The Effects of the Digital Transformation Process on Banks’ Relationship with Customers
– Case Study of a Large Swedish Bank

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Robert Ortstad
Binan Sonono

Supervisor: Fredrik Nilsson
Shruti Kashyap
Abstract

The role of digitalisation in the banking sector has altered customers’ preferences and demands. As a result of this, banks in Sweden are becoming more digitally oriented in order to satisfy their customers’ new preferences and demands. According to the contingency theory, the banks’ new digital focus has to be aligned with other factors in the banks in order for them to function effectively. The purpose of this study is to investigate how the banks’ relationship with customers is affected by this digital focus. This is a qualitative study that has been conducted through a case study at a large Swedish bank. The data gathered in the case study indicate that the relationship with customers has become less personalised and more automated. It also shows that an alignment in the bank has contributed to increased satisfaction among digitally oriented customers.

Keywords: Customer relationship management, digitalisation, digital strategy, contingency theory, business strategy.
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Abbreviation List

CRM - Customer relationship management
P2P - Peer-to-peer
IT - Information technology
1. Introduction

In chapter one, the latest innovation and developments in the digital era have affected the banking industry and the effects on the relationship between customers and banks is introduced. This chapter then describes the research question and the purpose of the study. Lastly, we present our delimitation.

1.1 Background

The introduction of the most recent digital developments in the banking industry implies that retail banks’ role in the financial sector has changed (Capgemini and Efma, 2016). Recent innovations in digital technology have resulted in increased competition from innovative firms, but it has also sparked a change in consumer preferences and demands that have altered the relationship between the consumers and the retail banks (Accenture, 2015a). As a result, consumers are today more willing to conduct their bank errands through digital platforms (Accenture, 2015a; Skinner, 2014).

Traditionally the banking industry has conducted its businesses with consumers through face-to-face interactions. However, as of late, retail banks have increased their use of digital platforms as supplementary channels to branch offices in order to offer their products and services to consumers (Capgemini and Efma, 2016). These supplementary channels allow banks to offer more personalised service at any time and anywhere geographically more effectively (Deutsche Bank 2015). The idea is that by using more digitalised platforms, the customers’ involvement will increase and, therefore, create a more loyal customer base (Ravi et al., 2001). This increase in involvement among customers allow the banks to operate more effectively and more cost-efficiently since customers are able to perform their errands through the bank's digital channels, such as the internet bank (Ravi et al., 2001).

The pace of digital developments and the fact that the industry is becoming more digital oriented has opened the way for new competitors to establish themselves in the financial services market (Capgemini and Efma, 2016). For years, retail banks were protected by the industry’s high entry barriers. However, the development of digital technologies has lowered the entry barriers for more innovative businesses to capture parts of the incumbent banks’ value chain (Accenture 2015a; Deutsche Bank 2015). This has made it possible for non-
financial competitors to establish themselves in the industry by offering more niche and customised financial services and products (Capgemini and Efma, 2016).

Due to the increase in digital solutions in the banking industry, the industry is witnessing an increase in mobility among customers between banks (Ndubisi, 2007). The digital transformation within the industry has also affected the switching costs for customers that are able to choose from both non-financial and financial businesses in order to maximise their value (Ndubisi, 2007). This has sparked a change in traditional power balance between the bank and customer, as customers are now starting to take the driving seat and are able to put pressure on the banks to modernise their infrastructure, financial products, and services (EY, 2010; Peppard, 2000). This allows the customers to have the bargaining power over their banks since there is a wide choice of products and services available to them (Finansinspektionen, 2016; Ravi et al., 2001).

1.2 Problem Statement

As the environment changes, so too does consumers’ behaviour. Customer satisfaction is a key term in measuring how well banks are meeting or exceeding customers’ expectations (Thuli & Bharadwaj, 2009). When customers’ expectations are met, their satisfaction increases and this is a key part in increasing loyalty in the customer base (Skinner, 2014). In order for there to be customer loyalty, there has to be customer satisfaction first. Without customer satisfaction, the customers will want to look elsewhere (Thuli & Bharadwaj, 2009).

A bank’s relationship with its customers is among the most important aspects for the bank to be profitable. Customers are the bloodline of the bank as they are the ones conducting business with the bank and bringing revenue into the bank (Skinner, 2014). For long-term survival, having customer loyalty is essential as loyal customers benefit the bank through repeat businesses with the bank and advocate the bank to others whereas unhappy customers will bad-mouth the bank (Nițescu, 2016). Without customers, the revenue line of the bank will perish and survival in the long run will be hard (Skinner, 2014). Therefore, it is important for banks to maintain a good relation with customers. The relationship with customers is maintained through business to consumer interactions in which the bank offers the products and services customers want (Ebert, 2009). This is done by gathering information regarding consumers and current customers, and then reacting accordingly to the
gathered information. The process is known as customer relationship management (CRM) and is a core aspect of most banks (Swift, 2001).

With the digitalisation process that has been occurring in society, consumer behaviour is changing and consumers’ are starting to expect retail banking services at any time and anywhere (Becket et al., 2000). As the customers in retail banks are natural persons, the changes in consumer behaviour is especially noticeable in the retail banking sector as retail banks now have to keep up with the fast-changing preferences of the consumers to keep them satisfied in order to enhance the customer relationship. If they fail to keep up with the new preferences, then customers will start to become unsatisfied and start looking elsewhere (Storbacka & Lehtinen, 2012). Studies are finding that almost a quarter of customers are planning on changing banks in the near future, which is an indication that banks are not keeping up with the changing preferences (Accenture, 2015b). While the digitalisation process is affecting consumers, the banks can also use new technological innovations to meet the new demands of consumers. It is possible for the bank to react quickly to noticeable changes in consumer behaviour by incorporating digital solutions into the customer relationship management, but this in turn will also affect the bank’s relationship with customers (Grönroos, 2004).

The changes in consumer behaviour and the increased mobility of customers is problematic for retail banks as at first it creates issues in satisfying customers and then makes it hard for the bank to maintain the customer’s loyalty once the demands and preferences have been satisfied (Ndubisi, 2007). Despite the challenges in sustaining the customer relationship, there are possible ways to neglect the downwards trend. Campbell and Frei (2010) have found that retail banks that offer services and products through online channels benefit from higher revenue, lower service costs, and gain customer loyalty. This is in line with the prospect that consumers are moving towards impersonal channels to conduct their retail banking business (Eriksson & Marquardt, 2001). Incorporating digital venues into the bank’s customer relationship management, opens up for the opportunity to meet the consumers’ demands. Despite digital channels being impersonal, there is still a demand for a personal experience (Eriksson & Marquardt, 2001). Digital products and services have a primary role to play here as it is through the digital channels that it is possible to meet both the demands for availability and personalisation at the same time. The indication here is that even with the increased customer movement, it is possible meet multiple consumer demands at the same
time. With this, there is a possibility for providing an experience that makes the customer not want to switch bank despite the low switching costs (Campbell & Frei, 2010).

Along with the digitalisation process, technical solutions are heavily reducing the switching costs associated with switching banks and satisfied customers are starting to enjoy variation for themselves (Storbacka & Lehtinen, 2012). Around half of the bank customers today are willing to take their business to non-financial firms if they were to start offering banking services (Accenture, 2015a). Satisfied customers are, therefore, prone to changing banks to see what other banks have to offer (Storbacka & Lehtinen, 2012). This has resulted in an increase in movement on the market and it is harder for banks to keep their customers loyal (Ndubisi, 2007). Nevertheless, the importance of customers within banks has not changed and the challenges in keeping customers satisfied are putting pressure on banks to focus more on their customer relationship management (Swift, 2001).

1.3 Research Question and Purpose Statement

As we have presented in the problem statement above, new technological innovations have led to a digitalisation process that have made it possible to provide technologically suitable products and services, which has had a significant effect on consumer behaviour. Furthermore, these technological innovations have led to consumers preferring more digital solutions in their bank errands. As such, it is now harder banks to keep their customers satisfied compared to before. Therefore, our purpose with this study is to investigate how the digitalisation process in our case bank has affected its relationship with customers. This will contribute with knowledge regarding the impact of the digitalisation process in retail bank and how this affects their relationship with customers. As digitalisation is an ongoing process in today’s society and banks, this is motivate by the need for further understanding for how banks view the effects of digital improvements on their relationship with customers. As such, the research question is as follows:

- How are banks’ relationships with customers affected by the digitalisation process in Swedish banks?
1.4 Delimitations

For the purpose of this study, digital channels and platforms are related to the internet bank and the mobile bank platforms. Furthermore, since this study is using a qualitative research design, the aim is to explain the effect of the digitalisation process on the case bank’s relationship with their customers. However, the aim is not to measure customer loyalty in the relationships. Since this study is a case study, it will be limited to a single organisation within the Swedish banking industry and the bank’s retail banking consumer group. Only the relationship with natural persons will be studied. Furthermore, this study concerns itself with the bank’s relationship with their customers, and it is from the bank’s perspective that the relationship with customers is viewed. As such, how customers view their relationship with the bank lies outside of this study.
2. Theory

In this chapter, we present a description of the Swedish banking industry and the theoretical concepts that are used in the study. The theories are then joined together in a theoretical model at the end and the relationship between the factors is discussed. This model is then used to analyse the results of the study.

