Glossary

**Account Information Service Provider (AISP)**
“Account information service providers already exist today and offer tools that allow companies and consumers to have a consolidated view of their financial situation. Nowadays, these services are not regulated at EU level. PSD2 will provide for a common framework with clear conditions under which these providers can access the financial information on behalf of their customers. This will allow these services providers to operate without hindrance and to reach a broader audience which normally does not make use of such account managing services” (Account Information Service Provider, 2017).

**Account Servicing Payment Service Provider (ASPSP)**
“All financial institutions that offer payment accounts (e.g. current accounts, credit cards) with online access (internet banking) are considered ASPSPs. Under PSD2 they will be obliged to open up an interface to allow authorised and registered third parties to initiate payments and access account information. Examples of ASPSP include banks, building societies, credit unions” (Account Servicing Payment Service Provider, 2017).

**Commercial banking**
A division of the bank that deals with corporate customers, also known as corporate banking or business banking (Commercial banking, 2017).

**Digital disruption**
“A phrase used to capture the changes enabled by digital technologies — such as mobile, cloud computing, big data analytics and social media — that are changing rapidly and disrupting established ways of doing business. The impact Uber has had on the taxi industry is often cited as an example of digital disruption” (Digital Disruption, 2017).

**FinTech**
“FinTech is a portmanteau of the words ‘financial’ and ‘technology’. FinTech is broadly used as the term for computer programs or financial services technology developed by companies or financial institutions to support or enable more efficient banking and financial services.” (FinTech, 2017).

**GDPR**
“The General Data Protection Regulation (GDPR) is a legal framework that sets guidelines for the collection and processing of personal information of individuals within the European Union (EU). The GDPR sets out the principles for data management and the rights of the individual, while also imposing fines that can be revenue based. The General Data Protection Regulation covers all companies that deal with the data of EU citizens, so it is a critical regulation for corporate compliance officers at banks, insurers, and other financial companies. GDPR will come into effect across the EU on May 25, 2018” (GDPR, 2017).
Open API
“An Open API or Public API is a free-to-use, publicly available application programming interface (API) that provides developers with programmatic access to a proprietary software application. In short, an API allows one piece of software to connect with another piece of software. APIs also set the requirements that govern how one application can communicate and interact with another and lets developers access some internal functions of a program. They can be used by developers inside an organisation that published the API or by developers outside that organisation who wish to register for access to the interface” (Open API, 2017).

Open banking
“A system that provides a user with a network of financial institutions’ data through the use of application programming interfaces, better known as APIs. The Open Banking Standard defines how financial data should be created, shared and accessed. By relying on networks instead of centralization, open banking helps financial services customers to securely share their financial data with other financial institutions. Benefits include more easily transferring funds and comparing product offerings to create a banking experience that best meets each user’s needs in the most cost effective way” (Open banking, 2017).

Payment Service Directory 2 (PSD2)
“PSD2 is a set of regulations intended to further the development of an EU-wide market for electronic payments. It is intended to remove the barriers to entry for companies that want to offer payment services, and obliges banks to provide standardised access to a customer’s bank account information and initiate payments on their request” (Payment Service Directory 2, 2017).

Retail banking
“The division of a bank that deals directly with retail customers. Also known as personal banking” (Retail banking, 2017).

Third Party Payment Service Providers (TPP/ TPPSP)
“Third party payment service providers are the Account Information Service Provider (AISPs) and Payment Initiation Service Providers (PISPs) that are employed by/work alongside the customer and the banks in the payment process” (Third Party Payment Service Providers, 2017).
Abstract

The Swedish banking industry is in the midst of digital disruption and face new EU directives, which may alter the financial market. It is believed that FinTech companies will play a significant role in shaping the future financial landscape and challenge traditional banking. The primary purpose of this thesis is to develop an understanding of how banks intend to manage customer loyalty given perceived market changes. The thesis seeks to answer the research question: *What challenges related to customer loyalty do banks perceive with the new EU directive in the midst of digital disruption?* Interviews were carried out from Handelsbanken, Nordea, SEB and Swedbank. In addition, secondary sources including, documents and statistical data were collected. The research design is predominantly qualitative and the approach is deductive. The thesis concludes that loyalty can be derived from customer satisfaction, which is achieved through trust, image and experience. Furthermore, the thesis identifies that loyalty will play an important role in the transformation of the future financial market as diversified products and services will be tailored towards segmented customer groups. The thesis concludes with a discussion on specific challenges banks may face when managing customer loyalty.

**Keywords:** Banking, Customer Loyalty, Customer Satisfaction, Trust, Image and Customer Experience.
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Said about digitalization:

“The banking sector is facing one of the biggest upheavals in its history, as customers’ changing habits, due to digital technology, also fundamentally change the way we interact with them. For us, this presents a challenge, with new competitors moving into our product areas, mainly in payments and savings”.
- Birgitte Bonnesen, President and CEO, Swedbank, February 2017

“The banking industry, just like all industries, has had to revisit business models following digitalisation and the rapidly changing customer behaviours”.
- Annika Falkengren, CEO SEB, Stockholm, February 2017

“The message is crystal clear: customers want the option of meeting the Bank via digital media as well as at the local branches, depending on what suits the customer best on each particular occasion. Our customers are both local and digital. That is why we are, too”.
- Anders Bouvin, President and Group Chief Executive, Handelsbanken, Stockholm, February 2017

“Customers need to be able to reach us anytime, anywhere”
- Casper von Konsull, President and Group CEO, Nordea, February 2017

Said about customer satisfaction and loyalty:

While I am proud of what we have accomplished, we cannot be complacent and have to constantly work to build the trust and loyalty of our customers.
- Birgitte Bonnesen, President and CEO, Swedbank, February 2017

“Going forward customer orientation and digitalisation will increase in importance. We are changing our ways of working and have invested in and launched new customer interfaces in all segments, as well as a number of new services including remote advice”.
- Annika Falkengren, CEO SEB, Stockholm, February 2017

“When every person feels involved and takes responsibility, then they make more of those smart decisions, resulting in lower costs, more satisfied customers and higher profitability”.
- Anders Bouvin, President and Group Chief Executive, Handelsbanken, Stockholm, February 2017

“Our number one priority for the coming years will be on improving customer satisfaction”
- Casper von Konsull, President and Group CEO, Nordea, February 2017
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1. Introduction

1.1 Background

In this day and age, nine out of ten bank customers in Sweden use online banking and financial transactions are carried out around the clock via mobile platforms (Svenskt Kvalitetsindex, 2016). As customer behavior change, banks may have to re-think how they can attract and retain customers. In one way, the digitalization movement has enabled closer relationship between the bank and its customers; yet, many customers feel that banks have become more distant than before. New technology allows banks to offer customized products and services. But, despite these new possibilities, customers feel that banks are less attentive to their needs. Local presence is promised, but bank offices are closed down. Transparency and simplicity are communicated, whereas the customers experience a lack of innovation and increased regulatory interventions. Most notably, the gap arises in the digital customer interface where the personal relationship is missing. As customers become more physically disconnected, it appears as if banks may have re-evaluate how they manage customer loyalty (ibid.).

Recent statistics show that customer satisfaction within the Swedish banking industry is at an all time low. The Swedish Quality Index (SKI) has monitored the Swedish banking industry since 1989. Since then, the industry's customer satisfaction score has fallen noticeably on two occasions: during the real estate crisis in 1993 and the confidence crisis in 2016. Today, customer satisfaction reaches only 63.7 percent in the industry. To put this into perspective, it is said that industries that receive scores below 60 percent find it difficult to retain loyal customers, while scores above 75 percent indicate a strong relationship between the bank and its customer. The recent decline in customer satisfaction can mainly be linked to a loss of confidence in the industry as a whole. Negative publicity around some of the major banks spilled over to the industry at large. To reverse this negative trend, banks need to think twice about how they can satisfy the customers of tomorrow and obtain a loyal customer base (ibid.).

Banks see a clear link between satisfaction and loyalty. In SKI’s surveys, loyalty is a key outcome associated with customer satisfaction (Handelsbanken, 2016). The causal relationship between customer satisfaction and loyalty has been widely researched and documented (Hallowell, 1996 and Wah Yap et al., 2012). Rust and Zahorik’s (1993) study,
based on data from the retail bank industry, supports that there is a linear relationship between customer satisfaction and loyalty. Nevertheless, customer satisfaction per se is no guarantee for loyalty and could also be described as a non-linear relationship. A satisfied customer may be disloyal because he or she has changing preferences or because the bank changed its offer so that it no longer fits the customer’s needs. On the other hand, there are also situations where a dissatisfied customer is loyal. This happens due to different forms of barriers that make it difficult for the customer to change bank. Examples of barriers are: information, market structural, financial, contractual, and social just to mention a few (Woisetschläger, 2011). Barriers might explain why the Swedish banking industry has a relatively low degree of customer rotation despite low customer satisfaction. At the end of 2015 there was approximately 115 banks licensed to operate in Sweden (Åkerblom, 2016). Still the market is referred to as an oligopoly due to the strong position of a few actors (Isacsson, 2011), as the four major banks Handelsbanken, Nordea, SEB and Swedbank together account for approximately 70 per cent of deposits and lending (Swedbank, 2017). Accordingly, previous research has shown that switching barriers may have an impact on banks’ ability to obtain and retain loyal customers (Hirschman, 1970 and Fornell, 1992).

1.2 Problem Discussion

Historically, banks have been considered as the backbones of societies, however modern technology and changing customer behaviors are causing banks to redefine their main assignment. During the last couple of years, we have witnessed how hard currency in daily financial transactions has been replaced with digital information. Statistics from the Swedish Central Bank show that the value of cash in circulation is declining year by year. Furthermore, the Riksbank estimates that the need of cash will continue to decline and that during 2030s Sweden will be completely cashless (Bränström, 2016). Aforementioned, is only one of many examples of how digitization has affected the bank’s role in society.

Already in 1990, Bill Gates said, “Banking is necessary; banks are not”, and his statement is more relevant now than ever, as 2018 is said to be a game changing year for the Swedish banking industry (Hafstad et al., 2016). The Revised Payment Service Directive (PSD2) will enter into full force across the EU and the European Economic Area in January 2018. Not only will the new directive open up the financial market for new and international players but also force banks to share their transaction data and payment accounts. Banks will lose their oligopoly and new players will have access to customer transaction data that historically have
explicitly belonged to banks. Hence, it is believed that FinTech companies will play a significant role in shaping the future financial landscape, as key challengers of the traditional way of doing banking. During the last five years, cumulative investments globally in financial technology have increased more than tenfold and is estimated to exceed $150 billion the next three to five years (Hafstad et al., 2016). The emerging directive brings great uncertainty and challenges; nonetheless, offers existing and new players unexplored opportunities. Adapting to the new market conditions demands large investments, new ways of working, as well as scarce competencies. Whether or not banks will be able to adapt to this new landscape remains unknown but a prerequisite is to understand how they and their customers will be affected by the new market conditions.

### 1.2.1 The Implementation of the PSD2 Directive

In general, legislations are implemented to strengthen market conduct, protect customers and enhance financial stability. This remains true for the new PSD2 directive, which has a profound impact on market conduct and protects customers. The Commission adopted the first Payment Services Directive (PSD) in 2007. The directive lays the legal foundation for payments within the EU and promotes safe and innovative payment services. The aim is to make cross border payments as secure and efficient as 'national' payments within Member States. The revised Payment Services Directive (EU 2015/2366, also known as PSD2) came into force on 12 January 2016. The directive may cause banks to think twice about how they shall nurture their relationships with customers who are expected to enjoy more choices and take advantage of the rising competition from new market entrants. New services and market players are covered under the new directive and it enables greater access to payments accounts and encourages lower prices for payments. The PSD2 directive lays the foundation for a more integrated and efficient European payments market with improved playing field for payment service providers. Member States will have until 13 January 2018 to implement it into national laws. Banks will thereafter be faced with more competition that potentially could lure customers into switching providers (European Commission, 2015)

### 1.3 Purpose and Research Question

The new directive and modern technology is causing modified customer behavior and according to Cortiñas et al. (2010) the financial services industry is constantly “developing new ways of remaining in contact with customers”. Previous research shows that customer loyalty is important for a bank’s continued growth, profits and long lasting value (Lam &
Burton, 2006; Levesque & McDougall, 1996 and Reichheld & Teal, 2001). Furthermore, research has shown how “deregulation has created an environment that allows consumers considerable choice in satisfying their financial needs” (Levesque & McDougall, 1996). There is an observed research gap between how customer loyalty within the Swedish banking sector is affected by increased competition, during the midst of digital disruption. Given this, the thesis seeks to understand how directives that liberalize the market affect loyalty. To increase knowledge in this area, we will ask banks what they perceive to be the potential challenges in the upcoming PSD2 market. Our aim is to contribute to a better understanding of changes in the financial market and the banks’ interpretation of the new directive. Consequently, we would like to answer the following research question: What challenges related to customer loyalty do banks perceive with the new EU directive in the midst of digital disruption?

