact is handled by the 24 local, independent and customer-owned regional insurance companies in Sweden (Lansforsakringar.se, 2012).

Länsförsäkringar Bank was chosen in December as the Bank of the Year 2011, by the private businesses. They received the award based on the fact that Länsförsäkringar Bank is a successful full-service bank with Sweden's most satisfied customers in the retail market. For the seventh time in eight years, Länsförsäkringar Bank has Sweden's most satisfied customers in the retail market, according to the Swedish Quality Index 2011 and for the seventh year in a row, Sweden's most satisfied retail mortgage customers in the retail market according to Swedish Quality Index as well. The number of customers is increasing steadily, reaching 889 000 people (Lansforsakringar.se, 2012).

The board, which has been involved in presenting this, consists of Länsförsäkringar Bank to be selected as the bank with the most satisfied customers in Sweden, expressed themselves as follows: “One year when criticism from customers and politicians rage against banks, the satisfaction among the customers within Länsförsäkringar Bank has risen to a new record level.”

Furthermore, Richard Josefson, who is the CEO of Länsförsäkringar Bank, believes that they were awarded this because they listened to their customers and avoided business that only benefited them and not the customer. Instead, he says that they have taken their customer into account and developed along with them (realtid.se, 2012).

4.2.1 Customer Service

Customers are more focused on service and attitude rather than on the products within banking and the products offered are basically offered in all banks so the customer puts more emphasis on the service they experience. The product itself is not usually what they are looking for, but rather having a contact who they can turn to in need of help and advice (E. Paradzik, personal communication, 2012-03-21).

Länsförsäkringar Bank was selected as the bank of the year and on the insurance side they have very satisfied customers in the measurements made. The measurements in-
volve contacting customers affected by certain damage and a market research which consists of asking victims how they have been treated. This is a continuous market research and they do not contact a customer where the damage is less than 5000 SEK only to more extensive damage where the company has paid out a portion. Being robbed of a wallet cannot be compared to a house that has been burned down and they choose which customer to contact depending on the damage done (E. Paradzik, personal communication, 2012-03-21).

Länsförsäkringar Bank is changing from a product focused way of working to a customer focused way and this is presented in the market strategy presented as a strategic change. Working in this way influences the whole organisation, from having a certain goal to meeting customers and following up on results. In the beginning of each year a personal overview is sent to all customers and this is done to support the customer focus. By doing this the customers can see the services and products they are registered for and this overview also makes it possible to change the offers by the different segments or limit the offers to segments that are appropriate (Andersson, Cederbrink & Lövsund, 2009).

There are three different levels of dividing the customers that Länförsäkringar bank have and they have plans of sending news letters to their customers on the third level and to give them gifts as well, e.g. sending them an ice cream check in the summer and another gift for Christmas. For the customers on the second level they are planning of having targeted activities to make them level three customers and they want to do that by calling them and use IT-systems. The results of their direct marketing that they do by direct mails is measured in sales by looking at the number of signed insurances and compared with the amount of mails sent out. They focus their marketing on sponsoring and are very active in sponsoring sport events (E. Paradzik, personal communication, 2012-03-21).

Länsförsäkringar Bank awards their loyal customers that are called their beneficiary customers with an insurance premium such as rewards with funds and discounts. Some customers, e.g. new home owners, acquire a free inspection making sure that the house is not damage in any way. Länsförsäkringar Bank also offers a re-inspection and other gifts to their customers that have been house owners for a long time (Andersson, Cederbrink & Lövsund, 2009).

This adds more value to the customer since Länsförsäkringar Bank is customer owned and they give out bonuses each year to their customers. A part of their profit goes to their customers and not to the shareholders like in other insurance companies. This was experienced as a value from the customer’s side which they appreciated a lot. One reason why many customers choose Länsförsäkringar Bank is because they are a local insurance company. They have close customer contact which is created by the various offices around the country and this is considered as valuable as it creates a unique security for the customers (Carlman, Ericson & Larsson, 2010).

A very important part within the communication with their customers and the sales are handled via the internet. Länsförsäkringar Bank has invested a lot of money in developing their website and also won a price for the best bank and insurance site some years ago. More and more sales are made via the internet today and the site was developed fast. Even if Länsförsäkringar Bank has their website they have no plans on closing
their physical office, but instead focus on opening additional offices (Carlman, Ericson & Larsson, 2010).