2.1 The Banking Industry

The Swedish banking industry has experienced significant events over the past three decades that have come to change and consolidate the industry (Frisell & Noréu, 2002). This has resulted in today’s highly concentrated banking industry consisting of the four largest commercial banks – Nordea, Swedbank, Handelsbanken and SEB – whom together possess 75% of the total banking market, the rest is divided among 112 other banks (Swedish Banker's Association, 2015). The top four banks share many similarities when it comes to product and service offerings to their customers, but there are also big differences when it comes to the pricing of these products and services, and their strategic focus (Swedish Bankers’ Association, 2015).

The banking industry is today encountering a rapidly developing technological environment, where innovation is one of the most critical factors in creating a sustainable growth (Capgemini and Efma, 2016). As mentioned before, the banking industry faces major challenges that has reshaped the industry (Accenture, 2015a; Capgemini and Efma, 2016; Frisell & Noréu, 2002; Swedish Banker's Association, 2015). Capgemini and Efma (2016), suggest that retail banks’ primary challenges consist of the technological advancement, the altered behaviour of customers, and the increased competition from non-financial organisations.

Since the introduction of the internet and smartphones, new consumer behaviour has emerged. In retail banking, customers are demanding multiple interaction points with a clear focus on digital and mobile banking services (Accenture, 2015b). According to Capgemini and Efma (2016), this creates problems for banks as it becomes harder for them to meet their customers’ demands and expectations. The pace of digital development is growing and the banking industry is having a hard time keeping up (Capgemini and Efma, 2016). Factors such
as regulation, limited digital capabilities and resources, such as digital skills, knowledge, and tools for integrating digitalised systems, limit their capability to respond and adapt to the new customer behaviour. With the digital transformation of the industry that has resulted in low entrance costs for other business, this has led to increased competition from new entrants. These new entrants are able to establish themselves and offer more suitable financial services and products that are in line with consumer preferences and demands (Accenture, 2015a).

2.2 Business Strategy

The concept of strategy has a lot of different meanings. Andrews (1980) views strategy as a pattern of decisions that determine the goals, produces principal strategies, plans, and defines the range of business. Generally, the concept of strategy refers to the corporate strategy, but business units within large organisations have their own business strategies related to their specific product-market situation (Porter, 1987). Since the purpose of this study is to examine the effects of digitalisation on the bank’s relationship with customers, including the business strategy in the study is important as it is the strategy that sets the goals for the business units to achieve (Porter, 1987).

Strategic congruence means that the different strategies within an organisation are aligned with each other and working towards the same overall goals (Nilsson & Rapp, 2005). Having this within a firm is fundamental in achieving a competitive advantage. It is business units that compete directly on the market and as such they are very important elements of a firm (Nilsson & Rapp, 2005). Business units have their own strategic goals separate from the overall corporate goals that they use to compete on the market, and it is this that the business strategy refers to. In order to create value for the firm as a whole, it is important that the business strategy is in line with other strategies employed to prevent the business units from working against the firm (Nilsson & Rapp, 2005). In order to specify the business strategy, Porter (1980) brought forth a typology with two generic strategies that can be applied to all customer segments or on particular customer segments only, that business units use to gain a competitive advantage.
The first strategy is cost leadership and is focused on gaining a competitive advantage through low costs (Porter, 1985a). On the other hand, differentiation is used to gain a competitive advantage by differentiating the products and services offered (Porter, 1985a). In addition to this, it is also possible to focus the two strategies on a narrow market segment.

Cost Leadership

Cost leadership is gained through two primary ways. The first one is to reconfigure the value chain which aims at adopting different and efficient ways to design, produce, market and distribute the product or service (Porter, 1985a). Controlling cost drivers is the second way and is aimed at controlling the factors within the firm that cause changes in various firm activities (Porter, 1985a). By controlling these drivers throughout the value chain better than competitors, a cost leadership is created. These two major ways of creating cost leadership are not exclusive, and Porter (1985a) argues that the best way of creating long-term cost leadership is by combining them as cost leadership usually stems from multiple activities.

All activities in firms are in some way affected by technology (Porter, 1985b). As such, technology has a large effect on cost leadership. Through new technology new linkages between activities can be created, which further drives down the cost (Porter, 1985b). By being able to discover and employing new technology that is better for performing the firm’s activities before competitors, the firm will gain cost leadership. Through this, the digital

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Figure 1: Porter’s typology of business strategies (Porter, 1980, p. 39).
strategy can assist in providing cost leadership for the firm through the development of new technologies to make the firm’s activities more efficient.

Differentiation

Differentiation is acquired when a firm offers something unique compared to what the competitors are offering, and a fundamental aspect of how differentiation provides a competitive advantage for the firm is that the unique aspect of the product or service has value for the consumer (Porter, 1985a). Differentiation strategies also come with increased costs since it adds additional activities. As such, the increased price has to exceed the increase in costs if there is to be a sustainable competitive advantage. The unique aspects can either be a differentiation in the final product or in the activities leading up to the final product (Porter, 1985a).

Technological change is an aspect that influences differentiation strategies in firms that incorporate new technologies early into their products, which provides them with a distinct uniqueness compared to competitors (Porter, 1985b). If the pioneering attempt is successful competitors will end up imitating, but there are still first-mover advantages that persists after the technological differentiation is gone, for example customers that committed to the firm when the technology was first introduced (Porter, 1985b).

Focus

Differentiation and cost leadership are both aimed towards a broad segment. Because of this, Porter (1985a) also developed what he calls focus. Unlike the previous strategies, focus is aimed at a narrow segment within the market. It is divided into two different variants based on the previous competitive advantages: cost focus and differentiation focus (Porter, 1985a). Since the focus strategy is aimed at a narrow market segment and fulfilling the demands of that segment, other market segments tend to end up neglected. Although, the advantage of the focus strategy is that it will be able to fulfil the demands of the narrow market segment much better than if the firm were to be using a broader strategy (Porter, 1985a). In combination with the digital strategy, it could, for example, be possible to reach out to a market segment that’s much more digitalised than other market segments.
Integrated Strategies

Through the act of differentiation, costs are usually added to the development of products and services (Porter, 1985a). As such, differentiation strategies are most of the time not compatible with cost leadership strategies (Porter, 1985a). According to Porter (1985a), combining the two strategies is only feasible when the firm has overwhelming economies of scale or exclusive rights to a technological innovation. However, Murray (1988) challenges this view and discovered that combining the two strategies is feasible in more situations. For example, when the organisation has a long experience of developing a product or supplying a service, then cost saving in the activities can be achieved even if there are unique aspects to the products and services (Murray, 1988). Furthermore, Eosoo et al. (2004) found that for organisations with platforms on the internet, an integrated strategy containing both cost leadership and differentiation aspects in it were more effective than a single strategy. While this study was conducted at early stages of the internet, it does show that an integrated strategy is possible under more circumstances than what Porter (1985a) gives it credit for.

2.3 Digital Strategy

For a retail bank to be able to compete with new entrants and to be able to develop personalised and unique customer experiences, it has to modernise its information technology (IT) structure and become more digital oriented (Broeders & Khanna, 2015). Since IT has become a central part in today's digitised business environment, the strategical planning of IT and digitalisation is a top-priority for today’s organisations, and this is conducted through the digital strategy (Galliers et al., 2014; Luftman, 2000). Digital strategy can be defined as a strategic plan that consists of specifying the organisation’s digital vision, goals, and opportunities, as well as allocating the organisation IT resources that are required to execute the strategy (Zhu, 2015). Furthermore, the digital strategy is aimed at helping the organisation meet its objectives in a more adaptive, effective, and supportive way (Zhu, 2015). A digital strategy can also be defined as a guide on how an organisation should invest in digital technologies and how they should employ new technologies in the existing business (Bhardwaj et al., 2013). Bhardwaj et al. (2013) suggest that the digital strategy helps the organisation create value both externally, for example through e-commerce, and internally, by optimizing the organisation’s internal processes. Because of this, including the digital strategy is important as it through the digital strategy that digital developments are implemented in the organisation (Bhardwaj et al., 2013).
In order for a retail bank to successfully embrace an effective digital strategy, the bank needs to modernise its infrastructure (Cognizant, 2014). One way for an organisation to modernise its infrastructure, is by digitally transforming the business processes and structures. Digital transformation can be described as the transformation of a business through integrating digital technology into the organisation’s business processes, structures, and strategies (Berman, 2012; Brynjolfsson & Hitt, 2000). By strategically transforming the business operations of an organisation through digitisation, the organisation is able to become more strategically dynamic, which enables the organisation become more agile and increase the collaboration across business departments in order to adapt to dynamic markets (Bhardwaj et al. 2013; Matt et al., 2015). Transforming and integrating technology into the organisation structure allows the organisation to operate more efficiently and reduces the costs of operational and management processes by being able to automate certain areas in the value chain and the organisation (Berman, 2012; Matt et al. 2015). From a bank perspective, the banks can for example transform their distribution channels for their products and services so that they are able to meet their customer demands, gain valuable customer information, and reduce costs (Liu et al., 2013; Matt et al. 2015). By successfully transforming the infrastructure and integrating digital technology throughout the value chain, the organisation can achieve automation and optimisation of services and products, channels, and processes (Brynjolfsson & Hit, 2000; Matt et al., 2015).