To answer our primary research question we find it necessary to ask two underlying questions. First, we need to know how the market is expected to change and ask the question: How will the PSD2 directive influence the future financial market? Then, we seek to explore how the directive is expected to affect the banks’ relationship with customers and ask: How will the PSD2 directive influence the way banks manage customer loyalty in the future financial market?

1.4 Delimitations

The thesis focuses on the four largest banks within the Swedish banking industry. The four banks account for about approximately 70 per cent of deposits and lending (Swedbank, 2017). The study is further limited to the banks’ retail divisions. Of interest is only the PSD2 directive and no other directives. The thesis explores the perception of the industry transformation and may serve as a forecast of potential outcomes.

1.5 Thesis Outline

This introductory chapter aims to present an introduction to the Swedish banking industry and underlines the topicality of the thesis. The background revealed two factors that have sparked the interest for studying customer loyalty within the banking industry: namely the new PSD2 Directive and the digitalization movement. This was followed by a problem discussion, which suggests that banks may have a challenging future ahead trying to keep its loyal customer
base. Thereafter, the purpose to explore how banks perceive the challenges related to managing customer loyalty was revealed. Last, research questions and delimitations were listed. The following theoretical chapter presents an extensive literature review of loyalty, beginning with Hirschman’s Exit Voice or Loyalty Theory (1970). While Hirschman provides an understanding of the external environment's effect on customer loyalty, complementary and more recent theory was needed to describe the concept of loyalty. Additional theory implies that loyalty can be directly linked to customer satisfaction and broken down into antecedents like trust, image and experience. The analytical framework concludes that the constructs are interlinked and should be considered in a network of relationships (Lewis & Soureli, 2006). The methodology chapter presents the manner in which the data used have been collected. The research design is predominantly qualitative and the approach has been deductive. The data collection is primarily based on semi-structured interviews with four major Swedish banks. The chapter further describes the sampling method and operationalization of theory into practice. The chapter ends with a reflection of the thesis’ reliability and validity. The subsequent chapter, empirical findings, presents the observations and data, which reveals an extensive presentation of the Swedish banking industry. The first part describes the banks’ attitudes towards the PSD2 directive and perceived market changes. These findings are instrumental in answering the question: How will the PSD2 directive influence the future financial market? The second part presents how banks perceive the proposed antecedents of loyalty to be affected by the directive. This data was collected to answer: How will the PSD2 directive influence the way banks manage customer loyalty in the future financial market? The analysis is organized according to the research questions and mimics the layout of the empirical chapter. First, Hirschman’s Loyalty Theory is used to analyze the external environment. Second, loyalty and the proposed antecedents (trust, image and experience) are examined to highlight different internal organizational challenges banks may face. The discussion chapter adds an additional perspective to the analysis looking at the development of the Swedish banking industry from a much broader angle. The possible advancement of the Swedish banking industry is reflected upon followed by contributions and suggested research. The thesis ends with our concluding thoughts on our primary research question: what challenges related to customer loyalty banks perceive with the new EU directive in the midst of digital disruption?
2. Referential Framework

2.1 Choice of Theories

By way of introduction, we examined the concept loyalty and its significance for organizational success. The importance of establishing a loyal customer base has been well documented (Griffin, 2002; Edvardsson et al., 2000; Armstrong & Symonds, 1991; Heskett et al., 1994 and Reichheld & Sasser, 1990). For example, Levesque and McDougall (1996) hold that increased loyalty leads to lower service costs, reduced marketing expenditures, increased business from the existing customer base and greater profits. Consequently, this led us to Albert O. Hirschman’s theory Exit, Voice or Loyalty, a theory that proclaims loyalty to be essential for organizational survival and examines customer loyalty in different market constellations. Since, the Swedish banking industry is facing new market conditions within the next year, in regards to the PSD2 directive, Hirschman’s Loyalty Theory was chosen as a useful tool to analyze how the new market conditions may affect customer loyalty. Thus, to gain a better understanding of the external environment, we ask the question: How will the PSD2 directive influence the future financial market?

Given that Hirschman’s theory does not define how loyalty is built, it was necessary to complement his theory with additional theories. We wanted to identify factors contributing to loyalty in retail banking and found a range of different factors (Wah Yap et al., 2012; Lewis & Soureli, 2006; Lam & Burton, 2006 and Levesque & McDougall, 1996). Lewis and Soureli (2006) stress that the constructs of loyalty within retail banking have been of major interest among researchers and there are many antecedents of loyalty. Furthermore, their research suggests that there is a strong relationship between customer loyalty and satisfaction. In addition to this, they argue that image, trust and experience (perceived value, service quality and service attributes) have an impact on loyalty building. They conclude that no factor can be investigated separately to understand how customer loyalty is built and propose that each factor should be viewed within a network of factors that together build loyalty. The thesis breaks down the construct of loyalty into the proposed antecedents and explores how loyalty can be achieved in retail banking. This gives us a deeper understanding of how loyalty is interpreted internally and helps to answer the questions: How will the PSD2 directive influence the way banks manage customer loyalty in the future financial market?
The overall aim is to convey how banks perceive the challenges related to customer loyalty as they face the new PSD2 directive and are in the midst of digital disruption. Consequently, the combination of Hirschman’s Loyalty framework (1970) and Lewis & Soureli (2006) antecedents is necessary in order to fully understand the challenges and answer our primary research question: *What challenges related to customer loyalty do banks perceive with the new EU directive in the midst of digital disruption?*

The illustration below outlines our theoretical framework. We drew the model based on our interpretation of the literature review and use it as a road map to connect individual concepts. At first the concept of loyalty will be presented followed by research confirming a positive correlation between customer satisfaction and customer loyalty. In the final stage, customer satisfaction is split into three key constructs: trust, image and experience.

![Figure 1: Presentation of conceptional framework](image)
2.2 Loyalty

Customer loyalty is defined as a psychological link and an emotional attachment to the people, products or services of an organization (Hallowell, 1996). A loyal customer will show commitment to rebuy or re-patronize a preferred product or service (Oliver, 1999). Hence, the attributes of loyalty can be recognized through behaviors such as a continued preference for a product or brand, repeated purchases as well as a favorable word of mouth (Lam & Burton, 2006; Lee & Feick, 2001 and Barnes & Howlett, 1998).

Loyalty has shown to bring many advantages to organizations. According to Griffin (2002) a loyal consumer base enables companies to reduce operational and marketing costs. For example, Lam & Burton (2006) and Wah Yap et al. (2012) highlight that “the cost of recruiting a new customer is said to be five times more than the cost of retaining an existing customer”. Reichheld & Sasser (1990) further argue that the rewards of loyalty are particularly true in retail banking. They state that by increasing loyalty, a retail bank may reduce its service costs and has an opportunity to cross-sell existing as well as new products and services. In other words, loyalty may lead to an increased income and is an important factor for organizations aiming for financial sustainability as well as gaining market share and profitability over time (Flavián et al., 2006 and Farquhar & Meidan, 2010). Sayani (2015) stresses that organizations should encourage loyalty among customers and allocate their resources accordingly.

2.3 Hirschman’s Loyalty Framework

Albert O. Hirschman (1970) presents a renowned framework of how loyalty can be beneficial within organizations when managing temporary downfalls. According to his theory, Exit, Voice or Loyalty, customers have essentially two possible responses when an organization is facing a decline. They can either withdraw from the relationship (exit) or attempt to repair or improve the relationship by expressing their discontent (voice). Hirschman argues that a mix of alert and inert customers is important and that the market conditions as well as barriers may determine how customers respond. As for instance when considering exit, customers may experience exit fatigue, meaning that there is too much cost involved in switching; and as a result, stay regardless of discontent. Their responses are furthermore affected by the surrounding market conditions; as for example, in a true monopoly there are no alternatives to exit, whereas, in a market of perfect competition exit is more likely (ibid.).
Hirschman stresses how loyalty affects exit and voice, showing it to be a superior advantage for organizations. He states that during a decline in efficiency, loyalty may contribute to that the most influential customers stay longer than they otherwise would, despite the fact that they generally are the most quality conscious customers. Subsequently, the organization is given a chance to recover after a decline and furthermore given an opportunity to repair damages. The theory suggests that customers that may remain longer due to loyalty contrariwise will use the alternative of voice with greater determination and vigor. (ibid.)

The organizational influence felt by customers can determine the level of loyalty. If an organization's customer base consists of disloyal customers, the organization risks missing out on feedback and finding out about the decline in customer satisfaction too late, as unsatisfied disloyal customers leave without voicing their opinion. An act, which, Hirschman argues, is related to the belief that they do not feel influential. A member can stay loyal during a decline in efficiency without itself being influential, nevertheless, not without expecting that something will happen to improve the state of things. The loyal devotion to the declining product should therefore correspond to an increase in the potential for recovery. If not, the loyalty turns into foolishness; thus, loyalty should contain a large dose of calculated reasoning (ibid.).

A loyal customer is less likely to use exit, and voice is given more scope. For a loyal customer, exit is often unquestionable and rather used as a weapon to influence the organization. The relationship between exit and voice is complex: the possibility of an easy exit strengthens the effectiveness of voice, yet this possibility also weakens the customer's incentive to use voice in the first place. Typically, one of the two dominates in an organization and managing these is crucial for organizational success. Hence, the best system for developing the organization’s responsiveness to customer feelings consists of a few competitors, with preferably, a fairly large distance between them in terms of product or service offering, or else the exit would seem pointless. Organizations striving to build customer loyalty seldom stimulate voice and exit, but rather try to suffocate both. The two feedback mechanisms are healthy for the organization in the long-term, however management is often preoccupied with the short-term effects arising from bad publicity (ibid.).

In conclusion, Hirschman’s loyalty framework suggests that loyalty is best alternative for firms as customers accept declines and allow time for recuperation. Unfortunately, he leaves little explanation of how organization may build loyalty within their organizations and
alternative sources are necessary to fully grasp the complexity of loyalty in organizations (ibid.). Barry (1974), one of Hirschman’s greatest critics, questions if loyalty should be split into two separate concepts in order to fully understand its effect on organizations. For example, a differentiation between loyalty to a product or service and loyalty to an overall organization could be made. Since then, several researchers have enhanced Hirschman's loyalty theory. Fornell (1992) built a function stating that “loyalty is caused by the combination of satisfaction and switching barriers”. He furthermore argues that there is a relationship between voice and loyalty, when stating that firms may be able to turn dissatisfied customers into loyal customer through functional complaint handling (ibid). To this day, researchers deem loyalty to be critical for an organization’s continued success. The interest for identifying and testing various antecedents of loyalty still receives much attention, and the relationship between loyalty and customer satisfaction is frequently discussed (Wah Yap et al., 2012; Ehigie, 2006; Lewis & Soureli, 2006; Levesque & McDougall, 1996 and Gronroos, 1984).

2.4 Building Loyalty through Customer Satisfaction

Rust & Zahorik’s (1993) studied the retail banking industry and found a positive link between customer satisfaction and loyalty. Further, empirical evidences confirming a linear relationship between the two constructs have been supported by researchers such as Bapat (2017), Wah Yap et al., (2012), Lewis & Soureli (2006), E. W. Anderson et al. (1994), Biong (1993), Hallowell (1996), Taylor & Baker (1994), and Halstead & Page (1992). However, research also suggests that that the relationship between loyalty and customer satisfaction is more complex. Oliva et al. (1992) highlight the magnitude of transaction costs as an essential factor, stating that the relation between customer satisfaction and loyalty can be both linear and nonlinear. For instance researchers Woisetschläger et al. (2011) argue that there is a weak relationship between satisfaction and loyalty in those market segments with barriers like high switching costs.

2.4.1 Customer Satisfaction

Customer satisfaction can be defined as “a measure of the degree to which goods and services provided by organizations satisfy the needs or expectations of those who buy or use them” (Duignan, 2016). In recent years, the role of customer satisfaction in the financial sector has reached substantial interest among researchers (Riquelme et al., 2009). This is mainly due to increased competition and technological developments in the field. More and more customers
are willing to give up the traditional banking channels and opt for digital channels. The clear path to maintaining relationships, profitability, securing customer loyalty is now more or less in the hands of online channels. (Liébana-Cabanillas et al., 2013). Hence, customer satisfaction is linked to the accessibility, trust, ease of use and usefulness of products and services offered (Liébana-Cabanillas et al., 2013). Since banks offer quite homogenous products and services, the only way of gaining competitive advantage and retaining customers, is to find a way to differentiate its offerings in line with customer needs (Beerli et al., 2004).