4.2.2 Customer management and Complaints

When customers are dissatisfied about something they go to an advisor and if they cannot compromise with the bank and continue being dissatisfied, then the customer will turn to an employee with a higher ranking in the company. Within the insurance side there is a special unit where dissatisfied customers can turn to where the employees aim at taking care of the customers properly and humanely. The most dissatisfied customers are those who have not received a compensation and do not understand why and have questions regarding that, can turn to the complain department. Customers do however have the duty to examine something before purchasing and that is a rule of purchase or insurance. The customers must know all these rules before a purchase at the content of the insurance policy. If the customers cannot find or understand all the information before a purchase, then the employees are responsible for helping the customer e.g. with buying a house. Edin also mentions that they do not always do everything right at the moment; it can turn out to be different in the future, long-term failure and in the short term right. They work towards service and relationships and more contact with the customers because their customers are their owners. The company works towards a “push-pull” effect and thinks a lot of their customers’ needs (E. Paradzik, personal communication, 2012-03-21).

Länsförsäkringar Bank is using a CRM system that is named ETT Kund and this is to make it possible for them to collect all necessary information about the customers and systematize all customers in different groups depending on how profitable they are as customers. By using this CRM system they can adjust offers and the marketing by being able to see all information which is needed for all customers individually. Other information they can find about the customer is different campaigns that the customer is registered in, campaigns that can be presented, information about customer contact information and the products and services that the customer is registered for. The CRM system will in the end work like a tool for Länsförsäkringar Bank which helps them to provide their customers services in a more organized way (Andersson, Cederbrink & Lövsund, 2009).

One thing that Edin mentions is that they lack comparison to their competitors is their cash management in the banking side. However, they have it in cooperation with Forex Bank which are more specialized in cash management (E. Paradzik, personal communication, 2012-03-21).

4.2.3 Relationships

Edin Paradzik says that Länsförsäkringar Bank offers their customers both insurance and banking and most of the customers today only have insurance at Länsförsäkringar Bank. Within the banking there are mostly retirement savings and customers have insurances such as house insurance and car insurance. They offer services both on the local market and the market in the country within the insurance part. They also try to attract their insurance customers to be their banking customers. It is positive from an economic point of view for the customer, where they can have a better view of their financial security in one place and that is a big need for the customer. According to Edin
the majority of the customers are families and seniors (E. Paradzik, personal communication, 2012-03-21).

When the customers have both insurance and banking at Länsförsäkringar Bank they will get some benefits. The bank for example eliminated the cost for the card and there are other benefits as well and they are investing a lot in their preferential customers. Home owners are however a group that is more attractive for Länsförsäkringar Bank than customers that do not own property. Their marketing is also more towards the people wanting to buy a property than renting. As banking and insurance company they do not want to say no to any future customer and their current customers are considered free to change bank, because there is no bank officer that can decide over a customer’s decision, except if there is no credit history (E. Paradzik, personal communication, 2012-03-21).

If they had not aimed at aspects such as loyalty which led to satisfied and loyal customers, it would certainly have affected them negative. They act in the long term, investing heavily in relationships for the future and if employees changes to another company, than their customer will follow to that new bank (E. Paradzik, personal communication, 2012-03-21).

Länsförsäkringar Bank is establishing their segments on beneficiary customers and depending on what degree of discounts the customers belong to they are divided into groups, e.g. age groups. Due to what products and services the customers are signed up for they will decide what segment they belong to and those customers with wage accounts and with no pension will fit into one certain segment. Depending on what the customers are interested in it is easier for Länsförsäkringar Bank to adjust their offerings by using methods for segmentation (Andersson, Cederbrink & Lövsund, 2009).

A relationship strategy that Länsförsäkringar Bank offers in an early stage is an account for their young customers to sign. All parents can open an account for their child between the age twelve and up to eighteen and this gives the young customer the chance to start purchasing things with a debit card before the age of eighteen. Länsförsäkringar Bank have student offers, insurance, bank and also invest in their preferential customers. They are even working with sponsorships and activities where a company can invest in order to invest indirectly, for example for a hockey team with juniors where they do not sell products in a direct way, but it affects indirectly instead. When sponsoring a team they work directly and indirectly and their target has been sponsoring different teams. They also take in trainees from different areas, e.g. Jönköping, and there are also directed to college students so they are given a chance too. This is a project that aims at helping younger people to get a chance to get work experience and there is always a need during the summer (E. Paradzik, personal communication, 2012-03-21).