Brynjolfsson & Hit (2000) point out that to transform and integrate digital technology into the organisation’s structure is something that is quite challenging as it requires more than large investments in IT and implementations of new business processes. It also requires the organisation to have the right culture, leadership, and embedded trust throughout the organisation (Liu et al., 2013). According to Matt et al. (2015) the digital transformation process can be seen as a strategy, which affects other functional and operational strategies. For the organisation to be able to integrate and transform the organisation’s structure and processes, it first has to find an alignment with other operational and functional strategies. Liu et al. (2013) point out that to transform an organisation, the organisation has to possess the right capabilities and resources. Furthermore, it must have an alignment between the organisation’s resources, capabilities, and the new initiative that the organisation intends to pursue.
2.4 Customer Relationship Management

A relationship between a bank and a customer requires interplay from both parties in order for it to function. Like many other relationships, it takes time and delicate care to develop this relationship (Grönroos, 2004). In a highly competitive bank industry there are a lot of different options for the customers to choose from, so in order to retain a customer, it is important that the customer also wishes to continue the relationship with a specific bank (Storbacka & Lehtinen, 2012). According to Grönroos (2004) there are a lot of benefits in maintaining a positive relationship with customers. Through the relationship customer satisfaction can be improved which might lead to increased customer loyalty, and the relationship aids the parties in mediating important information to each other (Grönroos, 2004). Quite often it is the emotional experience that the customer has to different banks that is the primary factor behind which bank the customer chooses, rather than rationality (Sawyer, 2002). As such, it is important to nurture the relations with the customers in order to retain them.

Customer relationship management is a specialised model aimed at learning more about consumers’ and existing customers’ demands, preferences, and expectations. With this information, it is then possible to affect the relationship with customers in various ways. Swift (2001) describes CRM as an approach with the purpose to understand and influence customer behaviour in order to improve customer loyalty, profitability, and acquisition. While the pressure is on the banks to develop the customer relationship, it is the customer that evaluates the relationship, and communication is, therefore, necessary in order for the bank to assess the services used in the relationship (Swift, 2001). Due to the purpose of the study, including CRM in the theoretical framework was important in order to capture the bank’s relationship with its customers as it is through CRM that the interaction with customers occur (Swift, 2001).

As technology in society advances, so do the possible channels for banks to interact with customers. Peelen (2005) list websites, e-mail, and telephones as possible channels to interact with the customer. Regardless of channel used the heart of CRM lies in maintaining the relationship with current customers through customer loyalty, the acquirement of new customers, and the customer profitability of customer groups (Swift, 2001).
Acquiring New Customers

The process of interacting with customers start with the acquirement of new customers and continues with the process of retaining them. To succeed with this, an offensive strategy has to be employed by targeting the demands and preferences of the consumers the bank is looking to acquire (Peelen, 2005). At first, this requires knowledge of what the consumers are seeking. Through processes in the organisation that allows for the gathering of data whenever the bank interacts with the consumer, the bank can gain this information (Sawyer, 2002). The next step is then to analyse the information gained which can then be used to change the customer service in the organisation in accordance to the analysed information (Sawyer, 2002).

The final part of the information gathering process is to apply the analysed information on consumer groups. By interacting with the consumers through either personal channels or less personal channels, depending on their preferences, and offering the products and services that are in demand, the hope is that the consumer will discover a satisfying experience and decide to become a customer (Sawyer, 2002). The CRM components of gathering information, analysing it, and then interacting with consumers based on the information should start a strong new relationship (Sawyer, 2002).

Customer Loyalty

Attracting new customers is costlier than retaining old customers, and it is, therefore, important to have a customer service that focuses on satisfying the current customers (Kotler, 1997). This also requires the bank to constantly gather information of its customers in order to be aware of changes in customer behaviour and react accordingly (Sawyer, 2002). A defensive strategy focused on customer satisfaction is suitable, but it also benefits from having specific processes in place to gather information from customers that are leaving the bank in order to learn of weaknesses in the bank and be able to adjust them (Peelen, 2005).

Customer loyalty refers to the commitment of a customer to buy a product or service from a specific firm (Oliver, 1997). A key factor in customer loyalty is customer satisfaction. If a customer is not satisfied with the product or service offered by a bank, it is unlikely that the customer will continue doing business with the bank if other options are available (Oliver, 1997). However, customer satisfaction is not a permanent condition, but rather something
that can quickly shift to dissatisfaction. A continuous focus on working to exceed customer expectations is, therefore, important to ensure that the customer is satisfied and for the relationship with the customer to develop (Söderlund, 2000).

A major hurdle in developing the relationship with current customers is that different customer segments do not always have the same preferences. Information gathering is here a very important aspect of CRM. It can be possible to find small common denominators within the different customer segments by analysing the information, and by focusing on these denominators it can be possible to develop the relationship with multiple segments at the same time (Sawyer, 2002).

Customer Profitability

At times, it will not be possible to find common denominators within the customer segments, and satisfying all customers at the same time will not be possible. However, different segments conduct varying amounts of business with the bank. Customer profitability refers to how profitable different customer segments are based on the costs associated with retaining the customer relationship (Gordon, 1998). At times the costs of retaining certain customers might exceed the revenue, making the customer unprofitable (Gordon, 1998).

The processes of gathering and analysing within CRM have the purpose of identifying which preferences and demands of customer segments that are feasible for the bank to satisfy (Gordon, 1998). By identifying this, it is possible for the bank to work on starting and improving the relationship with customer segments that are profitable for the bank. In the perspective of CRM, customer profitability is measured across the lifetime value of the customer. Therefore, it can be beneficial to satisfy customer preferences and demands that have been identified as unprofitable in the short term but with the possibility of being profitable in the long term (Gordon, 1998).

Opposite Ends

There are no guidelines on how to implement CRM into an organisation as all organisations are unique in their circumstances (Donaldson, 2001). While the general purpose of CRM is uncontroversial, the implementation is more often than not unsuccessful (Reichheld et al., 2002). When the implementation fails, CRM will create annoyed and unsatisfied customers,
which is the exact opposite of what CRM sets out to accomplish (Reichheld et al., 2002). This shows that while the model itself has potential for good, it is also perilous and organisations need to be careful when implementing the CRM model.

2.5 Contingency Theory

How well an organisation manages to achieve its goals, is according to Fry and Smith (1987) a function of many various factors within the organisation. If the factors are aligned well with each other, then the organisation should function effectively. On the other hand, if the factors are aligned poorly, then the organisation will be ineffective (Fry & Smith, 1987). The definition of effectiveness is broad, and the relationship with customers is a part of it (Donaldson, 2001). All organisations operate in an environment where both external and internal factors are affecting the organisation, yet the combination of these factors is unique for each organisation (Donaldson, 2001). Organisations, therefore, need to be able to adapt to these factors. However, due to the uniqueness of the factors there is no general solution that fit all organisations (Donaldson, 2001). As such, each organisation has their own solution of establishing their strategies for customer relationships (Fry & Smith, 1987).

Alignment is based on the objectives of the factors, and if the factors’ objectives are working towards the same goal, then an alignment between the factors exist (Donaldson, 2001). Regarding the factors chosen for this study, an alignment between them should according to Fry and Smith (1987) result in them functioning effectively. As the focus of these factors is leaned towards the customers, an alignment between these factors should help the organisation in their work process of improving their relationship with customers. The resulting effect of the alignment could be that the organisation can gain the required customer insight faster and have more time to react to changes in customer behaviour (Swift, 2001).