Customer satisfaction is important for retaining a loyal customer base. Methlie & Nysveen (1999) highlight that it is harder for a competitor to make satisfied customers switch company than unsatisfied customers. Furthermore, Szymanski & Henard (2001) hold that high customer satisfaction is linked to customer retention, loyalty and market share. They argue that satisfaction and loyalty are subsequently linked to a company's profitability. Customer satisfaction can thus be seen as a key factor when building customer loyalty in the banking industry (Ribbink et al., 2004; Leverin & Liljander 2006; Methlie & Nysveen 1999). Customer satisfaction per se can be achieved via multiple channels. Lewis & Soureli (2006) highlight trust, image and experience to have a major impact on customer satisfaction and that these should be viewed as fundamental antecedents to loyalty. Consequently, a more detailed presentation of trust, image, and experience is presented below.

2.4.2.1 Trust
Sekhon et al. (2014) define trust as “an individual’s willingness to accept vulnerability on the grounds of positive expectations about intentions or behavior of another in a situation characterized by interdependence and risk”. The interdependence is key in the relationship, where the two parties need to trust each other and believe that the other party will act according to an agreement, whether explicitly or implicitly stated.

When measuring trust various factors have been taken into consideration. For example, van Esterik-Plasmeijer & van Raaij (2017) outline integrity, transparency, customer orientation, and competence as the core determinants of trust where integrity stands out as the most fundamental driver. Similarly, Schumann et al. (2010) distinguish four determinants of trust in service providers: ability (competence), benevolence (customer orientation), predictability, and integrity.
Historical happenings in the banking industry have led to a social distrust against banks. Recently, we have witnessed several financial crises that are referred to as crises of trust (Shockley-Zalabak et al., 2010). Due to this, trust in the banking system, trust in banks, and trust in financial institutions, has declined in many countries (Järvinen, 2014 and Hurley et al., 2014). The aftermath of the financial crisis in 2007 led to a decrease in confidence, mistrust and suspicion towards the banks, leading to new means and measures of regulatory governance (Hemraj, 2004). These crises highlight the essential role of trust in banks (Shim et al., 2013). Regulatory frameworks help create and support trust within an online community, and especially within the financial industry (Yan & Holtmanns, 2008). The banking industry has a challenging future ahead trying to build trust and repair the costs of mistrust (Shockley-Zalabak et al., 2010).

During recent years, the challenges such as how to create build and maintain trust in digital banking have attracted considerable attention from academics and practitioners. Chen & Barnes (2007) state that trust is more important in the online channels than regular channels due to the higher degree of uncertainty in an online context. Whether or not customers are likely to switch from traditional banking to online banking has to do with their existing offline trust, offline loyalty and the switching costs (Lee et al., 2011). Grabner-Kräuter & Faullant (2008) also argue that customers need to trust the online system in order to use it continuously. An online context requires higher levels of trust in comparison with face-to-face interaction, given the number of unknowns (Corbitt et al. 2003 and van der Heijden et al. 2003). Previous research has shown that establishing trust in digital channels is fundamental for the use and acceptance of the new channels of commerce between consumers and businesses (Gefen & Straub, 2004 and McKnight & Chervany, 2001).

Many theories mutually state that there is a strong relationship between trust and loyalty (Lee et al., 2000; Sirdeshmukh et al., 2002). Accordingly, trust is said to be a key component when building customer loyalty (Harris & Goode, 2004 and Jarvenpaa et al., 2006). Yet, how trust is constructed in practice has not yet been fully explored (McCole, 2002).

2.4.2.3 Image

Image has been defined as “what customers believe or feel about an organization” (Bernstein, 1984) and can be described as the perception of its external stakeholders (Bromley, 1993). Already in 1985, Raj stressed the importance of corporate image when declaring that it is a crucial factor for maintaining customer loyalty. In today's competitive market differentiation
through performance, price and availability is becoming more and more difficult. Hence, the image plays an important role when creating a competitive advantage (Andreassen & Lindestad, 1998).

Up until now, banks have relied on the physical and social surroundings to enhance their image. For example, convenient locations, service familiarity, personal relationships, and waiting lines have been important factors (Evans, 1979). Given the digitalization movement these are changing in importance and other means, such as social media, can be used to form customers’ perception and build a relative attractiveness (Andreassen, 2001; Goldsmith & Horowitz, 2006; Bambauer-Sachse & Mangold, 2010). Furthermore, a strong image takes extensive time to develop and is difficult for competitors to imitate; hence, image may serve as a barrier for new competitors entering a market (Flavián et al., 2005).

Nowadays corporations work proactively as well as reactively, shaping and defending their image in media. Erickson et al. (2013) confirm this, when stating that corporate communication is critical during a crisis and may determine how much, if any, damage will be done to the firm’s image. Likewise, the Federal Reserve System's definition of reputational risk underlines the potential consequences of bad publicity, whether or not true, they may cause a decline in the customer base and revenue (Dell’Atti & Trotta, 2016).

Furthermore, as the banking industry is expected to go through substantial changes, moving from traditional meeting channels to digital, customers are likely to become more dependent on the perceived corporate image as a reference. Therefore, a strong brand can act as a signal of quality and reduce risks as well as research costs for customers (Keller, 1998).

2.4.2.4 Experience

Meyer and Schwager (2007) define customer experience as “the internal and subjective response customers have to any direct or indirect contact with a company”. Likewise, Carbone and Haeckel (1994) define customer experience as “the take-away impression formed by people’s encounter with products, services and businesses”. Lewis and Soureli (2006) mention perceived value, service quality and service attributes to be of importance for customers.

To deliver a good experience should be the prime objective of firms, and particularly important, as we are moving into an experience economy. Banks must figure out how to go
beyond just satisfying their customers. Today, it is all about elevating the experiences in unique, memorable and personal ways. An example of this is how Starbucks successfully implemented a distinctive customer experience where customers are given individual attention (Verhoef et al., 2009). In other words, organizations need to augment their product and service offerings to the extent that they create a differential offering. Garg et al. (2012) identified convenience, employees, online functional elements, and service as critical factor for measuring customer experience in bank organizations. Lewis and Soureli (2006) point out that speed of delivery, efficiency, friendliness and ease of contact and frequent communication is also crucial in building a good experience. Prior to adopting online banking, customers typically have a history of experience with the physical bank, which can help customers to mitigate the uncertainty related to the use of the digital platforms (Chiou & Shen, 2012). Moutinho and Smith (2000) show that the ease of banking, whether online or offline, determines bank customers’ overall satisfaction, switching and loyalty behavior.

2.5 Analytical Framework

Figure 2 below outlines the relationship between Hirschman’s Loyalty theory, customer satisfaction, and the underlying constructs: trust, image, and experience. As the model suggests, loyalty is complex and can be broken down into different antecedents. All dimensions are intimately connected with each other and cannot be treated as mutually exclusive. For example, the bank’s image is conveyed through customer interactions (i.e. "Experience" affects "Image"). Hence, loyalty cannot be examined separately in relation to each potential factor; instead, each dimension needs to be considered within a network of relationships where loyalty is the outcome of all these inter-relationships (Lewis & Soureli, 2006). Using this model as a road map, we will first look at external market conditions that may affect loyalty and then examine how banks may adapt internally to the perceived challenges. Thus, we seek to answer our primary and underlying research questions:

- What challenges related to customer loyalty do banks perceive with the new EU directive in the midst of digital disruption?
  - How will the PSD2 directive influence the future financial market?
  - How will the PSD2 directive influence the way banks manage customer loyalty in the future financial market?
Figure 2: Enhanced Analytical Framework
3. Methodology

3.1 Research Approach and Data Collection

The research questions led us to use the theoretical framework described in chapter two, and this in turn directed us towards a qualitative research design. Given the nature of our research questions, our thesis is primarily composed out of qualitative data, which helps create an understanding of what challenges banks perceive as they face the new directive and digital disruption. Exploratory and qualitative research was conducted in order to answer the primary research question: What challenges related to customer loyalty do banks perceive with the new EU directive in the midst of digital disruption? Furthermore, the thesis uses a deductive reasoning when translating the theoretical concepts into practice and writing our interview questions (Bryman & Bell, 2015). The best way to capture the essence of this transformation was to talk directly to the banks and its representatives. Through interviews, we gained augmented understanding of the logic and the social processes behind the ongoing market changes and internal challenges (Holme & Solvang, 1997). These findings were presented throughout the paper based on the specific theoretical framework. In addition to this, we searched for additional data that could help us form a structured view of the Swedish Banking Industry. These other variables have been vital for the development of a logical analysis and conclusion. For example, to support the qualitative information and to create a more dynamic analysis, additional secondary sources have been reviewed from market reports and surveys. Yet the thesis relies predominantly on the primary data collection.

3.1.1 Primary Data

The primary data collection was formed after our theoretical framework and collected within the respective focus areas: loyalty, trust, image and customer experience. Below is a Table 1 lists 15 conducted in depth interviews. The primary data consists of interviews with representatives from four different Swedish banks. At least one representative from each bank covered each of the focus areas, but many times one respondent had experience in two areas. All of the respondent held strategic positions within their bank and were considered experts in their field.
Table 1: Respondents

3.1.2 Secondary Data

The secondary data collection is built upon reports published by the banks in form of annual reports. While we are aware of the potential bias in these reports, this was considered an efficient way to get a understanding of the PSD2 directive (Saunders et al., 2015). These sources are considered to be trustworthy, accurate and up-to-date. Examples of other organizations, which reports have been critical for our data collection are: Svenskt Kvalitetsindex, Statistiska Centralbyråns, Kantar Sifo, the European Commission and EVRY. These reports have provided valuable information about the ongoing market changes. Likewise, official web pages, newspapers and magazines have been consulted in the purpose of gaining an in depth understanding of the new market conditions.

3.2 Sampling Method

We wanted our data collection to be practical as well as reasonable in size and complexity. Since our thesis is predominantly relies on interviews we decided to use a nonprobability sample. Given the timeframe and scope of our research question, the sample is a combination of a convenience and a snowball sample (Berg, 2009). It is convenient in the sense that we first reached out to one of the banks that we already had established a point of contact with. Furthermore, we had identified that the people we chose to interview needed to have certain common characteristics such as strategic responsibility within their division, and were therefore guided by the snowball technique or respondent-driven sampling (Berg, 2009 and Heckathorn, 1997). Yet, we recognized that the way the snowball sampling was conducted...
makes it liable to various forms of bias. As for instance there is an increased possibility of correlations that do not apply to the generalized population (Patton, 2015). Fortunately, in this case, referrals were not only made to co-workers but also across the banks, which contributed to a wider perspective of the situation and limited potential bias.

Early on in the process, we introduced the topic to people in the banking industry. We spoke with four different representatives from the banks before conducting any in depth interviews. The discussions were often casual and lasted no longer than 30 minutes. This was to test the relevance and timeliness of our thesis. Our meetings confirmed that banks were in the midst of digitalization and implementation of regulatory frameworks. These four people, were important door openers and enabled us to schedule interviews with their fellow colleagues. In total, we interviewed 19 people from four different banks resulting in 15 in depth interviews. The four banks account for about 70 per cent of deposits and lending in 2016 (Swedbank, 2017).

3.3 Operationalization of Framework into Practice

Our interview questions are structured within the four focus areas: loyalty, trust, image and customer experience. We let the theory guide our questions. For example, the theory holds that the attributes of loyalty can be recognized through behavior such as a continued preference for a product or brand, repeated purchases as well as a favorable word of mouth (Lee & Feick, 2001 and Barnes & Howlett, 1998) Consequently, we asked the questions: Please describe what is considered to be a loyal customer? and How do you measure customer loyalty? For a complete list of questions and their connection to theory, please visit Appendix A.

Not all respondents faced the same set of questions. We chose one or two guides depending on the interviewee’s areas of knowledge and time put aside for the interview. The questions were designed so that interviewees should not disclose any sensitive information. Hence we did not ask about how the bank would tackle the situation, but rather asked respondents to describe the situation. The interview guides can be found in Appendix B.

3.4 Interviewing

Before conducting any interviews we consulted the Framework for Research Ethics, provided by the Economic and Social Research Council (ESRC) to ensure good research conduct. In
accordance with ESRC’s guidelines (2017), we were thorough with informing all participants about the purpose of our thesis, as well as the underlying method and potential usage of our findings. Participation was always voluntary and information treated with confidentiality. In our initial contact with the banks, we ensured that all findings would be anonymous and that no findings should be derived from a specific bank.