There have been occasions where Länsförsäkringar Bank has tried to create more value in the relationship with their customers by different events, e.g. events for children where customers who had child-insurance were invited (Carlman, Ericson & Larsson, 2010).
4.2.4 Customer Loyalty

According to Edin Paradzik they have a big focus on customer loyalty among their insurance customers; if they are loyal within the insurance part they are more accessible to change the bank to Länsförsäkringar Bank. Their customers have been properly treated and they aim at having a good reputation on the market. A lot of resources are given to the insurance customers, how they feel and how they are treated when damage occurs. If customers are being properly treated, they will more easily switch to their banking service and this has a lot to do with trust, both to create it and pursue it. It is important to be open for a dialog with the customers and when damages occurs, explain what has happened and to be able to talk with the person on the spot and meeting in person is very important. They put a lot of effort in having a local presence at many areas, both within insurance as well as banking. It is important for the employees to be service oriented towards their customers and always work together to create best results. Having a customer focus and service is number one for Länsförsäkringar Bank. They aim at helping the customer, to be there for the customer and to give the right advice to the customer and all these different factors is a way of achieving loyalty among customers. If it an employee could not help a customer, they would not deny the customer in an unpleasant way and refer to their co-workers. The employees try to act towards their customer in the best way they can and they have a mutual cooperation to attract customers in both banking and insurance (E. Parazik, personal communication, 2012-03-21).

Länsförsäkringar Bank does not focus as much in bringing new customers as in keeping their existing ones, bringing a new customer is a loss for them during the first three to five years depending on the insurance. Inspections have to be implemented, selling and administrative costs and other things have to be done in the start process so it is a lot to think of in the beginning. For house insurance it can take up to nine years until it pays off and for a car insurance five years. Therefore Länsförsäkringar Bank has to build up long term relationships and get their customers to be loyal to them. Having loyal customers can be accomplished by having good products, good prices, but the main important part is to have a good management when a damage occurs. They should also focus in making an effort on improving their insurance conditions, because they tend to be hard to read for customers and they see it as something negative. It is important to make things as easy as possible for the customers and to express themselves simple and clear (Carlman, Ericson & Larsson, 2010).

Länsförsäkringar Bank does not consider their customers as being disloyal if they want to switch to their bank service when they are only insurance customers. This is a difficult question according to Edin and considers that a loyal customer is the more persuaded to change both the banking and insurance to the same place. An advanced concept that has a disadvantage is that the employees in Länsförsäkringar Bank are known by the citizens and if an employee wants to switch bank or employer, then the customers would follow. It has to do with that you are tied to a person and the service that the company offers associates with a person (E. Parazik, personal communication, 2012-03-21).

Länsförsäkringar Bank has employees working in both offices and on the market. They have formed a “profile spirit”, which symbols how they behave towards each other as co-workers and towards their customers as well. They consider themselves as customer owned, service oriented, accommodating and open. Edin considers if the employees are
service oriented towards their customers, they should be service oriented towards their colleagues as well. They consider themselves as being friendly and down to earth. The cooperation among the employees in their working environment is always there, even if for example Edin does not have a connection within the insurance department. The employees get very close to each other, rely on each other and when there is a period with a lot of inquiries from the customers they do not postpone a customer if they do not have time, instead they try to solve it by sending the certain customer to their colleagues. They also look at the situation, if it is urgent or not and act as a contact for the company. The employees create special links towards each other and this way of working creates loyalty both internally and externally (E. Parazik, personal communication, 2012-03-21).

They also have training in sales and kick off each year in order to develop and they have their own development model. They practice both on how to behave towards a person, a customer and it becomes part of sociology. Edin has also taken courses in sociology and political science and he recognize it even in his profession (E. Parazik, personal communication, 2012-03-21).

Depending on how many services the beneficiary customers have they are divided in three levels and those three levels are creating a beneficiary stairway. Depending on the amount of products and services the customer is registered for the higher discount is being earned so the customer has to register for more products and services to earn more in the beneficiary stairway. By registering for the three products or services that are offered by Länsförsäkringar Bank the highest discount level is being achieved. Beneficiary customers are the loyal customers and the more they buy the more they get back. The most loyal customers receive 21 percent discount and are being offered free debit card for their family too, free stock depot, free bank on both the phone and internet and much more. The goal that Länsförsäkringar Bank has for all their customers is to turn into beneficiary customers and loyal customers, because this group of customer is the most profitable ones (Andersson, Cederbrink & Lövsund, 2009).