2.6 Theoretical Model

As discussed previously, the banking sector has been undergoing large technological changes. As a consequence of this, consumer behaviour is changing which in turn forces organisation to change their way they conduct their business (Storbacka & Lehtinen, 2012). A central change has been that consumer preferences are moving towards digital channels. As banks must face these changes, challenges are arising for them to retain and acquire customers (Storbacka & Lehtinen, 2012). We have identified three factors that can help us
identify effect of digitalisation on the bank’s relationship with customers: business strategy, digital strategy, and customer relationship management. The relationship between these factors is shown in figure 2 below.

![Figure 2: Model of the relationship between business strategy, digital strategy, and customer relationship management.](image)

Since business strategy is the means in which the business unit position itself on the market. As such, this factor is relevant for the study as this is the first line of the frontier towards the customers (Porter, 1987). The digital strategy factor is studied due to the aim of the study, which is focused on digital development and it is through the digital strategy that the bank utilises these developments. As such, studying this factor allows us to understand the bank's digital development process and structure. Lastly, CRM is focused on gathering and analysing information regarding customers (Swift, 2001). Studying this factor allows us to understand how the bank is working on their customer relationships. The arrow between each factor in the model represents the relationship between the factors. If the relationship between the factors is aligned with each other, then according to the contingency theory the bank should be able to collect, analyse, and develop services and products according to their customers’ preferences (Fry & Smith, 1987).

**Purpose of the Model**

This model will help us determine how the factors are aligned with each other in the banks. With this knowledge, it will aid us in determining the effects of digitalisation on the bank’s customer relationships. Having the three mentioned factors aligned with each other can help banks in their processes with improving their relationship with their customers. How this improvement looks like is presented below. Furthermore, it can help with the understanding
of how digital developments are used in the bank when working towards customer relationships even if the factors are not aligned with each other.

Business Strategy - CRM Relationship

The relationship between business strategy and CRM is focused on the customers. It is with the business strategy that the organisation positions itself on the market and competes, yet the strategies for competing needs to have groundwork to base itself on (Porter, 1987). It is here that CRM is a fundamental part. Since customers are a vital part of a bank’s survival, it is important that the competitive strategies employed by the business adhere to customer preferences and demands (Skinner, 2014). The information regarding customers comes through CRM that gathers and analyses the information (Swift, 2001). With this information, it is possible for the business to adapt to the changes in consumer behaviour and position itself on the market, whether it is through unique features in the services offered or through low prices. Furthermore, it is through CRM that the interactions with customers occur to enhance the customer relationship, and these interactions should reflect the business position in order to build credibility in the relationship with the customer (Peelen, 2005).

CRM - Digital Strategy Relationship

The digital strategy helps the organisation become more digitally oriented through the digital transformation of the organisation’s infrastructure and the value chain (Berman, 2012; Matt et al. 2015). In order for CRM to gather and analyse the information properly, there is a need for an up-to-date information technology structure within the organisation to detect changes in customer behaviour (Berman, 2012; Brynjolfsson & Hitt, 2000). Since there has been a change in consumer behaviour and it is still on-going, banks are required to have updated digital platforms that suit customer needs that can also be used to gather information regarding the habits of customers within the bank. This information is then not only used to offer products and services to the customers, but also to develop new services and products and to improve the digital platforms for a better customer experience (Swift, 2001). Having a strong alignment between CRM and digital strategy makes it possible for the banks to gain a lot of customer insight which enables them to react quickly to the consumer changes and offer customised financial products and services based on their consumers’ preferences. This enables the banks to satisfy the demands and preferences of customers that will help them to
retain customers through increased customer loyalty and attract new customers to the bank while also improving the relationship with the customers (Swift, 2001).

**Business Strategy - Digital Strategy Relationship**

A well-structured digital strategy allows banks to gather and process information regarding the consumer behaviour. Furthermore, well-organised digital systems allow the bank to utilise the gathered information in order to customise the products and services to be in line with the chosen business strategy and market position while also being aligned with their customer demands and preferences (Berman, 2012). Through the digital strategy, it is easier to reach out to the customers through digital channels. These digital channels also allow to the bank to more quickly communicate their changes in the business strategy to the customers. For example, a well-organised digital strategy should allow the bank to increase efficiency and development of financial products and services so that they are suited for the business strategy, and also to be able to adapt to the customers’ changing preferences quickly (Berman, 2012; Brynjolfsson & Hitt, 2000).
3. Method

This chapter presents the methodological approach, design, and strategy that was used in the study and the empirical setting that the study was conducted within.

3.1 Research Design

The digital development process occurs through the digital strategy which requires gaining access to information regarding the bank's digital strategy, but also information regarding how the bank is working with their customers through customer relationship management. Finally, information regarding the business strategy also had to be gathered as it is through the business strategy that we are able to understand how the bank interacts with customers.

To gain the information required, deep insight into the bank is necessary in order to localise the right sources. A qualitative research design was, therefore, used for this study as a qualitative research design is aimed at going deeper into the research object (Saunders et al. 2016). Furthermore, a qualitative research design is appropriate when there is a need to go in-depth into human experiences and emotions as the research design provides opportunities in building personal contacts with the people within the case objects (Saunders et al., 2016). Due to the fact that the work and procedures that are conducted in relation to customer relationships is a central question in this study, gaining this personal contact was important to gain as much information as possible.

Since the study aims to describe how digitalisation has affected customer relationships, a descriptive design was used for the study to describe how the digital strategy is used for the customer relationship management. Since the descriptive design allows for interpretations of the answers given, it allowed us to describe how the factors interact with each other (Saunders et al., 2016). The descriptive design also allowed for identifying the alignment between the three earlier mentioned factors, and the discussion of how this alignment is beneficial or not. Because of all this, a descriptive qualitative research design was chosen for this study. Furthermore, since the research question aims to answer how digitalisation affects the bank’s relationship with customers, the descriptive design was combined with an exploratory study where the focus is on exploring how the case bank works with customer
relationships was suitable (Yin, 2009). Through the exploratory study, the information necessary to describe the answer to the research question was gathered (Yin, 2009).

3.2 Case Study

A case study is a design that allows the researcher to develop an in-depth analysis of a case object (Saunders et al., 2016). Case can refer to a lot of things, but for this study it is defined as a bank organisation. With a case study, it is possible to collect a comprehensive amount of information regarding the case. This makes case studies suitable when the study is aiming to explain a "how” or "why” question (Saunders et al., 2016). Since this study is aiming to explain how digitalisation has affected the bank’s relationship with customers, a case study was chosen for the study as we needed to get access to a bank in order to be able to discern how the relationship with customers has been affected by the digitalisation process within the bank. Without this access, it would not have been possible to gather the required information.

Case studies can either study a single case or multiple cases can be examined. With a single case study, it is possible to focus on a single case and study it in detail (Saunders et al., 2016). This provides accurate detail about the case that could potentially be generalised to other similar case objects (Saunders et al., 2016). Due to the fact that every organisation is affected by various different factors in different ways (Fry & Smith, 1987), a single case study was chosen to be used in this study in order to be able to explain the effects of digitalisation without receiving conflicting reports due to differences in factors among multiple banks. This does affect the generalisability of the study negatively, but the study can still contribute with theoretical knowledge of how an alignment between the three chosen factors affects the bank’s relationship with customers.

Since this study aims at studying how digitalisation has affected customer relationships, the business strategy, digital strategy, and customer relationship management in the case bank had to be studied, which required us to identify the factors within the case bank. Furthermore, the factors were also compared to each other in order to determine if there exists an alignment or not. The method employed here is an embedded case study that is aimed at identifying various levels and differentiating them so that comparisons can be made (Scholz & Tietje, 2001). Since the interaction between the business strategy, digital strategy and customer relationship management is a key aspect of the study, this interaction also had to be studied in
order to determine the alignment. This is reminiscent to a cross-level analysis which studies the interaction between variables across unit levels (Luft & Shield, 2003).

Choice of Case Object

When selecting a case firm for a case study it is important to find a firm that can represent the industry to a certain degree (Yin, 2009). This means that the case firm should be subjected to the same regulations and focused on the same customer segments as the other firms in the industry. Furthermore, there should also be a degree of recognisability between the processes in the case firm and the other firms (Yin, 2009). The chosen case object in this study is one of the largest banks in Sweden and been active on the Swedish banking market for a long time (Swedish Bankers’ Association, 2015). This makes it an interesting case because it has experienced the current shift from bank errands being conducted through branch offices to being conducted through digital platforms. Furthermore, the chosen case object has a digital orientation with a customer centric strategy. This means that the chosen case object should fulfil the role of being representative. Due to the aforementioned things, the chosen case object fits into the area of interest in this study.