The method used was semi-structured interviews. The interview guide included a list of questions and some specific topics to be covered within each focus area. To avoid ambiguity the interview questions were tested and revised in advance, which resulted in mostly open-ended questions. In addition to this, the respondents were given a lot of leeway when it came to answering the questions and we did sometimes ask questions that were not stated in the guide. But, by and large, all interviewees faced a similar interview (Bryman & Bell, 2015).

All interviews were recorded with the consent of the interviewee. Recording allowed us to be more flexible during the interviews; for example, it was easier to ask follow up questions without being distracted by taking notes. Furthermore, as Bryman and Bell (2015) point out, the recording allowed us to reflect upon the answers given and to reproduce an accurate description of what has been said. Hence, not only grasping what was said but also how the respondents said it.

Conducting research in another language has its perks and quirks. We translated all questions into Swedish and asked respondents if they had any language preference. Most preferred to respond in Swedish, as they felt more comfortable using their mother tongue and felt that misunderstandings could be avoided. After each interview, we transcribed the interview, first into Swedish followed by English. As authors we were concerned with how the translation would affect the findings. Given that we were the ones who translated the material there was a risk of bias in the way we translated or interpreted the answers (Lincoln & Guba, 1985). We reckon that word choices contain important emotional connotations and underlying notions. To ensure that we did capture these, we sent the transcribed material to each bank and asked them to verify that this was a fair and correct representation of the bank (Temple & Young, 2004). Another reason for sending the transcribed findings to the banks was to not disclose any sensitive information. The topicality of this subject makes the answers interesting not only to us as researchers but also to competitors who are at the moment outlining strategies on how to cope with the PSD2 directive.
3.5 Reliability and Validity

In order to support high reliability, preventive measures were taken to keep error components small and avoid them fluctuating randomly throughout the process (Kidder et al., 1986). For example, interview guides were sent out beforehand to ensure that questions could be interpreted and answered by the interviewees. We constantly compared data for coherence and accuracy (Lincoln & Guba, 1985). Plausible inconsistencies were not viewed as a weakness of credibility, but rather as an opportunity for deeper insights and could aim to strengthen the analytical depth of the thesis (Patton, 2015). Furthermore, actions were taken in order to support internal validity and assure that the data collected measured what it was intended to measure. Throughout our collection of data, the research question has been kept in mind to avoid collecting redundant or unnecessary data for the purpose of this thesis (McKinnon, 1988). In accordance, conclusions were drawn about the causal effects of one variable on another (Kidder et al., 1986). As for instance, due to the topicality of the subject, we were concerned that interviewees could feel uncomfortable with sharing information, being apprehensive about giving away their strategic positioning. However, since our purpose was not to single out any of the banks, but rather to show the collective perception, we managed to work around this issue through anonymity and by washing the empirical data. Nevertheless, the interview data was initially coded and sorted into bank and respondent levels. Furthermore, as stated above, each participant has approved the quotes. Despite these actions taken, we are aware that respondents may answer questions in regards to what they believe to be in their own favor. Hence, interview answers have been compared between the banks as well as with secondary data. Each data set was analyzed independently, but at a later stage combined to form a consistent conclusion and answer to our research question (Nightingale, 2009 and Bryan, 2012). Finally, it is believed that anyone else conducting the very same research and using the same method would yield the same result (Kirk & Miller, 1986)
4. Findings

4.1 The External Environment

4.1.1 PSD2 Directive

All banks have mixed feelings towards the new directive. “The biggest change is that payments and accounts, much of the bank's heart, will be opened up towards third parties”, one bank said. Another bank described it as a “love-hate relationship”. In contrast, another bank said “this is the best thing that has happened in a long time”. Despite attitude, all banks are preparing for new forms of relationships and market constellations. “We take these new directives as an opportunity to create something better”, one representative said.

On a positive note, the directive provides a large information pool. One respondent said, “We will see more diversified products and services. Furthermore there will be a mix of industries working together to deliver customer oriented solutions”. All banks welcome the directive as it increases transparency and ensures safety. PSD2 creates specific APIs where customers can specify exactly what information the third party should have access to. This will prevent third party providers to access additional data. According to one of the respondents, “When customers use third party services based on screen scraping it is at the moment difficult to control exactly what is given out, both from legal and technical standpoint”. On the other hand, the directive brings uncertainty. One respondent said, “We have to do exactly what the customers want and can no longer decide who access our accounts”. Another said, “There is no guarantee that new AISPs or PISPs are secure”.

Most banks sit on an old infrastructure; have complex IT systems and limited resources. One bank highlighted the complexity saying, “We have 47 payments systems that must be turned into one solid system”. And another added that they spend over SKR 2 billion (excluding operating costs) on IT related projects and most of that money goes to regulatory implementations. “The PSD2 directive is only one of many directives that is putting pressure on the banks”, the bank explained. The most recent Annual Report from SEB highlights several new directives entering into force within the next couple of years where the purpose is protect customers, enhance financial stability and strengthen market conduct.
One respondent said, “I would say the pressure is commercial rather than regulatory”. Whereas another respondent highlighted the financial benefits coming out of these regulations saying that “the regulations force banks to improve their systems, which is costly at the moment but in the long run can lead to lower costs”.

The new directive may introduce new third party risks and affect other directives. As the systems become more integrated, all actors should be aware of the risks that come with it. “The PSD2 directive demands us to give out data to third parties and at the same time the GDPR directive demands us to have full control of the data”, one said. In other words, the directives stand in contrast to each other and banks are working hard with compliance. Furthermore, the PSD2 Directive involves many technical challenges. Not only should another bank be able to access customer data but also private actors who want access. “Theoretically, anyone could make an app and access our API platform”, one said. The bank is looking over the directive together with other banks to better understand what kind of authorization they must give third parties. All companies that want access Account Servicing Payment Service Providers (ASPSPs) must have a license and follow the same regulatory requirements on how to handle customer data.
Open banking is a costly transformation that increases the number of transactions and information sharing between actors. One bank, explained open banking saying, “Today we maybe have 63,000 something transactions per second, with open banking we will have millions of transactions per second. The pressure is enormous and you need a system that holds a Royce Roll standard”. The respondent continued saying, “We are a big bank, have the financial resources and are relatively small in an international setting, but the other banks will never be able to afford this”. Another bank also commented on the size of the bank saying, “Small is beautiful right now”.

4.1.2 Third Party Providers

The PSD directive has, since 2007, opened up the market for third party providers (TPP) and new services has emerged within Internet payments. TPPs offer specific payment solutions or services to customers. Popular services are those that collect and consolidate information from different bank accounts of a consumer in a single place. These kinds of services are referred to as account information services (AIS) (European Commission, 2015). Example of a Swedish FinTech is TINK, which gives customers a holistic view of their financial situation in a user-friendly setting (Jacobsson, 2014).

Figure 3: Account Information Services (Hafstad et al, 2016).

Then there are TPPs that focus on facilitating the payment between accounts and merchants (European Commission, 2015). These are referred to as payment initiation services PIS. Another Swedish example of this is Klarna who has made the transfer experience almost seamless for customers (Fjällborg, 2017).
TTPs or FinTechs are considered threat as well as a source of inspiration. When asking the banks how they perceive FinTech in comparison to their own organizations all seem to face the same problem: banks are big, they have been around for a long time, stable, and simply boring. One respondent said, banks are perceived as “fat cats lacking motivation” in contrast another respondent referred to FinTechs as being perceived as “white knights” more agile, customer centric and niche oriented. However, one respondent disagreed with these kind of statements arguing banks have been portrayed unfairly: “we are cost efficient and have developed our digital channels quite well”. Another respondent mentioned there are different attitudes towards FinTechs depending on where in the value chain they interact with the bank. Those who create services far ahead in the value chain and compete about the customer interface will either be considered partners or competitors.

Looking further back in the supply chain, FinTechs are viewed as regular suppliers providing the bank with smarter log in solutions or with core infrastructure: “Fintech companies rarely challenge our products per se. In rare cases, some FinTech develop a fund, but mostly they create services and client meetings on top of our existing products”.

All banks are in the midst of setting up partnerships with third party providers. “They have the ideas and we have the customers”, one said. This makes collaboration profitable for both parties. Most agreed that: “Finding the right partner and realizing that we cannot do it alone is a good start”. There is an increased demand for products and services to be integrated within new platforms. One of the banks is in the midst of setting up a open banking platform and has taken a lead position in the Nordic market. “We want to offer an attractive platform where TPPs can establish and continue develop their services. This gives us a better time to market, a stronger product offering and lower development costs. Of course we need to find a revenue sharing model to make this work, but we already have 700 companies that are interested to
join us”, their respondent said. Many banks have already dedicated entire teams to evaluate potential partnerships. The choices are many and risk taking is hard to avoid. Banks can either chose to:

1. Invest in or acquire a company
2. Set up partnerships
3. Offer accelerator programs for startups that might lead to either step 1 or 2 in the future.
4. Spur in-house innovation

The search for partners is never ending. One respondent said, “I meet lots of companies. Sometimes it's two guys with an idea and sometimes it is a company with 150,000 active members. A good match is when they offer a good idea that is technically advanced and have a brand that matches with our values”. One of the banks commented on the different investments done by each bank saying, “Media like to portray us as if we are behind the other banks, we are, however, not communicating as much externally around it as other banks”.

Another respondent said that investing in new platforms “creates the perception that the bank is agile enough to face digital disruption, and not so burdened by heavy and complex system”.

Current Fintech investments done by each bank:

- SEB Venture Capital (TINK, Now Interact, Leasify, Coinify, R3)
- Nordea (Wrapp, Betalo, R3 and currently building first Nordic open banking platform)
- Swedbank (Sprinklebit, Mina Tjänster and PayEx)
- Handelsbanken (No partnership announced as of May 2017)

Source: Leijonhufvud, 2017

If looking at the monetary value of these investments, one bank commented on the fact that the investments in FinTech companies are relatively small compared to the overall budget allocated to IT.

4.1.3 Possibilities of Customer Exit

Respondents stressed that most people do not actively choose their bank but ended up as customers more or less as a coincidence. The products and services offered are homogenous. “A mortgage is a mortgage” one responded said. There is low customer rotation. In total, a very small percentage leave and there is steady rotation among all banks keeping the total of customers at the same level. Customers tend to move to another bank when they are in the swift of doing something else, like buying a house or looking over their pension. Given that banking per se is not that exciting, one respondent speculates that relatively few takes the time to compare alternatives. In rare cases, when someone leaves the bank, it is usually because of
poor service or that they have found better conditions elsewhere. Also, the corporate image can affect a customer’s choice to switch bank. One respondent said, “Sometimes we do not have the best offer and in that case, we can recommend seeking better offers from competitors to our customers”. Thus, a large share of customers spread out parts of their wallet with multiple actors. According to a recent survey “at least nine in ten respondents in Sweden (95%), have three or more financial products or services”. The same report states “less than one in ten have purchased at least one product or service in another EU Member State (7%)” (European Commission, 2016). All banks argued that it is easy to change bank, but acknowledged that customers feel that it is complicated. It is tricky in the sense that customers need to change their cards, set up new auto-payments etc. Those who change bank are usually between 25-35 years old searching for the best available mortgage for their first homes. The collaboration between banks can be improved to facilitate customer rotation. One respondent said, “Right now we are working on a project called Know Your Customer “KYC” in order to make it easier for customers to identify themselves at multiple banks”. Simplified solutions, such as Swish, BankID, och Bankomat AB are living proofs of how banks can make life easier for their customers.

4.1.4 Customer’s Voice

All banks have some sort of system that manages customer complaints. However, they lack a systematic process that handles the little spontaneous comments from customers. One bank said, “a complaint on our Facebook page is never dismissed whereas requests or ideas for improvements are less likely to get picked up”. Another bank, which had a more complex CRM system, said they are now able to analyze what their customers think and feel about the bank. They explained the advantages saying, “we can see that few customers are dissatisfied with the price, but also that they are very unhappy”. The software reads and interprets responses and sorts answers into different categories. Another advantage is that “In the past, you could receive eight angry phone calls and get the perception that all customers were dissatisfied. Now it is in black on white”. In addition to this, another respondent highlights that after counseling sessions customers are usually asked to fill out a form. If the form is submitted the customer will be contacted to resolve any conflicts. However, when asked if banks followed up on customers who leave the bank, none of the banks had a systematic way of reaching out to customers, but implied it is in the works.
4.2 Internal Challenges

4.2.1 Loyalty

No banks have a crystal clear definition or way of describing a loyal customer. There are many dimensions to consider when defining loyalty. One bank said, “Loyalty is the measure of long-term satisfaction, which is our main focus”. Another bank defined a loyal customer to be those who have fifty percent or more of their banking related matters with the bank and said, “the question is what share of their wallet we manage”. According to SKI’s surveys loyalty reflects whether customers intend to remain with their bank, in what terms they talk about their bank, and whether they would recommend their bank to other people. Furthermore, they see a strong correlation between customer satisfaction and loyalty in their surveys. The table below shows the correlation between customer satisfaction and loyalty in 2016. For more detailed information on the relationship please see Appendix C.