If the insurance customers of Länsförsäkringar Bank choose to be their banking customers as well, they receive value by this and start to be their beneficiary customers. By this is meant that if their customers get up to 21 percent discount if they collect their housing insurance, checking account and pension savings and this way will be a benefit for the customers as will because they will be saving money. Customers do not change bank often and the chance for them to become more loyal is if they are insurance customers of Länsförsäkringar Bank and then becomes their banking customers too (Carlman, Ericson & Larsson, 2010).

Länsförsäkringar Bank tries to show appreciation to their loyal customers that they have had as customers for a long time and they want to strengthen the relationship and value by different methods. For their customers that have had their home insurance for 20 years Länsförsäkringar Bank has sent out letters to them, where the marketing manager thanked those customers and offers them a free inspection of their houses. The customers receive other stuff as well such as free fire blanket and dishwasher mats. Customers appreciate this and this is a way for Länsförsäkringar Bank to show their appreciation for their loyal customers (Carlman, Ericson & Larsson, 2010).
5 Analysis

Below follows our analysis from the interviews and secondary data we have found about the banks and analyzed with our theory.

5.1 Customer service

According to Stone, Woodcock & Machtynger (2000) it is important in customer relationship marketing to focus on the customer and strive for get to know the customer, have contact with every customer, fulfill the customer’s needs and what has been promised. The employees in Swedbank who work with private customers tend to ask questions to determine what the customer requires. They use different methods depending on if it is booked customers or unplanned customers and it is important that the advisor on Swedbank explain to the customer why the questions are asked (Karlström & Mattila, 2011).

To be service oriented towards the customers is important for the employees at Länsförsäkringar Bank and to cooperate with each other to reach better results. They focus on being there for the customer, help the customer and give the right advice and achieve a good relationship. These factors are a way of taking care of the customers and create loyalty (E. Parazik, personal communication, 2012-03-21). They are changing from being focused on the products to be more concentrated on the customers. This is something that the whole organization is affected of, to have a specific goal to meet the customers and follow up results (Andersson, Cederbrink & Lövsund, 2009).

To manage the large number of customers and the relationship with them, banks can use a CRM system (Gummesson, 2008). Companies use customer relationship marketing to develop and keep customers through increased satisfaction and loyalty. To find the strategically important customers they should be separated in the database. To improve the customer service it is important to see why customers leave and how to avoid this. The CRM system helps the company to keep track of all customers and save information about what the customer desire and how they behave (Xu & Walton, 2005).

Swedbank use a database with customers and the employees who use it often knows the customer for a long time. They have created trust between each other and the customer can let his or her advisor make important decisions (Karlström & Mattila, 2011). Länsförsäkringar Bank uses a CRM system for collecting their customers in a database. This makes it possible to systemize the customers in different groups depending on how profitable they are for Länsförsäkringar Bank. By dividing the customers it is easier to customize the marketing and offers depending on the information about each individual (Andersson, Cederbrink & Lövsund, 2009).

5.2 Customer management and Complaints

The customers most vital requirements that different researchers from several sectors have stated, are for example when the customer is interested in the products or service they want to receive advice in the right time and want them to be polite. The customer wants the seller to do the things they promise in the right time as the customer wish. To be able to accomplish the requirements of the customer the company must implement several things as for example having well trained and motivated employees, they have
to be friendly and welcoming, good sales, complaints-handling processes and measurement systems that works good (Stone, Woodcock & Machtynger, 2000).

All customers at should be regarded as special and as individuals by having personal interaction with them and the relationship should always be regarded as a learning process with constant improvements (Gummeson, 2008). According to Kenneth (2012) if something does not work as the customer wish, they have to get a clear explanation from an employee about why it turned on a certain way and talk with them personally. An essential aspect that Swedbank’s employees have is to always remember is that everything has to be handled with respect with their customers. Länsförsäkringar Bank also focuses on their customers’ needs and put effort on their relationships with customers and have a push-pull effect, they listen to their customers’ ideas and try to give back as much to the customers in advising and services.

Customer relationship marketing is a part of customer management and can be of different types, one example is the collaborative one where the company has contact with the customer by either meet the customer face to face, contacting by phone or through other communication tools (Gummeson, 2008). It is very important to have the knowledge of the customer, which is one of the keys to CRM and it can be accomplished by for example regular market research, observations and having competitive information. The customer feedback is very important as well, because without feedback from the customers it is hard to manage CRM correctly (Stone, Woodcock & Machtynger, 2000).