Due to the focus of this study, the strategic choices and processes of the organisation towards customer relationships, we have chosen to let the case object be anonymous in this study. This choice was made since otherwise the case object would not have allowed us access into the organisation. The choice of confidentiality affects the traceability of the study negatively as the case object is anonymous, which means that it is not possible for others to validate the results of the study (Saunders et al., 2016).

3.3 Data Collection

The primary method of data collection employed in this study was that of interviews. In particular, semi-structured interviews at the case object were used. This method allowed for a more personal contact with respondents, which made it easier to build trust with the respondents (Saunders et al., 2016). Furthermore, the semi-structured format allowed for the opportunity to add questions to the interview while it was being conducted, which allowed for the opportunity to delve deeper into subjects of particular interests (Saunders et al., 2016). In the case that a respondent did not understand a question, the interview format made it possible to explain the question further (Saunders et al., 2016). During the interviews, there
existed a risk that the respondents drifted away from the subject (Saunders et al., 2016), but the interview guide that is used in semi-structured interviews allowed for the opportunity get the respondents back on track.

The interviews were recorded after the permission of the respondents, which is a recommended method of handling interviews as it allowed us to go back and listen to the interviews afterwards (Saunders et al., 2016). Although recording the interviews has the drawback of potentially intimidating the respondents as there is a chance they might not want to state certain things with the knowledge it will exist in a recording for the foreseeable future (Saunders et al., 2016). In addition to the recordings, we also transcribed the interviews in order to be able to easily go through them when writing the results. This is also the recommended way of handling interviews (Saunders et al., 2016).

When it comes to interviews, the way respondents respond is a concern since it is affected by a lot of things. Among these things is the knowledge of the study that the respondents had beforehand (Saunders et al., 2016). To counteract this, we had to ensure that the respondents had received sufficient knowledge of the study beforehand and that we thoroughly explained the purpose of the study. The ability to ask for follow-up questions after the interviews were done allowed us to clear up any uncertainties regarding the answers since they could be clarified through the follow-up questions.

Choice of Respondents

The respondents in the study were chosen based on their roles inside the case bank. By having a role in the case bank that works within the areas of interest of this study, the respondents were deemed to have sufficient knowledge and experience within the relevant factors of this study. This choice of respondents has been split up into two areas: digital strategy and customer relationship management. We have targeted the respondents within these areas that have a role of responsibility which strengthens the study’s accuracy and reliability (Saunders et al., 2016). Furthermore, our choices have been limited by the availability and accessibility of the respondents. In order to reduce bias in the collected data, three respondents from the digital strategy area and three respondents from the customer relationship management were chosen, which provides a more nuanced picture of the collected data (Saunders et al. 2016). The chosen respondents are shown in table 1 below.
Table 1: List of respondents.

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Position</th>
<th>Form</th>
<th>Structure</th>
<th>Length</th>
<th>Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>R1</td>
<td>CFO &amp; operations of digital banking group</td>
<td>In</td>
<td>Semi-</td>
<td>40 min</td>
<td>2017-04-10</td>
</tr>
<tr>
<td></td>
<td></td>
<td>person</td>
<td>structured</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R2</td>
<td>Digital development – digital banking group</td>
<td>In</td>
<td>Semi-</td>
<td>55 min</td>
<td>2017-04-19</td>
</tr>
<tr>
<td></td>
<td></td>
<td>person</td>
<td>structured</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R3</td>
<td>Digital sales &amp; service – digital banking group</td>
<td>In</td>
<td>Semi-</td>
<td>45 min</td>
<td>2017-04-25</td>
</tr>
<tr>
<td></td>
<td></td>
<td>person</td>
<td>structured</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R4</td>
<td>Business intelligence – CRM group</td>
<td>In</td>
<td>Semi-</td>
<td>50 min</td>
<td>2017-04-19</td>
</tr>
<tr>
<td></td>
<td></td>
<td>person</td>
<td>structured</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R5</td>
<td>Customer intelligence – CRM group</td>
<td>In</td>
<td>Semi-</td>
<td>55 min</td>
<td>2017-04-19</td>
</tr>
<tr>
<td></td>
<td></td>
<td>person</td>
<td>structured</td>
<td></td>
<td></td>
</tr>
<tr>
<td>R6</td>
<td>Customer intelligence – CRM group</td>
<td>In</td>
<td>Semi-</td>
<td>40 min</td>
<td>2017-04-25</td>
</tr>
<tr>
<td></td>
<td></td>
<td>person</td>
<td>structured</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

All the respondents have been given a code name in order to mask their identity. The choice of confidentiality has been a requirement from the case bank, but this confidentiality does help us build trustworthiness with the respondents (Saunders et al., 2016). With a guarantee of anonymity, the respondents’ willingness to discuss negative aspects of the case bank is increased, which increases the possibility that multiple aspects of the case bank is a part of the data collection (Saunders et al., 2016).

Operationalisation

When constructing the questions used during the interviews to collect data, which are shown in appendix 1, the literature provided the basis for the questions. This was done in order to gain responses that were relevant for the research question used in this study. For this purpose, the interview questions are into four different categories. The interviews started off
with questions related to the respondent and then bridged over to more open questions about how the bank works. This is done to allow the respondents more freedom to discuss the bank, which can then be connected to the theoretical parts. The final categories are narrow and specifically focused on either CRM or the digital strategy, depending on which role the respondent has in the bank. This is done in order to gain a deeper understanding of how the two areas work.

Basic Questions
The first category of questions serves to introduce the respondent and the role he or she has within the bank. These questions are also the basis for which of the CRM or the digital strategy categories that will be used at the end of the interview.

Open Questions
These questions are aimed at gaining an overview of how the bank operates and the challenges that the bank faces as a result of technological innovation. This is then related to the business strategy which provides an understanding of the central objectives of the bank and the aims of the digital strategy and CRM and how they interact with each other.

Digital Strategy
This category has questions aimed at providing an understanding of how the digital strategy works in the bank and how it has been affected by recent technological innovations. Furthermore, these questions also make it possible to see the connection the internet bank and the mobile bank has with the case bank’s customers.

Customer Relationship Management
The questions in this category are aimed towards uncovering the bank’s relationship with its customers and how it works with these relationships. Furthermore, the questions also seek to uncover the interactions between the department that works with customers and the digital department. Lastly, the questions are also aimed at letting the respondents explain how the case bank’s interactions with customers has changed with the introduction of the digital platforms.
Secondary Data

In addition to the primary data collected through interviews, secondary data was collected in order to support the primary data. Collecting secondary data is recommended to strengthen the results (Saunders et al., 2016). For case studies, multiple data sources make the findings more convincing (Saunders et al., 2016). In this study, annual reports from the case bank and internal documents that we received through the interviews were studied to complement and triangulate the information gathered from the primary data sources. Primarily, the secondary data has been used to complement the information regarding the case object’s market position and objectives.

Data Analysis

In qualitative research, there are three key parts of data analysis: data reduction, data display, and conclusions (Miles & Huberman, 1994). Data reduction is the part in which the collected data is focused, simplified, and transformed. When data is collected, it tends to contain irrelevant parts and be unorganised. Therefore, it is important to reduce the collected data to the relevant parts and to display it in such a way that it is easily understandable and permits conclusion drawing (Miles & Huberman, 1994). The data reduction and data display parts have in this study been relying on theoretical propositions, which provide a guideline in regards to which data is relevant for the study and the presented model provides a structure to organise the data. Based on this, we have sorted the collected data according to the theoretical factors that we presented in the theoretical model. Furthermore, we used the theoretical model to focus and transform the data to only the parts that are relevant for the theoretical factors.

According to Yin (2009) a strategy that is suitable for analysing the collected data when employing a single case study is the strategy of relying on the theoretical propositions that led to the study. Relying on theory aids in the data collection part as it gives a fundamental framework that the questions can be based on, and it also aids in establishing the framework for analysing this collected data (Yin, 2009). Based on the theory part, a theoretical model was constructed for the thesis that aims to explain the relationship between three factors which aids in the understanding of how digitalisation has affected the bank’s customer relationships. Based on this theoretical model, the information regarding the factors in the
collected data has been compared to each other in order to determine if they’re working towards the same goals, which would indicate if there is an alignment or not.

3.4 Literature Review

In this study, the literature has been used to get an understanding of how the current situation looks like in the areas of interest for the study and to discover the theoretical perspectives that are of relevance for the study. This was done in order to gain an insight into the subject, but also to raise awareness of different angles in the relevant areas (Saunders et al., 2016). Rather than providing a complete summary of the relevant theories, they’ve instead been focused to the most relevant parts. This is because customer relationship management and digital strategy are very large areas, and not everything in them was of interest in the study. The chosen method is reminiscent to a narrative literature review that has a narrow scope that only includes the relevant part of the literature (Saunders et al., 2016). Through this literature review, a theoretical model that was based on the literature could be created for the use of analysing the collected data.