<table>
<thead>
<tr>
<th>Bank</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank 1</td>
<td>0.87</td>
</tr>
<tr>
<td>Bank 2</td>
<td>0.89</td>
</tr>
<tr>
<td>Bank 3</td>
<td>0.86</td>
</tr>
<tr>
<td>Bank 4</td>
<td>0.88</td>
</tr>
</tbody>
</table>

Table 2: Correlation between customer satisfaction and loyalty
Source: Svenskt Kvalitetsindex, SKI Bank 2016

There is a fine line between a profitable and a loyal customer. One bank said, “there is no secret that we want profitable customer” and “usually, customers that allocate the majority of their wallet with us are profitable”. Another respondent said, “customer acquisition is more expensive than customer retention” so therefore, the bank believes in long term relationships, which many times leads to both loyalty and profitability. At one of the banks, we also encountered an internal model that highlighted three influential factors of customer satisfactions (trust, image and experience), furthermore showed a positive correlation between customer satisfaction and customer loyalty. Nevertheless, the bank has no clear definition of a satisfied or loyal customer but said, “the more business a customer has with us, the happier it is and that leads to loyalty”. In other words, all banks see a clear link between satisfaction and loyalty.
Establishing an emotional connection with customers help build a loyal customer base but it is more difficult in an online setting. All banks agreed that the physical meeting is still very powerful. The respondents argued that when a customer is satisfied with its personal contact, this representative may act as an “airbag” for everything negative that the customer reads or hears about the bank. However, given that more and more customers chose to do their banking online relatively few have a personal contact. One respondent said, “Banking used to be something you do, now it just happens.” Another explained that “future interfaces will be so simple that customers do not have think about its banking errands”. This trend is called ‘back in the pocket’ as everything is handled automatically. A huge risk is that customers lose overview of their economy and that we lose a natural touch point with our customers”. Banks want to keep a dialogue with their customers regardless of interface because if they do not have an established relationship they may, “easily lose the loyal linkage”. Digital channels do not include the emotional values that create trust and drives loyalty. To establish loyalty online, banks need to find a way to reflect the emotional values.

Banks believe they can build loyalty by being part of all stages in a customer’s life. Pushing products and services on customers is no longer a winning strategy. Initially, it is easier to sell products if you divide them into different segments, such as pension advice, savings or lending. However, one bank said “we focus on the entire customer journey” by being present in all of life stages without pushing fancy packages on customers and maximizing customer's' wallets by being attentive to their individual needs. One respondent said they have noticed that customers often tend to be more loyal towards the bank if they have their pension accounts with the bank. “Once they move their pension, it doesn’t take long until all accounts are gone”. Hence, long-term investments are valued since they lead to both loyalty and profitability.

To attain loyal customers, the banks must become more proactive. Proactivity is key and the reason why banks analyze customer transactions. This is nothing new, but has rather been going on for a long time. “We need to get to know our customers and contact them when an opportunity presents itself”, one bank said. There are certain life events where customers are seeking support from the bank such as when purchasing a house or need a financial adviser for complex errands. Accordingly, the bank said “we are trying to figure out what kind of availabilities are in demand for advisors, and what type of clients seek out these advisors, so that we can accommodate these demands”.

4.2.2 Trust
The banking industry is known for having low trust levels. The respondents highlighted several potential reasons: First, the industry is undergoing a large transition, removing cash and closing down offices. Second, the ownership structure, profits, bonuses, and high dividends are often questioned by the public. Furthermore, there was also a common view among the respondents that the industry has faced unfair negative publicity in the media during the last couple years. All agreed that scandals such as the Panama incident, affected not only the ones involved but also spilled over to other actors in the industry. Two of the banks highlighted that they usually receive higher trust ratings than the industry average: “The other big banks have been hit harder, but that is no assurance that we will not be hit tomorrow”. Figure 5 below shows the low confidence in the Swedish banking industry compared to other institutions.

Avoiding bad attention in media is only one way of building trust. Some of the respondents argued that trust is attained through putting their customers’ interest first, another said that is mainly about making sure that services are up and running and secure. Confidence levels among the banks vary to some extent and the difference is presented in figure 6. One bank commented on how they succeed to obtain the highest ratings: “The customer’s trust is built up over the long term, but is won and nurtured at every meeting”.

Figure 5: Confidence
Source: Sifo Förtroendebarometern 2017
Furthermore, transparency was mentioned as a component that contributes to trust, but respondents argue that too much transparency can also lead to anxiety among customers: “we try to be as open as possible, but wrestle with not giving out too much information”. It was said that too much information could do more harm than good. The respondents saw regulatory frameworks as beneficial in building trust and making sure customers receive secure products and services. As an example, the PSD2 directive will oblige all payment service providers to step up the security around online payments. TPPs have to follow the same rules as the banks in regards to registration and licensing. Furthermore, they are supervised by authorities (European Commission, 2015).

The general view was that the significance of trust would increase in the future. One respondent argued that trust drivers might change or perhaps be different for different demographic and sociographic customer groups. In contrast, one respondent argued that since much of the services are becoming more and more standardized, prices will be pressured and customers will not have the need to have as much trust in them. “Hence, we as a bank, need to put even greater emphasis in the personal relationship. Offering personal advice will be more valuable”. There are certain services that cannot be digitized such as pension issues; and till this day, there are no FinTech companies offering advice on complex issues.

Many banks chose to collaborate with FinTech companies but make cautious choices on how to integrate their products and services. For example, one of the banks made a clear distinction between their services offered in FinTech environments and FinTech functions implemented in their app. “We do not share data, we only use their technique”. Moving FinTech technology into their IT environment ensures security and trustworthiness as well as
optimizes the user experience. Generally speaking banks have higher trust levels than FinTechs due to their legacy. One respondent said, “I think that the fact that we have been around since 1870 help making us trustworthy”. It was also pointed out that FinTechs are not rule-governed in the same way as banks. Institutional requirements such as Basel III give banks an advantage as people feel confident that the banks are long term partners. The Basel III framework is an important foundation for increasing the resilience of banks and fostering global financial stability (Ingves, 2017). Another respondent argued that “FinTechs will be able take advantage of and benefit from banks trustworthiness”. As customer will rely on that “if my bank says that the FinTech is ok, then it ought to be trustworthy.”

4.2.3 Image

Similar to trust, the banking industry is known for having a poor image. Several respondents said that they have done preparatory work to avoid and deal with scandals and crises. However, one of the respondents questioned the meaning of image. “When you think about it, customer satisfaction has decreased significantly, while profits continue to grow”. In other words banks have continued to earn money regardless of whether their customers are happy or not. “This is not sustainable in the long run, banks will have to have a good image and especially now that FinTech companies are entering the market”, one respondent said. As shown in Figure 7, there is no clear correlation between customer’s satisfaction and bank profits over time.

![Customer Satisfaction versus Profits](source: Svenskt Kvalitetsindex, SKI Bank, 2016 and Sveriges Statistiska Centralbyrå, 2017)

Image originates from the company’s values and history but is constantly confirmed through available channels towards stakeholders. “We want to be perceived as close to our customers, driven by their needs, stable and sustainable - through our actions first and foremost”, one bank said. When it comes to building a strong image, it is important to be consistent in all
channels. One of the banks mentioned that they work after a model with the purpose to create an emotional connection. “The image should be reflected in our communication, products and services, how we treat our customers and what type of personnel we hire”. The challenge is not so much what to communicate, but to ensure that what is communicated is also lived out in all customer interfaces. The same image should permeate all our processes and interaction with the customer.

Image is a tool to attract the right stakeholder. Banks must be clear about what kind of bank they are. “You cannot be a brand that everyone likes, you have to choose”. The respondents believe that image will remain significant in the future, if not as important it should increase. “The more digital we get, the easier it is for customers to change banks”. Unlike in the past when customers had to physically visit a bank office to change. Changing banks will be a keystroke away and therefore there has to be an emotional connection. “A major challenge is to reflect the physical meeting in a digital setting and establish those emotional values” one said. Otherwise there is a risk that customers compare product by product and choose the cheapest. Banking products are very homogeneous and it may be difficult for the customer to actually see a difference. Banks will have to be able to distinguish themselves and this is done through their image. As for instance one of the banks has chosen to distinguish themselves through keeping local branches alongside digital channels: “As our relationships become more digital, we will become more personal and no less local”.

Another respondent talked about the importance of listening to future generations when positioning themselves. “We can often see distinct traits for different generations and the millennials are known for being very value oriented”. Meaning that they may consider to pay more for a product or service if they feel that it generates an emotional value, and this is where the emotional connection to a image becomes important. However, banks have a long way to go, since according to results from a survey conducted by Ungdomsbarometern AB one out of four, between the age of 18-24, would rather go the dentist than to visit a bank office (Ungdomsbarometern AB, 2015).

The bank's image will play an important role in attracting and selecting third party providers, moreover the image will be affected by partnerships. “Everyone wants to be the aggregator - to be on top of the value chain, have customer contact and not become a supplier of infrastructure”. Given this, it is desirable to use our brand in an open banking platform. “I cannot imagine a platform with hundreds of different brands to choose from” However, banks
are struggling with whether or not they should front with their brand: “it’s a million dollar question”. Fronting with the corporate logo contributes to high recognition, but at the same time places them as trustees for the services delivered.

4.2.4 Experience

All banks agree that the customer experience is fundamental: “It’s the core of everything we do”. One defined it as a “vital tool to reach wanted market position”. Furthermore, a respondent said it has increased in importance: “Customer experience is a crucial element if we are to attract and retain our customers, especially now when the market becomes more liberalized”. Another explained that banks have looked at internal processes for many years and have become increasingly cost-effective. “Unfortunately, customer experience has been overlooked by very high profits; and therefore, unlike other industries, we have not worked systematically with customer satisfaction. But now that the banks are attacked from all directions, customer experience is reaching a new dimension and considered crucial for our continued success”.

There is a list of things that need to be met in order to deliver a good experience. First and foremost, all everyday processes like financial transactions need to work smoothly. Second, the bank must understand customers’ needs, give honest and objective suggestions, and be accessible. “It is important to establish some sort of relationship with the customer and nourish that relationship regularly. Given that our products and services are homogenous compared to other banks, it is through the experience that we can create a unique selling point”. All banks said they want to be more proactive in its communication with customers. One bank clarified this by outlining three ways in the bank can maximize the experience:

1. The bank has to be proactive
2. Make the customer’s life easier
3. Provide products and services on the customer’s terms by offering different interfaces

Establishing a good experience requires that the bank has identified the customer value and the initial problem to be solved. “Customer experience should be centered around the customer’s needs and aspirations and not on the products and services itself. A customer should never have to think of a mortgage. Only focus on their new home”, one said. Part of the banking experience is to make the journey for the customer as easy as possible. Another respondent explained it like this: “It's easy to forget the customer and focus on features. It
should be simple and useful. If it adds no value it is useless”. Customers tend to describe a solution to their problem. For example, many want a mobile BankID. But it is not the BankID per se that is needed but financial overview. Almost all banks mentioned that they worked with service design, meaning design based on what customers want. One respondent described it like this: “We ask customers, what would great look like and then we make a pilot”. Many times we look at small and insignificant things that together add up to a greater experience. “A small thing could be that you get the direct number to the person helping you on the phone, just in case the line is breaking up. These small features can make a huge difference in how the banks are perceived from a customer's point of view”.

Meeting rising customer expectations is part of the customer experience. One of the banks showed a graph suggesting that expectations on products and services are rising while the tolerance is dropping. “In order to give out information, customers need to know that they are getting some value. Banks and third party providers must be clearer on: how they utilize data and who has access to it”, a respondent said. Another bank said, “Banks are terrible at telling customers what they can expect in terms of service. We always tell them that they have full access to our service offering but that is not true: customers get what they pay for and can either choose between the Ferrari or the Skoda”.

Banks comment on the fact that there is a gap between the offline and online experience. “We are working at the moment to ensure that the customer experience should be the same in all of our channels, however, it is a challenge to create the same experience online as offline”. Another said, “We want them to be inseparable but reckon that the different channels are used for different purposes”. The physical meeting is needed in complex situations, such as in private or merchant banking. However, in both scenarios, banks focus on the customer’s journey. One bank said, “we rely on one of our core values, which is care for ambition. It reminds us to always be customer oriented”. Another bank argued that the experience does not have to be exactly the same as long as the core values are reflected in all channels. “We must be able to optimize the experience depending on the situation. A customer that logs on to our mobile platform often values simplicity and efficiency more than expertise and trust. The latter is more of a concern when entering a local office”. The same respondent says, “My impression is that we rarely talk about the customer experience in the physical channels. So far we have not worked strategically with this, but it’s about time”.