According to Kenneth (2012) Swedbank has done measurements of customers’ satisfaction in 20 years with market capital research. It is very important that Swedbank are available for their customers and to reply on the phone and e-mail as soon as they can. If there are problems that occur they have to handle the problem in a good, structured and serious way and there is a compliance department for the customers to solve their problems.

The customers that are unsatisfied can turn to an advisor at the bank and if they cannot get the help they need they can go to another employee with a higher position. In the insurance department there is a special department where the customers can turn if the employees at the office cannot help them. This department takes care of unsatisfied customers properly and humanely. If the customers want to go longer with their problem or if they are not satisfied with their compensation, they can turn to the complaints department (E. Paradzik, personal communication, 2012-03-21).

5.3 Relationships

Referred to our theory under subtitle 3.2 that is declaring total relationship marketing, it is mentioned by author Godson (2009) that relationships make clear the interest between two parts, the trust that is created between two parties through a relationship is not possible if the parties do not have the ability to interact. The benefits that the authors mention with relationship marketing, one can draw similarities to what Kenneth at Swedbank says. Kenneth clearly describes in the interview how important it is to meet the customers, to get to know them and to further build a relationship with them (K.Åberg, personal communication, 2012-03-09).
During the 1990’s people started to understand that the one way communication was no longer the best way of reaching out to customer. Instead of only providing products a new way of reaching out to customer was introduced, the customer focused way. Länsförsäkringar Bank is now more focused on the relationships with the customers instead of only focusing on the products and services they provide (E.Paradzik, personal communication, 2012-03-12).

Godson (2009) mentions the importance of maintaining a relationship, without a good care it will not arise any deeper connections. A good relationship with the customers supports handling different situations that take place, this can be related to the author Gummesson (1999) who writes that relationships is what creates value, when both parts get the feeling of win- win situation. Under the heading “business presentation” it is mentioned that Länsförsäkringar Bank has been appointed to the bank with the most satisfied customers in Sweden. The CEO of the Länsförsäkringar Bank comments that the reason is because they are committed to their customers’ thoughts, listens to them and develop with them. Länsförsäkringar Bank is owned by its customers, which means that they depend on their customers on a whole different level, unlike other traditional banks where the customers do not have the same active influence (Realtid.se, 2011).

A win- win situation for Swedbank is when they have achieved enough confidence in each other that the customer can speak openly when other competitors contact the customer. Another profit is that the customer will talk to the advisor at Swedbank if it happens that the customer want to change bank. Swedbank strive to get such a good relationship to all their customers that they feel secure with their bank, regardless what they want help with. Kenneth means that there is so much more functions than just putting money into an account (K. Åberg, personal communication, 2012-03-09).

There is a broad offering of services within Länsförsäkringar Bank, Edin (2012) believes that is a good quality, and customers who are part of both movements will also feel the advantage of this by for example, lower costs in some areas. Länsförsäkringar Bank also invests much in their most favorable customers, but they also do take into account each customer and what role they have for the bank. Both parties achieve a win-win situation where customers feel valued and seen, the bank gets a good relationship and loyal customers. The “new” way of looking at relationship marketing have rendered that focus, to not only get new clients, but also keeping the old ones, which Edin mentions is a big part of their thinking (E.Paradzik, personal communication, 2012-03-12).

Christopher et al (1999) describes that a customer will change to another coexisting competitor if he or she does not feel value and security, which Kenneth at Swedbank is very aware of and explains how important it is to stimulate their customers even though they have been in the bank for a long time. Selecting a bank is a personal choice, even though many of their customers are members of the bank because of the reason that their parents are, it is naturally that the feeling of trust and security grows by itself (K.Åberg, personal communication, 2012-03-09).

Kenneth is aware of the fact that they will lose customers to competitors if they do not show any interest for the customer if they cannot help them solving problems each time. Just to be there for their customers, show them interest and understanding is a way of creating value. Especially when their customers show enough trust to tell about family problems and perhaps they need help with law questions, to buy a house or maybe start a new business.
Kenneth also says that they try to reach out to young people in an early stage of life, with different kind offerings, for example student offerings. This can be associated to the model customer relationship lifecycle. The model shows the importance of the banks processing to get in touch with new customer but also keep the old ones with different promotions and offerings as well. Swedbank strategy to get in touch with customer in an early stage of life is associated to initial stage of the model. This first step is about get the customer’s attention with interesting offerings, which we associate to Swedbank’s student offerings. It is a clear way of get involved in an early stage of life (K. Åberg, personal communication, 2012-03-09).