3.5 Critical Dimensions

In research, reliability is a key concern. Reliability refers to the probability that other researchers will get the same information and draw the same conclusions if they were to conduct an identical study (Saunders et al., 2016). However, the unstructured nature of semi-structured interviews reduces the probability of this occurring. Despite this, semi-structured interviews were the primary choice of method as its flexible nature allowed us to delve deeper into the complex handling of customer relationships within the case bank. Furthermore, the risk of bias occurring in the interviews was handled by having multiple respondents with different roles in the case bank, thus reducing the risk of bias (Saunders et al., 2016).

Validity refers to the accuracy of the gained knowledge and how well the study manages to measure what it intends to measure (Saunders et al., 2016). When it comes to data collection through semi-structured interviews the type of questions asked has a central role in the type of knowledge that is gained from the respondents (Saunders et al., 2016). In order to ensure the validity of the study, we conducted a pilot interview at the case bank to ensure that the questions asked were sufficient to measure the aspects of our theoretical model. This required
adjusting the questions afterwards so that they would better capture the areas of interest. Furthermore, the questions and purpose of the study were also sent beforehand to the respondents so that they could prepare sufficiently for the interview.

Generalisability refers to how well the results of this study can be applied to other banks (Saunders et al., 2016). Single case studies generally have low generalisability since they are focused on studying the unique aspects of a single case object, although there are situations when the results from a single case study can be generalised due to how similar different case objects are (Saunders et al., 2016). The banking industry is such a case where some of the larger banks are similar in their organisational structure (Swedish Bankers’ Association, 2015). Even with this, this study has a low degree of generalisability, but it could contribute to the understanding how digital developments are used in banks to work with customer relationships.
4. Results

This chapter presents the collected data conducted through the methodological study. The results are divided into the three main categories used in the theoretical model: business strategy, digital strategy, and customer relationship management.

4.1 Business Strategy

According to R2, one of the most prominent changes that have occurred within technology is the introduction of the smartphone. This device has made it possible for customers to access the internet at all times from anywhere. As a result of this, customers are demanding to have access to the bank’s services at all times through channels that can reach the customer wherever the customer happens to be. R3 states that it is important for the bank to satisfy the demands and preferences of their customers, and that this is a fundamental aspect of building a good relationship with them.

As a result of these changes, the case bank has a business strategy that is focused on being customer oriented. According to the annual reports and internal documents, the strategy is based on being a full-service bank that is available at all times for the customers, being able to offer services and products based on customer demands and preferences while being cost efficient in all areas of the bank’s processes, and also being able to offer safe deposits and lending at a low risk. However, R1 and R4 claim that in order to achieve the bank’s strategies, it needs to focus on becoming digitally oriented. This in turn, should according to R6 lead to the bank being able to retain their customers.

R4 claims that retail banks have a large role in customers’ life as they handle their customers’ money. As such, R4 states that customers want the same access to their bank as they have with other services. In order to provide customers with this accessibility, R3 state that the case bank has both an internet bank and a mobile bank that are open at all hours of the day. According to R3, these are outfitted primarily to handle more simple errands, for example transactions and payments, that customers often do in their everyday life. More complex errands, for example mortgages, are currently not being able to be processed on the internet-and mobile bank. However, both R1 and R2 claim that they are currently investing and
working on simplifying the process and hope that more of the complex errands will be able to be conducted digitally in the future.

R1 claims that an important differentiation aspect in the case bank that is used to attract customers is their cost efficiency focus. In addition, R1 also states that this focus is achieved by automated processes within the bank. An example of this is how the bank is moving the more simple errands to be conducted through digital channels rather than in the bank offices. This allows the bank to offer customers low prices since the employment force is able to work more efficiently on complex errands as the simple errands are handled automatically through digital means with little requirement of effort from the workforce. Furthermore, to utilise the knowledge that exists in various groups there are cross-department teams that cooperates in developing services and products. R4 and R2 both state that by utilising knowledge across departments, the processes work more efficiently as it does not have to go through each department individually. The case bank also promotes a corporate culture where all employees are aware of and cautious with expenses.

A method for building trust with customers is according to R5 to achieve low risk in the bank. Low risk refers to having a solid capitalisation that allows the bank to continue to operate even during difficult times. According to R1, having a brand with a reputation as a bank with low risk creates trustworthiness in the eyes of customers as they know that it is a bank they count on for a long time going forward. Furthermore, R1 states that a low risk allows the bank to gain access to funding from the market at a lower rate, thus reducing financing costs and reducing overall costs in the bank.

According to the respondents, a strategical choice that the case bank has made is to aim their services and products broadly at the market and incorporating almost all customer segments. Differentiating services and products in the retail banking market is, according to the respondents, something that is very hard to accomplish. As such, R3 claims that banks operating in the retail banking market have similar strategies and similar range of products and services being offered. In order to have a competitive edge compared to their competitors, R3 and R4 claim that the bank is focusing on making their processes within bank to be as cost efficient as possible. This also helps them in achieving their wanted position as possessing a leading position within the retail banking market. According to R3, the cost-efficient processes in the bank also aims at reducing the prices of services and
products offered to customers. This should help with satisfying the customers and building loyalty through satisfaction. R4 claims that one of the bank’s wanted positions is to be profitable and sustainable. Furthermore, R4 also states that reaching this wanted position is achieved by having low costs within the bank which allow them to set low prices for their customers.

4.2 Digital Strategy

The role of digital banking in today’s retail industry continues to change and creates both challenges and opportunities for banks. According to R2, customers today prefer to conduct their banking errands through digital channels rather than visiting branches. Furthermore, R2 believes that in the future 70-80 % of sales in the bank will be conducted through the bank’s digital channels, and they have, therefore, started reducing the number of employees working at the branch offices. This creates challenges for the bank as technological innovations allow customers to easily compare offers from different financial providers and it is easy for them to switch banks. R3 states that as customers’ demands and preferences continue to change, it creates increased pressure on the banks to become more digitally oriented. According to R2, the introduction of smartphones has exceptionally increased pressure on banks to introduce mobile friendly digital services at a fast rate. The role of the digital strategy is to ensure that the case bank is at the forefront when it comes to digital developments and to have fully available digital platforms for the customers.

In order to ensure that the case bank stays in forefront when it comes to digital development, R1 states that a new department that is responsible for the bank's digital innovation, development, and maintenance of digital channels both internally and externally has been created. Furthermore, the new digital department also responsible for driving internal digital innovation and to start collaboration with third-party developers of digital solutions to improve the digital channels for a satisfactory customer experience. According to R5, one of the department’s tasks is to provide necessary tools and platforms based on other the department's needs in order to ensure that every department in the bank can sufficiently work towards the business strategy.

Due to the shift in movement among customer groups towards the use of smartphones, the pressure to develop platforms suitable for smartphone use at anywhere and at any time has
increased according to R2. In response to these demands, the case bank has adopted a mobile first approach towards its digital platforms. According to R2 the internet bank has started to be seen as something traditional and the usage of it is decreasing whereas the usage of the mobile bank is increasing. Since smartphones are ever developing devices with improvements occurring every year, the mobile bank platform has to be able to function across multiple generations of smartphones which requires constant development of it in order to keep up with the newest smartphone improvements. As for the internet bank, the case bank has launched a new and more improved version that is more customised towards the preferences of the customers.

According to R1, customers demand that the digital platforms should be available, convenient, secure, and trustworthy. R1 highlight that when referring to that the platforms should be available, it refers to the fact that it can be accessed at anytime and anywhere, which is something that the both the internet- and the mobile bank covers. Convenience refers to that the digital platforms should be easy to use and it should be simple to find the services and products that the customers are looking for. In order to achieve convenient platforms, R1 claims that the department is constantly working on improving the platforms based on customer feedback. R1 points out that the customers should feel both secure when using the platforms and trust the platforms they are using. To achieve a secure platform there is cooperation with the IT-department to have the digital platform rely on systems that are capable of withstanding external attacks. As for the trustworthiness, it is built up by being transparent and communicating to the customers about what they are doing to improve security in the digital platforms.

According to the respondents, the case bank has operated within the retail banking market for a long time. This means that a lot of the systems and networks that have been developed over the years have been developed for a time before the digitalisation process started. When customers want to be able to use digital channels for their banking errands, R3 states that these old systems are in the way of integrating new systems, services and products into the bank. According to R2, the issue related to integrating services into the bank is one of the hardest challenges the case bank is facing and customers do not understand that the new services and products that they demand first have to be integrated into the bank before they can be offered to customers. Furthermore, these traditional systems harm the case bank’s ability to quickly adapt to changes in the external- and internal environment, thus rendering
the bank quite slow. An example of this is the implementation of digital platforms built specifically for the CRM department. R2 claims that the case bank has been slow in comparison to other actors to implement this, yet this slowness has had the benefit of being able to build the platforms for supporting the customers first whereas the ones that implemented these platforms early ended up with networks built for supporting the staff.