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Banks struggle to live up to many FinTech solutions. For example, banks must meet the needs of diverse customers groups whereas FinTech companies can tailor its services towards a specific segment. One respondent said, “A challenge for us is to meet everyone’s needs where we cannot exclude parts of our customer base”. In other words, there is no cherry picking for the banks. A respondent said, “It is easy to create a good experience for a single customer or like minded segment, but to find a model that satisfy all is whole different story”. Banks have always been known for safety and have to balance it against simplicity. One bank brought up Klarna’s seamless payment solutions as a good example in explaining this battle: “compared to them, our solutions are more complicated due to safety reasons”. However, with a more customer oriented approach banks are now in the midst of making the banking experience as seamless as possible.

There is a difference how banks and FinTechs work with customer experience. Banks are not as fast as FinTechs. Banks are large organizations with lots of people who do not always share common goals. Furthermore, legislations and old IT systems slow down product development. Another bank said, “The minimum time to develop a product in a bank is 18 months. This is due to three reasons: “1. Large organization 2. Heavy legacy 3. A big distance between IT and Relations People”. Another bank mentioned how difficult it is to recruit IT and graphic design people to a bank: “our DNA goes against innovation and creativity. We work in silos and with waterfall models”. In contrast, FinTechs work in small incubators with an agile approach where decisions can be made swiftly across departments. One said, “they have an advantage in being fast-paced but their technology is simple and easy to copy. I think many will find it difficult to keep their customers once a new app offers a similar service that is slightly better. Banks on the other hand, can retain customers even if a competitor has a more advanced app due to pre-existing and personal relationships that have been built up over a long period time”. Another respondent commented on this saying, “We see positive synergies. We have something they want (customers, testbedding, and large IT systems) and they have something we want (fast development)”. 
5. Analysis

5.1 The External Environment

There is a low customer rotation in the Swedish banking industry. Respondents said few customers leave the bank despite that it is easy (see chapter 4.1.3). This could suggest a high level of satisfaction, but given the Swedish Quality Index’s recent bank survey customer satisfaction is at an all-time low (SKI, 2016). One respondent explained the situation saying, “customer satisfaction has decreased significantly, while profits continue to grow” (4.2.3). This suggests that there is something else that makes customer linger regardless of discontent.

The theory suggests that certain market conditions affect customer rotation. Hirschman (1970) argues that the best market condition consists of relatively few competitors with fairly large distance between products and services. The thesis found that the Swedish banking industry is quite the opposite with many competitors and homogenous products. The findings further imply two reasons as to why customers remain loyal to their banks. First, there are not enough incentives to switch due to homogenous products and services. Hirschman (1970) likewise argues that if the distance between products is too short customers are less likely to leave the firm (exit), and this relates to what a respondent said, “a mortgage is a mortgage” (4.1.3). Second, the findings suggest there is too much cost involved in switching organization that customers stay regardless of discontent. One respondent said that most people find banking relevant and important, but it is not exciting enough for people to take the time to compare alternatives (4.1.3) This also connects to Hirschman’s argument about an exit fatigue (ibid.).

Furthermore, our findings reveal that it is a cumbersome process to switch bank completely. This can be compared to a barrier, which Hirschman (1970) describes as a hinder that makes it difficult for customers to acknowledge deterioration and make them stay loyal longer than they otherwise would. This can also be connected to Woisetschläger et al.’s. (2011) theory, which identifies a weak relationship between satisfied customers and loyalty in markets with high switching costs. The effect of barriers on loyalty is also discussed by Fornell (1992) who confirms that market conditions play a vital role in attracting and retaining loyal customers.

However, as the new PSD2 directive enter into force, banks perceive that competition will rise and the market will slowly move away from an oligopoly. The new directive is expected to lower the barriers for third parties who can, with the consent from a customer, collect account information from another bank. The directive will make it easier for customers to spread out their wallet across actors. One bank said, “sometimes we do not have the best offer
and in that case, we can recommend seeking better offers from competitors to our customers” (4.1.3). This implies that banks are open to the idea that customers will exit more frequently. In contrast to Hirschman's theory, the exit mechanism is not necessarily used as an indication of quality deterioration, but rather as a signal that someone else offers a better solution. The statement above confirms that banks are not trying to compete and be best within all segments. As customers will be able to move more swiftly between competitors and be exposed to more alternatives tailored to their needs, a challenge will be to attract and retain customers in an liberalized market where barriers decreases and diversified offerings increases.

During large transitions banks should be attentive to customer’s reactions and help them through the transformation. Hirschman (1970) teaches us that listening to customer is healthy in the long run yet not valued by all organizations. This is in line with Fornell (1992) who also believes that functional complaint handling can make customers more loyal. Theory also points towards the chances for customers to give feedback will vary due to market conditions. Respondents describe a situation where both the exit and voice option has been suffocated. For example, only a small percentage of the customers leave the bank and none of the banks have a methodical system to follow up on complaints (4.1.4). Historically banks have not systematically listened to customers, but are now starting to pick up signals and investing in new CRM systems. A problem with the old systems, as one of the banks mentioned, is that it is hard to put a finger on what is wrong and relatively few customers complain loudly (4.1.4). This probably correlates to the exit fatigue and that the products and services are homogeneous (Hirschman, 1970). Hirschman states that listening to customers is advantageous in the long run and the only way that allows organization to react in time. In a possible scenario where the market offers more alternatives and diversified products the banks may start losing a much larger pool of customers. If they do not know why customers leave, they are in trouble. Hirschman (1970) states that people tend to be loyal towards a firm if they feel influential. The findings show that bank are taking customers’ concerns seriously and use this information to proactively transform their business. Having a loyal customer base allows banks to cautiously invest in new technology. However, banks may not be given this time lag without the support from their customers, and customers will only be patient if they can anticipate a positive change. As for instance, one of the banks are known for having an “airbag” in form of a personal relationship with clients and has never taken on the role as an early adopter, but still have the highest trust and loyalty ratings (4.2.1 & 4.1.2). Hirschman
(1970) says, from a customer perspective, loyalty can only turn into foolishness if the bank would fail to meet the expectations of its customers.

To summarize, the banks perceive that PSD2 directive will influence the future financial landscape by giving customers more alternatives, putting pressure on the relationship between the bank and its customers. Both Hirschman (1970) and Fornell’s (1992) studies imply that it will become more difficult for banks to establish a loyal customer base or at least challenge the relationship between the bank and its customers. Consequently, changing customer behavior forces banks to develop new ways to remain in contact with its customers (Cortiñas et al., 2010). The next section analyzes how the PSD2 directive may influence the way banks manage customer loyalty.

5.2 The Internal Aspects

5.2.1 Loyalty

“Loyalty” has become a commonly used phrase in recent years, but like most buzzwords it is difficult to find a clear, commonly-held definition, which makes the management of loyal customers problematic. All banks agreed that loyal customers are preferred since customer retention is less expensive than customer acquisition (4.2.1). This is in accordance with Lam & Burton (2006) and Wah Yap et al. (2012) who identified acquisition to be five times more expensive than retention. Furthermore researchers have found that loyalty leads to reduced operational and marketing costs (Lee & Cunningham, 2001; Flavian et al., 2006 and Farquhar & Meidan, 2010). In comparison to theory, no respondents commented directly on the aforementioned cost benefits, however stressed the importance of having profitable customers. One bank argued that banks needs to be clearer with what is included in their service offering saying, “Customers get what they pay for” (4.2.4). Hence, the thesis shows that there is an internal hierarchy between customers and that the size of their wallet is important. According to the banks they cannot afford to lose customers high up in the hierarchy, with a lot of capital, as the marginal costs will increase for the rest. But it is also important to keep customers with smaller wallets to reach economies of scale, yet not as critical if any of them choose to leave. Thus, the thesis points towards that banks, in line with theory, think of loyalty in terms of profitability (Edvardsson et al., 2000). Furthermore, banks acknowledge that not all customers are equally valuable, and that resources should managed accordingly (Sayani, 2015).
According to one respondent loyalty is “the measure of long-term satisfaction” and all banks seemed to agree that there is a strong correlation between the two concepts (4.2.1). This is also in accordance with several theorists who claim that banks can build loyalty via customer satisfaction (Wah Yap et al., 2012; Ehigie, 2006; Lewis & Soureli, 2006; Levesque & McDougall, 1996 and Gronroos, 1984). In addition to pointing out a strong relationship between the two concepts, theory suggests customer satisfaction is built through various dimensions. Lewis and Soureli (2006) make it clear that loyalty is the outcome of all multiple inter-relationships. Likewise banks supported that the constructs: trust, image and, experience are fundamental in creating a loyal customer base (4.2).

5.2.1 Trust
Esterik-Plasmeijer and van Raaij (2017) identify transparency, customer orientation, competence and integrity as key determinants of trust in banking. When asked what trust consists of, the banks answered that trust was established through putting their customers’ interests first, by not misbehaving and by providing a secure, user friendly and available infrastructure (4.2.2). All respondents agreed that banks, when compared to FinTechs, have a trust advantage. One bank argued that since they have been around since 1870, their many years of experience is a key element in building trust (4.2.2). Furthermore, rigid regulations to which FinTech companies do not have to comply may contribute to banks being perceived as trustworthier. This is connected to Yan and Holtmanns (2008) discussion about how regulations can lead to increased trust.

Banks identified different aspects of trust in online banking and stated that trust varies depending on the situation. This is in accordance with Chen and Barnes (2007) who stress that trust is more important in online channels than regular channels due to the higher degree of uncertainty. In contrast, one respondent argued that customers will not need to have as much trust in standardized products and services online. Stating that banks should instead put greater emphasis on the personal meetings as it is here they can establish a strong relationship with customers (4.2.2). If the personal connection is strong the respondent argue that the uncertainties online will be overlooked and the likelihood of using online method increases, which relates to the findings of Lee et al. (2011).

Shockley-Zalabak et al. (2010) shed light on historical happenings in the banking industry that have led to a social distrust against banks. Accordingly our findings show that banks are aware of their vulnerability in an interlinked network and feel a need to prove themselves
worthy. The banks agreed that crises such as the financial crises, affect the entire industry and that incidents such as the Panama scandal, spill over to other actors in the industry (4.2.2). New actors are so far spared from scandals, but likewise they will also experience setbacks due to the interlinked network. Furthermore, FinTechs might have a harder time combating trust issues, as they have no legacy to lean on. Therefore, the banking industry has a fastidious future ahead trying to build trust and repair the costs of mistrust. Adding to the complexity is managing the interlinked market trust with new and unpredictable players.

5.2.2 Image
Establishing an emotional association to company image will be a key competitive advantage going forward. Banking products are very homogeneous and it may be difficult for the customer to actually see a difference. Therefore, banks perceive that they need to distinguish themselves through their image, otherwise there is a risk that customers compare product by product and simply choose the cheapest (4.2.3). According to Erickson et al. (2013), communications channels are used create a relative attractiveness. The difficulty, according to one of the banks, is ensuring that what has been communicated is also lived out in their customer interface (4.2.3). Furthermore, as the banking industry is expected to become more digitalized, customers are likely to become more dependent on the perceived corporate image as a reference (Keller, 1998). In the past, banks have had an unfavorable image, nonetheless continue earning money. Our respondents argue that these conditions are not sustainable in the long run, stating that banks will have to improve their image, as new competition is entering the market (4.2.3). Or as one of the banks said, the importance of the image will increase, since in the near future the possibility to change bank will only be a keystroke away; and therefore, the emotional connection will be even more important (4.2.3). A major challenge is to reflect the physical meeting in a digital setting and furthermore establish emotional values that are aligned with the targeted customer base.

The already established brands pose the real threat. In accordance with Flavián et al. (2005) who highlight how image can serve as an obstacle for new competitors, one of the interviewees stressed that the real threats are companies with well-known brands such as Apple or Amazon, due to their already established image as well as large capital structures (4.2.3). It is more likely that a customer sign up for Apple Pay than for an unknown Fintech offering the same service due to brand recognition. Likewise, there is a possibility that customers chose these actors over a bank.
Protecting the bank’s image is important when engaging in partnerships. In open banking it is preferable to keep customer contact and to avoid becoming a supplier of infrastructure. This is in accordance with Andreassen and Lindestad’s (1998) study showing that a strong corporate image directly affects loyalty. However, banks struggle with whether or not they should front with their brand in an open platform: “It is a million dollar question”, said one respondent (4.2.3). Fronting with the corporate logo contributes to high recognition, but at the same time places them as trustees for the services delivered. The challenge is ensuring that company standards and customer expectations are met, despite different suppliers. If this is not managed, it is the fronted company image that will take the hit.