Länsförsäkringar Bank have similar offerings to their customers, there is also ability to open account for children who have not yet turned eighteen years and the option to purchase with card, this is a way of reaching out to the youngest customers. They have different offers for students, both within the insurance as banking. Länsförsäkringar Bank also tries to offer trainees so that college students have the chance to enter the market and this is a way of interacting to different kind of customers (E. Paradzik, personal communicato, 2012-03-21).

The Purpose with this mentioned model of life cycle is to get a strong relationship in the long run, which Kenneth clarifies, is an important part for them to get loyal customers. Further, if there is nothing that attracts the customer’s needs, the customer will probably look for other solutions and choose another bank for a long time and the potential customer is lost (K. Åberg, personal communication, 2012-03-09).

Länsförsäkringar Bank began its operations by initially offering insurance, with time the product range increased and banking became a big part. Most of the customers are insurance customers and they want more of them to become customers of banking services as well. Edin means that this would be easier for the customers by having everything at one place and get a clearer picture of the overall economic situation. They can take advantage of that they already have loyal customers in the insurance business, the customers are already in contact with Länsförsäkringar Bank in some way. Länsförsäkringar Bank’s goal is to maintain long term relationships with its customers; the strongest focus is on the existing customers but they that do not mean that they do not strive for new customers. Edin explains how negative their business would be if they did not put so much focus on the customers (E. Paradzik, personal communicato, 2012-03-21).

Länsförsäkringar Bank could be satisfied with the customers they have so far, but their goal is to create long term relationships instead of just focusing on short-term business, connected to the theory the loyalty is something that affects the customer’s choice of returning and continues to be a customer or not (E. Paradzik, personal communicato, 2012-03-21). Loyalty is created by a sense of including agreements, expectation and attitudes towards each other, which we can associate to Länsförsäkringar Bank’s interest in sponsorships towards various activities and sports. By sponsoring youth teams they also indirectly affect young people. Something that Swedbank do for their customers is through Savings Bank Foundation, which gives back money to the community as for example scholarships and cultural activities (K. Åberg, personal communication, 2012-03-09). Such factors are also examples of how to create relationships in the early stage of life and by their adaption of strategies depending on customer needs and life styles, they reach out in a better way. This is related as a changing factor in the relationship marketing during the -90’s (Godson, 2009)
5.4 Customer Loyalty

Loyalty is being described as a state of mind, attitudes, beliefs, desires and other definitions (Stone, Woodcock & Machtynger, 2000). Loyalty is directed to the communication between the bank firm and the private customer, focuses in how the relationship is being built up and how the two parts co-operate in the future (Nordman, 2004). The exchange of information is one of the success ways to loyalty, which gives a bond between behaviours and state of mind. Loyal customers give information to the company because they trust them and consider that as a benefit for them in the long term (Stone, Woodcock & Machtynger, 2000). According to Kenneth Åberg (2012) it should be a dialogue between the employees and their customers so the customer feels comfortable rather than just ask yes and no questions. Money is something intimate and it is all about body language, tone, questioning techniques and eye contact. When Länsförsäkringar Bank treats their customers well it will be a bigger chance for them to change to their banking service and this is connected with trust, to create it and pursue it. It is vital for them to have good dialog with their customers and when damages occur be there at the spot, describe what has happened and having that physical contact is vital for the customers (E. Parazik, personal communication, 2012-03-21).

If companies have a satisfied customer base, then their image and products will be improved. This will lead to getting new customers to the company, through recommendations by others and they see a safety by others have chosen the company and products before (Aaker, 2008). Swedbank’s goal is to have satisfied customers and that customers recommending the bank to others. If they do that, then the bank has achieved a feeling of loyalty. The bank wants to exceed the expectations of their customers which are a vital aspect. Concerned customers have to be treated with empathy and in a good way. They also need to be understood and get relevant advice (K. Åberg, personal communication, 2012). For Länsförsäkringar Bank to create a satisfied customer base can be done through many strategies and their goal is that all their customers turn to their beneficiary customers and loyal customers. Their most loyal customers receive 21 percent discount, offered free debit cards, free bank within phone and internet. Another thing they do to show appreciation to their loyal customers and create a stronger relationship with them is by sending letters to show their thankfulness. They offer them free inspection of their house and free fire blanket (E. Parazik, personal communication, 2012-03-21).