When it comes to implementing the digital strategy and developing new services and products, a challenge that the bank faces is according to R1 the bank’s limited resources and capacity. Among the resource draining activities that the bank has to conduct is compliance with regulations. According to R1, the retail banking market is subject to ever changing regulation and the case bank has to be in line with these regulations in order to be allowed to operate on the market and complying with the regulations take away a lot of resources from other activities. R1 claims that this means that bank cannot manage to develop all the new services and product on their own. To overcome that challenge the case bank has been in collaboration with third-party developer in order to offer services and products align with the customers’ preferences and needs.

When developing new services and products, traditionally it has been the bank itself that has been the driving for these innovations and they have been on the bank’s own wants. However, as of late, R2 claims that a shift is occurring and that the customers are now starting to become the driving force for new services and products. One of the reasons for this change is the recent competition from fintech firms that are focused on specific market segments. According to R3, fintech can easily develop service and products that are aligned with customer preferences in small customer segments allowing them to grab small market shares from the bank through cherry picking the customer segments that feel underappreciated.

4.3 Customer Relationship Management

R4 claims that the digital platforms that are used to reach to customers are of little use if there are not services and products on the platforms that are relevant for the customers. In order to be able to provide these services and products, the bank first has to know what the customers actually want. According to R4, the customer relationship management in the case bank is the group that has the primary responsibility to achieve this. In the work to achieve this, R4 lists
three main components: gathering the information, analysing the information, and using the analysed information to reach out to the customers which is the department main tasks. By providing services and products that the customers want, the hope is that the customers will be satisfied. Through this satisfaction, customer loyalty can hopefully be achieved.

According to R5, the primary method that is used in the case bank to data regarding customers is to analyse what functions the customer is using on the internet bank or mobile bank. With the knowledge of what the customer has already been looking at before, the bank will have an indication of what the issue is and be able to better guide the customer without the risk of going through things that the customer already has gone through on their own. Furthermore, information is also gathered through feedback that the customers provide and through meetings with customers. According to R6, the bank itself is not always able to gather all the information themselves, and the case bank, therefore, also buys customer information from third parties to complement the information the bank collects itself. This customer insight aims at achieving a better interaction with customers and to better provide the customers with the right service or product.

When it comes to analysing the gathered data, there is cooperation with the departments that handle digital strategy. According to R5, there are two main types of customer profiles that they have discovered. The first one is a lone wolf type of customer. These customers prefer to chose what services and products they need on their own with little to no input from the bank. The other type of customer profile is those that want the bank to guide them into the services and products that are suitable for them. According to R5, these two profiles cover the extreme ends of the range and there exist profiles in between them leaning towards either end. These profiles provide the basis in what range of services and products the bank should offer the customers and through which channels. Furthermore, R5 states that the CRM department cooperates with the digital department in that they share the gathered data to not only improve services and products for the customer profiles, but also the platform experience for the customers and the communication channels towards customers.

Customers that belong to different profiles want their interactions with the bank to differ, yet according to the respondents it is important for the bank to be able to serve all of the different profiles, as they are all valuable customers. This is where the analysed customer data come into play as the bank can adjust their interactions in accordance to the customer profile
expectations. However, R6 states that customised products for a certain customer profile add a lot of complexity and hurdles as those products will only be appreciated by the targeted customer profile. Therefore, the bank is focused on more simple products and services that can be targeted at all customer profiles and easily adjusted if such a need arises. According to R6, these adjustments occur during the interactions with customers rather than pre-emptively.

As customers are moving toward digital channels for their banking errands, it is becoming harder for the bank to build a relationship with the customers. The respondents state that compared to before the internet and mobile bank existed, customers are interacting a lot more with the bank today. However, this interaction is distant. When using digital channels the customers never come into contact with the bank’s employees and building a personal relationship, therefore, becomes hard. Despite this, R2 see possibilities in using the digital channels to help with building a relationship with customers. An example of this that R2 mentions is the introduction of a virtual assistant that guides customers in a way as if the customer was in a branch office.

R5 states that while some customers prefer to use digital channels to conduct their banking business, others prefer to visit the branch offices. That customers want personal meetings is especially noticeable when it comes to large life events that result in complex errands they want guidance in. According to the respondents, sufficiently satisfying the customers when it comes to smaller and simple errands is easier than satisfying customers when it comes to complex errands. As the simple errands are moved towards the digital channels and the complex errands occurring a lot less frequently than the simple errands, it means that customers visit for personal meetings less often. R5 claims that this makes each personal meeting extremely important as the experience of each meeting will be the experience that affects how the customer feels regarding the bank for a long time as the personal meetings are few and far between. If a mistake occurs in a personal meeting, it will be a long time until the bank can remedy the mistake. It is easier for mistakes to occur when dealing with complex errands compared to the simple errands, which puts a lot of pressure on the bank to avoid mistakes when dealing with complex errands. According to R6, the process of gathering and analysing data regarding customers is useful here to provide the bank with as much information as possible which will hopefully help avoid mistakes in the personal meetings.
It is not only interactions with customers that affect the bank’s relationship with the customers, according to the respondents, the bank’s brand has a large effect on how the bank is viewed. This in turn has an effect on the relationships with the bank. As a large bank, the respondents state that the media regularly make reports on them and issues that appear are reported immediately. Harsh media exposure negatively affects customers view of the bank. For the CRM department, R5 claims that how the brand is reported in the media is hard for them to do anything about. Awareness of the how the brand view affects customers is, however, important and gives the department a possibility to try to change how customers view the brand during customer interactions.

4.4 Digital Effects Summation

R3 states that as a result of the digitalisation process that is aimed towards the customers, the case bank is collaborating a lot more with third parties to develop products and services for the customers. Furthermore, all the respondents claim that an effect of the digitalisation focus in the case bank is that collaborations between the departments have increased. This goes especially for the sharing of customer information in order to develop products and service, and to improve advisory meetings with customers. R4 also states that through digital tools, the gathering of customer data and the analysis of the data has been made easier and faster than the process was before the use of the digital tools. Furthermore, R4 adds that the faster gathering of customer data allows the case bank to more quickly adapt to changes in customer behaviour.

According to both R5 and R6, the introduction of the internet bank and mobile bank has led to a split in the case bank’s customers’ interactions with the case bank. A lot of customers are now primarily using the digital platforms for their interactions with the case bank, but there are still customers who want assistance in personal meetings when dealing with the case bank. R5 states that among the customers that primarily use the digital platforms, there is a high degree of satisfaction among them. R6 echoes this statement, but also adds that customer satisfaction among the customers whom primarily visits the branch offices is lower than their digital counterparts.
5. Analysis

The analysis is structured in a way that each of the theoretical factors is first discussed, then the relationship between the factors is discussed, and finally the effects of the factors’ relationship are discussed.

5.1 Business Strategy

As seen in the collected data, the case bank has a wanted position that is to have satisfied and loyal customers who trust the bank, while also being a profitable and sustainable bank. Through this, the case bank wants to have a leading position within the retail banking market. In order to achieve this, the data collection indicates that the case bank is constantly working towards mitigating the costs associated with their processes within the bank and the costs of producing products and providing services. This point towards the fact that the case bank has a business strategy that Porter (1985a) calls a cost leadership strategy. According to Porter (1985a), one way the cost leadership strategy works is by reconfiguring the value chain in the organisation so that it becomes more effective. In the case bank, it can be seen that this is occurring as they are working on digitising their processes within the bank so that more products and services can be offered through the digital platforms. For example, the introduction of the internet bank and mobile bank which reduces the amount of resources each customer meeting requires as the meetings become more automated.

While there is an indication towards a cost leadership aim, the respondents in the data collection have claimed that the case bank is differentiating itself from other banks and that this differentiation occurs through their cost efficiency aim and low prices. However, the differentiation strategy according to the theory is aimed towards unique value adding aspects in the products, services, and brands that are not related to the pricing (Porter, 1985a). Nevertheless, having a cost leadership strategy without any aspects of differentiation, other than price, is probably rare (Eonsoo, 2004). However, the data collection indicates that differentiating products and services in the retail banking industry is hard to achieve, which can be attributed to standardised legislation on how certain services are allowed to be conducted and the lack of patents in the industry.
In the data collection, it can be seen that the case bank is a bank that welcomes all customers and is trying to incorporate almost all customer segments as their customers. This contradicts what Porter (1985a) states about a focus strategy. In such a strategy, they should be aiming at a specific customer segment and meeting their preferences and demands through either cost leadership or differentiation (Porter, 1985a). Due to the broad aim in regard to customer segments that the case bank has, it cannot be stated that they are focusing on a specific customer segment. The indication here is that the case bank is not pursuing a focus strategy.