5.2.3 Experience

Carbone and Haeckel (1994) define customer experience as “the take-away impression formed by people's encounter with products, services and businesses”. Likewise Meyer and Schwager (2007) state that all interactions customers have with the bank, whether directly or indirectly, may affect the customer experience. As banks argue that they are moving towards an experience economy and perceive that the role of customer experience has a profound impact on the overall business: “It’s the core of everything we do” (4.2.4). The way in which banks deliver a good experience has dramatically changed. Back in the days, customers stepped into a bank office and asked for help during normal office hours. Today, banks have to go to its customer and be present in new channels such as, social media and third party apps which is in line with to Cortiñas et al. (2010) who stress that banks will constantly need to find new ways to stay in contact with its customers. For example, in some scenarios, FinTechs may be the ones directing customers towards the bank. The challenge lies in identifying new and unconventional interfaces as well as being available around the clock.

Convenience and functionality are mentioned as critical factors to form a good customer experience (Garg et al., 2012). Accordingly banks comment on the fact that customers expect simplified solutions to manage their day-to-day banking. Many banks perceived that competitors have been successful in making banking easier for customers. A good example brought up was Klarna who provides seamless checkout solutions (4.2.4). And one of the respondents comments on the fact that “it just happens”, suggesting banking is about to be a seamless experience. A major challenge for the banks is to find the right balance between safety and simplicity to not fall behind.
Most customers have first and foremost built up a relationship with the bank via traditional channels, and this is something that Chiou and Shen (2012) argue can help people navigate through digital platforms. Similarly, one respondent said that the personal relationship can work as an “airbag” against shortcomings (4.2.1). For example, a customer that has visited an office will be more tolerant towards technical issues in an app than a customer with no personal connection. No doubt it will become difficult to create these “airbags” as we are moving towards new and standardized interfaces. A challenge is to figure out how banks can create the same emotional elements in new interfaces.

All banks agree that the customer experience is the core in everything they do and proactivity can enhance the overall experience. Similar to Lewis and Soureli (2006) the banks talked about friendliness, ease of contact, and frequent communication with customers as means to show that they are part of their customer’s lives. Today, each customer has its own unique profile and expect more tailored products and services. Likewise, Verhoef et al., (2009) stress the importance of a distinctive customer experience by giving the customer individual attention. To help maximize the experience for customers banks want to become more proactive. One respondent said, “the bank has to be proactive, make the customer’s life easier, and provide products and services on the customer’s terms via different interfaces” (4.2.4). However, being proactive demands a new mind set and use of behavioral economics. Already now banks are doing pilots on certain segments but service design is likely to escalate. The challenge is to identify a need, communicate its value to customer, establish a credible platform and then provide the solution before competitors.
6. Discussion

6.1 Thesis Discussion

The thesis points towards that the future financial market will be influenced by more actors and that banks may have to alter its value chain. Our findings indicate that the ecosystem will be much bigger and new entrants and suppliers will challenge traditional models and revenue streams (4.1.2). Our analysis suggests that lower barriers as a result of new regulations may lead to price pressures. A fully owned vertical value chain will not be prosperous and banks will become part of a much more complex eco system where only parts of the value chain will belong to the banks (5.1). Third party providers will specialize in segments where they are more cost effective and as long as they do not challenge the banks in the customer interface they are considered potential partners (4.1.2). A challenge is to figure out where in the value chain the banks will have their core business and how that will affect the relationship with customers.

The PSD2 directive is considered to be an inflection point that will result in significant changes for the entire industry, which will affect the way banks manage their relationship with customers (5.1). Parallels can be drawn to other industries that have undergone disruption from digitalization such as the airline, telecom, hotel and music industry. Banks could learn from their mistakes and be better prepared to capitalize on the new market conditions. A concrete example is how telecom operators did not only have to build up the 3G network but then also lost revenue streams from text messages when new actors such as WhatsApp and Facebook started to offer instant messaging services on top of their networks. Therefore, a challenge for banks is to figure out how to transforms the industry and be the ones who change customer behavior. If not, banks might be the railway and FinTech the trains running on top of it and that will make it difficult to maintain a loyal customer base.

It seems unlikely that the banking industry will be transformed as drastically as the telecom or media industry, for the simple reason that people are more hesitant to switch banking apps than messaging apps. If a text message is not delivered it does not have as severe consequences as if a money transfer fails. Furthermore, our findings suggest that less than one in ten have so far bought financial services from another member state, which makes us believe it will take time until the Swedish market will be fully challenged by international players (4.1.3). Hence, even though the PSD2 directive enter into full force in January 2018, it
appears as if it will take several years until we see constructional market changes. However, having a loyal customer base will make this journey easier and our thesis suggests that banks have many advantages in keeping and building up a loyal customer base.

This thesis does not speculate in how the value chain will be transformed, but implies that banks could take on three possible strategies (4.1.2). The first one is to focus on the products and services and stay at the lowest level of the value chain. This means acting as a supplier towards FinTech companies who have the initial contact with customers. The second alternative is to build an open platform for third parties providers and set up various forms of partnerships with them. Last alternative is to alter the business model and differentiate the bank so that it can be one of the top aggregators keeping the customer interface and direct contact with customers. In order to maintain customers and build up a long term relationship, the later or second alternative are desirable. Hirschman (1970) points out, the best scenario is to find a niche with products and services are relatively far from competitors. Furthermore, they need to be in a position where they can listen to its customer and receive feedback. We notice that not all banks are taking on the same position but rather quite different roles depending on their pre-existing customer base (4.2.1).

Regardless of where banks position themselves in the value chain, the thesis finds that more diversified products and services will lead to a segmented customer base. It could be difficult to find a niche but it should not be too far from the core business. For example, a bank could focus on housing mortgage loans and then build services around that product. Services could be offered in form of partnership with, real estate agents, carpenters and insurance companies, all kinds of services that might be needed when buying or selling a home. The PSD2 directive calls for co creation with third parties and allows banks to broaden their customer offering and produce more value added services for its customers as well as differentiate themselves from competitors (4.1.2). Specialization may lead to a fairly large distance between products and services, which could help banks maintain a loyal customer base according to Hirschman’s theory (1970). A challenge will be to identify potential partners that can augment the bank’s offering so that it differs from competitors.

Our findings suggest that banks perceive trust and transparency to be key advantages for banks when being compared to the well-established aggregators such as Google, Amazon and Facebook (4.2.2). These large companies are likely to build products and services on top of the value chain, but as people become more concerned with how these giants utilize
transaction data many may turn to the banks, as they are considered trustworthier. To create this advantage, banks will have to be transparent and show that they are not capitalizing on customer data for their own good but only use it to add customer value (4.2.4). Keeping a transparent, open and honest dialog around customer value is a challenge that requires a lot of resources but drives the industry forward.

One of the biggest challenges facing banks since the crises of trust is that they are scrutinized by authorities who advocate less risk taking. While our analysis points towards that banks have relative trust advantage from rigid regulations these may also serve as a hinder (5.2.1). Given the new landscape and rising customer expectations, innovation is inevitable to create a favorable experience that attracts and retains customers (5.2.3). However, innovation always includes risk taking. The fact that banks are expected to become more innovative and at the same time take less risk is a paradox that may be an obstacle when managing customers.

The analysis suggests that proactivity and getting to know the customers’ needs is fundamental in creating a favorable experience, both from a practical and theoretical point of view (5.2.3). Banks that have not yet recruited a Customer Experience Officer (CXO) might have a tougher time getting to know their customers. The thesis implies that banks are in the midst of altering their strategic design and rethink their business model from a customer perspective (4.2.4). Furthermore, they need to identify when and how to create value together with the customer. Personalization is one way of creating value and will be important in all customer interfaces. To succeed in this, banks might take greater use of big data. This will not only help banks to tailor products to their needs but also understand their context; and as a result, enable them to better manage customer relations.

6.1 Thesis Contributions and Suggestions for Future Research

The thesis is a contribution not only to research but also to European legislators and the banking industry. The thesis is valuable to research showing the significance of a loyal customer base in a disruptive transformation and supports Hirschman’s theory (1970). An interesting route to extend this research would be to analyze the correlation between the proposed antecedents and use our analytical model as platform for quantitative studies (2.5). A quantitative study would extend the understanding for how the different constructs are interlinked. As for instance, based on our empirical data, our hypothesis is that there is a
positive correlation between image and trust. However, our qualitative data cannot alone confirm this. Our thesis is also a contribution to legislators as it gives an increased understanding of how directives may affect market structures and their stakeholders. Furthermore, the thesis is a contribution on a firm level for the banking industry, as it provides a comprehensive picture of the perceived challenges in building a loyal customer base.

We suggest loyalty within in the Swedish banking sector can be further researched from a variety of new perspectives. Instead of focusing on retail banking one could look at the same question from the perspective of commercial banking. We also encourage others to look at the same situation from a customer or legislator’s point of view. Another idea would be to investigate whether or not smaller banks have the same perception of the new directive and to what extent the organizational structure and ownership may influence the way different banks deal with upcoming directives.

The thesis suggests that partnerships between banks and FinTech are established to improve customer experience. It would be interesting to study how these collaborations affect in-house innovation. Furthermore, the thesis implies that banks need to gain a better understanding of the benefits derived from having loyal customers. Therefore, more research should be dedicated to quantify the value of loyal customers. For example by measuring customer lifetime value (Kahreh et al., 2014).

On a final note, we wonder what the overall effect of all EU directives will have on the financial market. All banks mentioned that they were under pressure coping with several projects at the same time and that some directives, like PSD2 and GDPR, stood in great contrast to one another. To the best of our knowledge, there is no overreaching report, either at national or European level, which has looked at the combined effects. Therefore, a suggestion for further research could be to map how the directives all together affect the financial market and in particular the relationship between banks and its customer.
7. Conclusion

7.1 Thesis Conclusion

The PSD2 directive poses many challenges for banks in regards to maintaining and attracting a loyal customer base. First of all, a challenge will be to attract and retain customers in an open market where customers can move more swiftly between competitors and chose alternatives from all member states. One way to tackle this challenge is to differentiate the bank against competitors and move away from homogenous offerings. We notice that not all banks are taking on the same position but rather quite different roles depending on their pre-existing customer base. A second challenge will therefore be to figure out where in the value chain the banks will have their core business. To pick a strategy and dare to execute, is crucial for the banks at this moment in time. Another challenge is to avoid the lower levels of the value chain and the risk of becoming the railway for FinTechs. To stay in touch with customers and keep the initial contact will be essential for a bank’s survival, hence there is a need to invest in customer relation management systems. Another challenge will be to identify potential partners that can augment the bank's offering and we will see new constellations of partnerships across industries. New actors can either be viewed as partners or competitors. However, it is unlikely that the banking industry will be transformed as drastically as the telecom or media industry. Nevertheless, it is a major transition for the organization as well as for the customers.

The market changes pose many internal challenges for banks when building a loyal customer base. Confirming Hirschman's theory (1970), loyal customers are preferred in the moment of digital disruption since they give banks the necessary time lag to transform their business model. Surprisingly, banks face a challenge in defining what a loyal customer is and understand its value for the organization. At the same time, banks need to take into account that not all loyal customers will be beneficial over a lifetime, and prioritize their resources accordingly. Furthermore, the thesis reveals several challenges that can emerge in regards to building trust, image and experience, all of which are essential antecedents of loyalty.

When it comes to trust, it is believed that bad publicity and social distrust in regards to the industry can be perceived as a hinder in the digital transformation, especially when removing the personal relationship that works as an “airbag”. A challenge will be rebuilding trust and repairing the costs of mistrust. Adding to the complexity is managing the interlinked market
trust with new and unpredictable players. Trust may also be situational, hence a challenge will be identifying when and in what channels trust may be preferred over simplicity. Transparency is one way of establishing trust and the banks may have a competitive advantage against large giants if they can show that they are only using data to add value for the customers. In general, directives and regulations are enforced to establish confidence in the market and prevent excessive risk-taking among actors. Consequently, banks are struggling with the innovation paradox, as they are expected to innovate and at the same time be compliant with rigid regulations and take less risk.

Image can either be seen as a competitive advantage towards new and unexposed companies like Finches, however, it can also been seen as barrier against well-established banks as Google and Amazon. The difficulty is ensuring that what has been communicated is also lived out in their customer interface. Furthermore, image is mostly challenged in the higher levels of the value chain where well-established brands will compete for customer interface. The image will be key in attracting the right partners and customers. Banks are questioning how to manage their brand and to protect their image when engaging in partnerships.