According to Reichheld (1996) it is beneficial for companies to find the right customer, maintain the good ones and to motivate the employees of the company. If the employees perform their job with motivation and care, then the customers will feel that they are taken care of and special. To strengthen the loyalty will lead to better effectiveness and performance. The employees should always be available and in good contact with their customers, which will simplify the collaboration in the future business.

Kenneth believes that the values of Swedbank is to be caring, open and simple. Swedbank wants their employees to always take care of their customers well and that their customers always can turn to their contact person. By this the employees get to know their customers and the customers will feel more secured and a good relationship will be built up. Swedbank also have in-house operations so their employees can expand their
competences and they get trained in how to meet customers because money is a personal and sensitive subject (K. Åberg, personal communication, 2012-03-09). Länsförsäkringar Bank has created a “profile spirit” which shows how they behave towards each other as colleagues and towards their customers. They see themselves as customer owned, service oriented, helpful and open. According to Edin if the employees are service oriented towards their customers, they should also be service oriented to their colleagues. They always have a good cooperation and see themselves as friendly and down to earth. This way of working creates loyalty both internally and externally where the employees create special bonds towards each other. (E. Parazik, personal communication, 2012-03-21).

For Länsförsäkringar Bank it is important to keep their existing customers than to focus as much in getting new customers, because from the first three to five years it is a loss for them depending on the insurance the customer has. In the start process there are different costs to take care of and for example for a house insurance it takes up to nine years until it pays off (Carlman, Ericson & Larsson, 2010). According to Aaker (2008) for an existing customer it is not needed a lot financial investment and is easier to keep, while attracting a new customer is more time consuming and requires more costs. Swedbank place a focus in all their customers and even if people do not have a job or income today they need to have a bank anyways, because they will be of an economic interest for the bank in the future. They are a modern bank company and want to have customers from different cultures and ages (K. Åberg, personal communication, 2012-03-09).

If a customer gets a customized package with the services needed and the advisor at Swedbank is Knowledgeable then the customer will be more loyal (Karlström & Mattila, 2011). One of the steps in “The wheel of loyalty” is about creating special bonds with the customer and can be accomplished by for example customized products and closer relationships through sales (Lovelock & Wirtz, 2007). For Länsförsäkringar Bank loyalty can be achieved by having good products, good prices, but the main important part is to have a good management when a damage occurs (Carlman, Ericson & Larsson, 2010).

6 Conclusion

This chapter gives a brief view of our conclusion by answering the purpose of our study and the research questions. We also discuss our findings and give suggestions for further studies.

How do companies build up customer loyalty in the banking sector?

As an introduction we can now clearly understand the importance of relationship marketing when banks want to keep their existing customers as well as attract new customers. The approach of relationship marketing today is not only to increase sales for the moment, but to also achieve long term relationships and create loyalty together with the customers. It has become increasingly important to have a customer focus as the competition has increased in the banking market. The general relationship marketing has become more focused on the customer as more and more companies, especially banks, are
focusing on customer relationship marketing, CRM. The CRM data system has a big function in Länsförsäkringar Bank and Swedbank, to attain a close relationship to their customers which is a way for the banks to create loyalty for the future.

Länsförsäkringar Bank and Swedbank have realized the meaning of having good customer orientation rather than focusing on the products and prices. They work with other measures besides the usual financial. Both of the banks are aware of how important it is to treat the customer well and the value of a relationship. The bank services do not differ significantly and the banks try to reach out to their customers by adding more value when they provide a complete solution for the customer. Instead of only offering ordinary products the customized package can create more loyalty in the relationship if the banks are flexible and responsive to customers’ expectations. It is equally important for the two banks to strive for customer satisfaction and good work environment which encourages and strengthens the creation of relationships where all people affected are interacting with the bank.

The customer is often tied to the employee instead of the bank in general if the relationship between the client and advisor is strong and if the advisor changed employer then the advisors customers would follow him or her. This shows how strong a relationship can be between the employees and customers. Swedbank and Länsförsäkringar Bank emphasize the importance of loyalty between them and their customers as a long term process rather than a partnership that is being created overnight. The goal is that the relationship between the company and its customers will result in loyalty and further led to profitability.

*What is the difference between a niche bank and an older commercial bank?*

Länsförsäkringar Bank is more focused on their insurance service and tries to attract their insurance customers to become banking customers as well while Swedbank does the opposite; they want their banking customers to become insurance customer. Länsförsäkringar Bank tries to develop their banking service, while Swedbank tries to develop their insurance service. They are competing against each other’s services and both are trying to strengthen their opposite services which they have less of.

Länsförsäkringar Bank is customer owned and receives support by the insurance department which they can use organizational resources from and this can be a good basis to attract customers. Swedbank on the other hand is larger and cooperates with many counties in Sweden and people employed by the counties automatically get an account in Swedbank which gives them a competitive advantage.

When comparing the different sources it is clear to us that there are no major differences between Länsförsäkringar Bank’s and Swedbank’s strategies in creating loyalty. Both the niche bank and the commercial bank are aware of how their organizations are affected by customer relationships and they also have customer loyalty as a starting point to grow more and to get more market shares. The employees are an essential part of how the banks work to create loyalty and the banks invest continuous in employee training.
6.1 Discussion and further research

In order to create a relationship we believe the banks should continue to place emphasis on how they treat their customers, build up the trust with them. The first meeting with the customer is essential in order to get the chance to start the relationship. Länsförsäkringar Bank and Swedbank should continue to work with having an advisor for each customer and this will strengthen the trust between both parties. By having an advisor this will lead to employees knowing the needs of the customer and the satisfaction will be easier to achieve. Further we believe that the banks should implement more customer surveys, so they can get the whole perspective from the customers’ side and how they perceive their services and treatment. By taking this into consideration the banks will strengthen the loyalty by knowing how to satisfy their customers and make the relationship stronger between them.

During our writing process we have reflected that their competitive position can be affected depending on the customers´ association to the banks. We think customer know more about Swedbank since it has been a bank for a long time while Länsförsäkringar Bank often can be related to their parent company that only offer insurance. We have now realized what it takes to keep existing customers as well as attracting new customers and the importance of it, as many people may think that the banks are only striving for a high profitability. Instead they see the importance of having customers close to them.

From our point of view it would be interesting to research further about factors that can make a niche bank become a full-range bank. It would also be interesting to see how the big banks will act over time as the financial world of banking is changing. Niche banks have taken place in the market for the last ten years, leading to increased competition in the banking market which leads to having the right competence becomes even more important, both in financial and non-financial aspects of services. We think that the banks should continue with their competence training with the employees given that the employees are a big part of creating loyalty.

We think our study has resulted in bringing relevant knowledge that answers our research questions and the main purpose of the study. Loyalty has a major position in the banking industry and banks are constant trying to become leaders within loyalty, where this subject will grow even more in the future. The study was limited to the Swedbank office in Värnamo and Länsförsäkringar Bank in Tranås. It would have been interesting to include more bank offices in our research to compare if there is a difference in their way of working with service towards their customers and building up the loyalty. We believe our study can be used for helping other banks and service companies to study how a service company can build up a relationship with its customers. For further research it would have been interesting to study the customer’s perspective to get a deeper view of the subject and this can be done by a survey, focus group or other methods, to get perspective from both parties.
7 Reflections on the writing process

The writing process from start to the end of our bachelor thesis within business administration has been hard, but we have learned a lot about how it works in the banking industry and how a relationship can be built up with the customers and developed to having loyal customers. We have also learned the meaning of working in groups and how we can take advantage of each others strengths and this makes it easier to divide the different parts. We divided all parts equal and when we were done with that we put the information together and did the final part together. Working in a group of three students has not been hard for us at all because we knew each other from before, so that was positive and the writing process has been fun for us as well. One problem for us that occurred and continued to affect us during the whole process was the time, where we should have started with the writing process much earlier so that we could avoid feeling so stressful the last month. One aspect that we think was successful that we chose when writing this thesis is to have interviews as our research method when wanting to find out information from a company’s perspective, because it was easy to put together and our two respondents was very friendly and positive when helping us.
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Appendix

Interview questions

How does your business model look like?

Who is your most common customer?

What does customer loyalty mean to you?

How do you work to achieve loyalty among customers?

What audience are you trying to strengthen the relationship with?

What is the difference between your loyal and disloyal customers? (needs, behavior, etc.)

How well do you think you meet the customer need today?

How do you measure your customer satisfaction?

Is there anything that your competitors have that you miss?

What do you think the customers experience of your service and relationship is as a whole?

How do your employees see their roles in relationship with customers?

How do you build loyalty among all employees?

How has the loyalty changed over the years for you?

How would it affect you if you did not have concern about customer loyalty?

How do you work with unsatisfied customers? (Service recovery)

Are you trying in some way to distinguish you among young customers with more favorable offers, for example student offerings, so that you can create a relationship in an early life stage of the customer?