In regards to customer experience, the challenge is to identify new and unconventional interfaces as well as find the right balance between safety and simplicity. Creating appropriate service design that is centered on the customer needs is a must. In addition to this, banks must figure out how banks can create the same emotional elements online as offline. Since the emotional connection acts as an “airbag” against technical shortcomings that otherwise would have led to a bad experience. The greatest challenge is perhaps to design products according to customer needs and be proactive. Banks may take use of both service design and behavioral economics, but a challenge is to identify the need, communicate its value to customer, establish a credible platform and implement a solution before competitors.

7.2 Reflections

On a final note, we would like to share some personal reflections that arose during the academic journey in writing this thesis. In contrary to our theoretical contributions and suggestions for further research, found in the Discussion, this final section reflects upon some practical suggestions for the industry on a firm level.
In order to deliver tomorrow's customer experience, banks need to strategically audit its workforce and internal competence. Given new directives and technology, IT departments and the rest of the bank need to be better at leveraging on the different competencies and work together. While most CFOs are starting to get an interest in IT, there is still a long way to go in making sure that IT developers become interested in the core business. As a rule of thumb, banks need personnel with an understanding for both fields to re-energize the connection with customers.

A cultural change seems inevitable, which may also be the biggest challenge in transforming the bank into the new PSD2 market. Banks may have to re-evaluate their corporate values to determine if they are supporting this transformation. Having the right mindset and values to lean on is important when undergoing large organizational changes. For example, adding collaboration, if not already listed as a value, would seem most plausible given that part of the business will be done through partnerships. Another word that would be helpful in the midst of digital disruption is courage. Furthermore, adding an internal statement or value that puts the customers in the center.

The boundaries between a bank and other financial player are slowly erased. We expect more hybrid collaborations, including third party organizations sharing common values. However, we understand that FinTech companies products and services do not always fall into any of the bank's traditional segments: saving, lending etc. Therefore, it may be difficult to find the right contact person within the bank to set up a partnership. Thus, banks may find it necessary to invest in FinTech Advisors who can coordinate and translate FinTech's ideas into the bank's business model.
References


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Appendix A - Connection between Theory and Questions

<table>
<thead>
<tr>
<th>Aspects</th>
<th>Theory</th>
<th>Questions</th>
</tr>
</thead>
</table>
| Loyalty   | Loyal customers:  
- are less likely to use exit and voice is given more scope (Hirschman, 1970)(6).  
- see exit as either unquestionable or as a weapon to influence the organization (Hirschman, 1970) (6).  
-believe that the possibility of an easy exit, weakens the incentive to use voice (Hirschman, 1970). (12, 15,)  
The effect of satisfaction on loyalty may be influenced by customer experience, image or trust (Lewis & Soureli, 2006). (7, 8,)  
The attributes of loyalty can be recognized through behavior such as a continued preference for a product or brand, repeated purchases as well as a favorable word of mouth (Lee & Feick, 2001 and Barnes & Howlett, 1998) (6, 7, 9).  
Loyalty cannot be examined as a stand alone concept: instead, various dimension needs to be considered within a network of relationships where loyalty is the outcome of all these inter-relationships (Lewis & Soureli, 2006) (8, 10).  
Usually either the voice or exit mechanism dominates in an organisation (Hirschman, 1970) (12, 15).  
Best market conditions for developing the organization’s responsiveness consists of relatively few competitors with fairly large distance between them in terms of product or service offering (Hirschman, 1970) (11).  
Organizations sometimes try to suffocate both voice and exit (Hirschman, 1970) (15)  
Feedback through either the exit or protest mechanisms are in the long-term healthy for the organization (Hirschman, 1970). (15, 14)  
In organization where the cost of entrance is | 6. Please describe what is considered to be a loyal customer?  
7. How do you measure customer loyalty?  
8. How do you work towards building customer loyalty in the bank?  
9. Can you exemplify how this is done within your function?  
10. Is there any difference in establishing customer loyalty online vs. offline? Do you perceive any challenges when building loyalty in digital channels?  
11. What distinguishes your bank’s products and services from the other banks?  
12. Is it easy or difficult to change bank today?  
13. What is the most common reason for changing bank?  
14. Do you follow up on customers who to leave the bank? If yes, how do you follow up?  
15. To what extent does the bank observe customers’ opinions? |
<table>
<thead>
<tr>
<th>Trust</th>
<th>Image</th>
</tr>
</thead>
<tbody>
<tr>
<td>high, it takes longer time for members to acknowledge deterioration, and they stay loyal longer (Hirschman, 1970). (12)</td>
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</tr>
<tr>
<td>Trust</td>
<td>Image</td>
</tr>
<tr>
<td>Sekhon et al., (2014) define trust as “an individual’s willingness to accept vulnerability on the grounds of positive expectations about intentions or behavior of another in a situation characterized by interdependence and risk” (6).</td>
<td>Communication channels can be a tool to build a strong corporate image and create a relative attractiveness. (Andreassen &amp; Bredal, 1996) (6, 8)</td>
</tr>
<tr>
<td>van Esterik-Plasmeijer &amp; van Raaij (2017) outline integrity, transparency, customer orientation, and competence as the core determinants of trust in banking (7, 8).</td>
<td>Corporate image is what customers believe or feel, however, the emotional feelings seems to be predominant to the functional elements. Palacio et al. (2002) (7)</td>
</tr>
<tr>
<td>Whether or not customers are likely to switch from traditional banking to online banking has to do with their existing offline trust, offline loyalty and the switching costs (Lee et al., 2011) (8)</td>
<td>Both proactively and reactively, through building and defending their image in the</td>
</tr>
<tr>
<td>Chen and Barnes (2007) state that trust is more important in the online channels than regular channels due to the higher degree of uncertainty in an online context (9, 10).</td>
<td>6. Could you please tell us about the role of company image in banking?</td>
</tr>
<tr>
<td>Regulatory frameworks have been proven to help create and support trust within an online community, and especially within the financial sector (Yan &amp; Holtmanns, 2008) (11)</td>
<td>7. What does company image contain?</td>
</tr>
<tr>
<td>Historical happenings in the banking industry have led to a social distrust against banks. Recently, we have witnessed several financial crises that are referred to as crises of trust (Shockley-Zalabak et al., 2010). (12)</td>
<td>8. How can banks establish a strong company image?</td>
</tr>
<tr>
<td>6. Could you please tell us about the role of trust in banking?</td>
<td>9. What significance will company image have in the future?</td>
</tr>
<tr>
<td>7. What does trust contain?</td>
<td>10. Is there any difference in establishing trust online vs. offline?</td>
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<td>9. What significance will trust have in the future?</td>
<td>12. Is trust a reflection of the industry and/or the company itself?</td>
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<tr>
<td>10. Is there any difference in establishing trust online vs. offline?</td>
<td>13. What do you perceive to be the pros and cons of your bank’s trustworthiness if it was to be challenged by FinTech companies?</td>
</tr>
</tbody>
</table>
As the banking industry is expected to become more digitalized, customers are likely to become more dependent on the perceived corporate image as a reference, when evaluating and building company perception for the customer (Keller, 1998). (9, 11)

Image can serve as an obstacle to entry for new competitors (Flavián et al., 2005) (12).

Carbone and Haeckel (1994) define customer experience as “the take-away impression formed by people’s encounter with products, services and businesses” (6).

Garg et al., (2012) identified convenience, employees, online functional elements, and service as critical factor for measuring customer experience in bank organizations (7, 8).

To be able to create and deliver customer experience should be the prime objective of firms (Verhoef et al., 2009) (9, 12).

Customers typically have a history of experience with the physical bank, which can help customers to mitigate the uncertainty related to the use of the digital platforms (Chiou & Shen, 2012) (10,11).

<table>
<thead>
<tr>
<th>Experience</th>
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</tr>
</tbody>
</table>
Appendix B - Interview Guides

Interview guide 1 (Trust)

1. What are the biggest changes for the bank in regards to the PSD2 Directive?
2. To what extent will the new directive affect your daily work?
3. What impact will the PSD2 directive have on the digitization pace?
4. How does the bank perceive FinTech companies?
5. What is the current relationship between the bank and available Fin Techs and how will it change?

6. Could you please tell us about the role of trust in banking?
7. What does trust contain?
8. How can banks establish trust?
9. What significance will trust have in the future?
10. Is there any difference in establishing trust online vs. offline?
11. What role does regulatory framework play in building trust?
12. Is trust a reflection of the industry and/or the company itself?
13. What do you perceive to be the pros and cons of your bank’s trustworthiness if it was to be challenged by FinTech companies?

Interview guide 2 (Image)

1. What are the biggest market changes for the bank in regards to the PSD2 Directive?
2. To what extent will the new directive affect your daily work?
3. What impact will the PSD2 directive have on the digitization pace?
4. How does the bank perceive FinTech companies?
5. What is the current relationship between the bank and available Fin Techs and how will it change?

6. Could you please tell us about the role of company image in banking?
7. What does company image contain?
8. How can banks establish a strong company image?
9. What significance will company image have in the future?
10. Is there any difference in establishing image online vs. offline? Do you perceive any challenges when building a strong company image in digital channels?
11. Is the company image a reflection of the industry and/or the company itself?
12. What do you perceive to be the pros and cons of your bank’s image if it was to be challenged by FinTech companies?
Interview guide 3 (Customer Experience)

1. What are the biggest market changes for the bank in regards to the PSD2 Directive?
2. To what extent will the new directive affect your daily work?
3. What impact will the PSD2 directive have on the digitization pace?
4. How does the bank perceive FinTech companies?
5. What is the current relationship between the bank and available FinTechs and how will it change?

6. Could you please tell us about the role of Customer experience in banking?
7. What does Customer satisfaction contain?
8. How can banks establish Customer experience?
9. What significance will Customer experience have in the future?
10. Is there any difference in establishing Customer experience online vs. offline?
11. What do you perceive to be the pros and cons of your bank’s Customer experience level, if it was to be challenged by FinTech companies?
12. How would you describe tomorrow’s customer experience, and what are the challenges in delivering it?

Interview guide 4 (Managing Loyalty)

1. What are the biggest market changes for the bank in regards to the PSD2 Directive?
2. To what extent will the new directive affect your daily work?
3. What impact will the PSD2 directive have on the digitization pace?
4. How does the bank perceive FinTech companies?
5. What is the current relationship between the bank and available FinTechs and how will it change?

6. Please describe what is considered to be a loyal customer?
7. How do you measure customer loyalty?
8. How do you work towards building customer loyalty in the bank?
9. Can you exemplify how this is done within your function?
10. Is there any difference in establishing customer loyalty online vs. offline? Do you perceive any challenges when building loyalty in digital channels?

11. What distinguishes your bank’s products and services from the other banks?
12. Is it easy or difficult to change bank today?
13. What is the most common reason for changing bank?
14. Do you follow up on customers who to leave the bank? If yes, how do you follow up?
15. To what extent does the bank observe customers’ opinions? Please state both positive and constructive feedback.
Appendix C - Correlation between Customer Satisfaction and Loyalty

SKI defines Customer Satisfaction by asking (on a scale 1-10):
Tänk på all erfarenhet du har av "din aktör". Hur nöjd är du?
Translation: Thinking of all the experience you have of "your actor". How satisfied are you?

I vilken mån anser du att "din aktör" uppfyller dina förväntningar?
To what extent do you consider that your "actor" meets your expectations?

Tänk dig en perfekt "aktör". Hur nära eller långt ifrån en sådan upplever du att "din aktör" är?
Imagine a perfect "actor". How close or far away do you perceive that "your actor" is from that one?

SKI defines loyalty by asking (on a scale 1-10):
Om du skulle välja "aktör" idag, hur troligt är det då att du väljer "din aktör"?
If you were to choose "actor" today, how likely is it that you choose "your actor"?

På vilket sätt talar du normalt om "din aktör"?
In what way do you usually speak about "your actor"?

Hur troligt är det att du skulle rekommendera "din aktör" till någon annan?
How likely is it that you would recommend "your actor" to someone else?

Table showing the correlation between customer satisfaction and loyalty according to SKI

<table>
<thead>
<tr>
<th>Bank</th>
<th>Correlation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bank 1</td>
<td>0.87</td>
</tr>
<tr>
<td>Bank 2</td>
<td>0.89</td>
</tr>
<tr>
<td>Bank 3</td>
<td>0.86</td>
</tr>
<tr>
<td>Bank 4</td>
<td>0.88</td>
</tr>
</tbody>
</table>

Their findings point towards a strong correlation between customer satisfaction and loyalty. On the next page is an example of the correlation between customer satisfaction and willingness to recommend from Nordea, who also confirms this relationship.
There is strong correlation (R-squared = 0.90) between customer satisfaction and the willingness to recommend.

Source: Nordea, 2017