5.2 Digital Strategy

As can be seen in the collected data, the case bank is adjusting its products and services in accordance to customer preferences and demands. In other words, the digital platforms, products, and services that the case bank is focused on developing are the ones that their customers feel are in need of improvements. The development of the mobile bank is an example of this adjustment. As it is the digital strategy that provides direction on how the digital development within the case bank should be focused (Bhardwaj et al., 2013), it is an indication that the digital strategy is changing as a result of how the digitalisation process in society has changed customer behaviour. According to Zhu (2015), how the digital strategy guides the digital transformation in an organisation is based on certain influences. The discussion here makes it clear that one these influences in the case bank is customer preferences and demands.

The data collection indicates that the digitalisation process within the case bank is not only influenced by customer preferences and demands, but that it is also influenced by internal requests from other departments within the organisation. Based on the internal requests, the digital strategy is adjusted to improve the internal processes (Berman, 2012; Matt et al., 2015). An example of this is the internal platforms the case bank has developed to spread information regarding the historical data of their customers so that all of the advisors have easy access to the information when they’re assisting the customers. In conclusion, the second influence on the digitalisation process in the case bank is internal needs (Zhu, 2015).

When an organisation is working towards becoming more digitally oriented, there are difficulties in integrating the new digital systems into the already existing systems (Liu et al., 2013). In the data collection, it can be seen that the case bank is spending a lot of resources
on the integration of new systems into the organisation. Furthermore, the results also show that this integration process takes a lot of time, and during this time it ties up resources that are being spent on the integration process. This is an indication that the case bank is facing challenges in their digitalisation process (Brynjolfsson & Hitt, 2000). The effect of these challenges is that the case bank is slow in offering customers new services and products.

5.3 Customer Relationship Management

From the collected data, it can be seen that the case bank handles customer information through its CRM department. The department’s main objective is to collect, analyse, and provide customer information throughout the entire case bank. This CRM model used by the case bank is similar to the one presented by Peelen (2005). The indication here is that the case bank has added another step to the model, which is to share the customer information internally rather than applying the analysed information directly on the market. This information sharing provides opportunities for the entire organisation to be able to take customer insight into consideration when conducting changes. For example, through this information sharing the digital banking department is able to develop digital products and services that are in line with customer preferences and demands. With an application of customer insight like this, there is potential to increase customer satisfaction and profitability (Sawyer, 2002).

An important step in the case bank’s model to gain customer insight is to identify different categories of customer profiles. The identification provides an understanding of how customer preferences and demands differ between customer segments (Peelen, 2005). This understanding provides assistance for the case bank when developing products and services that are meant to satisfy preferences and demands across multiple customer segments simultaneously (Peelen, 2005). As seen in the collected data, the case bank’s process of identifying different customer segments requires customer insight. Gaining this insight is aided in the case bank by digital tools that make it easier to both collect and analyse customer information. This customer insight also aids the case bank’s ability to attract new customers by being able to offer them products and services that are in line with their preferences (Peelen, 2005). The customer insight is based on information gathering concerning both current customers and consumers.
The process of enhancing the relationship with customers is very similar to the process of acquiring new customers, only that the customer insight is here only based on gathered information from current customers (Peelen, 2005). In order to avoid risking unsatisfied customers, the case bank has to continuously analyse their customer base. This continuous analysis enables the case bank to detect changes in customer behaviour at an early stage, and be able to react accordingly (Peelen, 2005). As the results show, the case bank has developed internal systems that allow them to monitor how and how much customers are using their services and products. This information is used to improve the case bank’s digital platforms in accordance to the customer feedback. In summation, the case bank is working continuously with their customers to exceed customer expectations which have the aim of improving customer satisfaction, which can, according to Söderlund (2000), lead to customer loyalty.

5.4 Business Strategy - CRM Relationship

As seen in the discussion in 5.1, it is clear that the case bank has a business strategy that is cost leadership. The main purpose cost leadership is to reduce costs in the organisation’s value chain (Porter, 1985a), and due to the importance of CRM regarding the acquiring and retaining of customers, it is a part of the value chain (Sawyer, 2002). An alignment between the business strategy and CRM would, therefore, mean that CRM is focused on reducing costs in regard to the gathering and analysing of customer information (Gordon, 1998). From the results it can be seen that the customer information that the case bank’s CRM department analyses does not remain in the department. Instead, the analysed information is shared with other departments within the case bank. As a result, the other departments do not have to gather customer data themselves as they are relying on the customer insight that the CRM department provides. This means that the other departments in the case bank can focus their resources on the development of products and services, which is an effectivisation of the value chain that reduces costs (Porter, 1985a). The reduction of costs in the value chain is in line with the cost leadership business strategy, which is an indicator of alignment between the two factors.

A possible outcome of cost reductions in the value chain is increased profits (Porter, 1985a), and a part of CRM is to identify profitable customers (Gordon, 1998). From the results, it can be seen that the case bank welcomes all customers into the bank, with little regard for how
profitable they are. This point towards a disruption in the alignment between the business strategy and CRM in the case bank. Had the case bank used the analysed information from the CRM department regarding profitable customers, an increase in profitability would have been likely. However, profitability in itself does not have a clear connection to cost reductions as costs can be reduced without increasing profit (Porter, 1985a). While profit maximisation is a possible outcome of cost reductions, it does not necessarily have to be the main purpose (Porter, 1985a). Another purpose could be to gain a competitive advantage through cost reductions in the value chain (Porter, 1985a), and this indicates that there is a possible alignment in the case bank, despite the disregard for customer profitability in the business strategy.

Based on the above discussion, the indication is that there exists an alignment between the business strategy and CRM in the case bank. The effects of this alignment are that the customer information that is gathered and analysed by the CRM department is shared to all other departments in the case bank. This allows the other departments in the case bank to focus their resources on their key objectives instead of having to spend resources on customer information gathering as well, which results in an effectivisation of the value chain. Had there not been an alignment between the business strategy and CRM, it is likely that there would not have been any customer insight sharing in the organisation, which would have reduced the efficiency in the value chain since the other departments would have had to gather customer information themselves as well (Fry & Smith, 1987). This would mean less resources spent on the development of products and services, which means less resources spent on satisfying their customers’ preferences and demands.

5.5 CRM - Digital Strategy Relationship

In order for the CRM department to gather and analyse customer information, which provides customer insight, they require sufficient tools (Sawyer, 2002). Due to the digital transformation that has been occurring in the case bank, these tools are provided through the digital structure of the case bank (Liu et al., 2013). As has been noted in 5.2, there are two main influences on the case bank’s digital transformation: internal needs and customer demands (Zhu, 2015). It is the CRM department that shares customer insight to the digital department so that they can drive the digital transformation in accordance to customer demands. For example, the development of digital products and services, and the
improvement of the digital platforms, both of which the digital strategy is responsible for. This shows an interplay between the CRM side and the digital strategy of the case bank. Furthermore, as the CRM department is a department that requires tools in order to gather and analyse customer information (Sawyer, 2002), the needs of the CRM department are one of many internal needs that influences the digital transformation. This shows that the CRM side of the case bank is a part of both influences on the digital transformation, and this influential interplay between the two factors creates a foundation for satisfying the customers’ preferences and demands (Oliver, 1997).

As the process of gaining customer insight and sharing this insight throughout the organisation occurs continuously, the case bank is able to notice changes in customer behaviour early on, which provides them time to react to these changes (Swift, 2001). The reaction to changes in customer behaviour often comes in the form of newly developed systems that are focused on meeting the new customer preferences and demands. However, as presented in the results, the case bank has difficulties integrating new systems into the organisation. This means that, despite the early notification on changes in customer behaviour, the case bank is quite slow in reacting to the changes. The interplay between CRM and the digital strategy provides the opportunity to respond to changes in customer behaviour quickly, but the difficulties of integration nullifies this advantage (Berman, 2012; Brynjolfsson & Hit, 2000). While this is a negative result, the connectivity between CRM and digital strategy show that without outside complications there would be effectiveness in the case bank’s ability to react to change in customer behaviour. This is an indication of alignment between the two factors (Fry & Smith, 1987).

The alignment between CRM and the digital strategy enables the bank to react to changes in customer behaviour quickly through the development of digital products and services. This provides the case bank the opportunity to satisfy their customers’ preferences and demands at an early stage, which should avoid dissatisfaction occurring among the customers as a result of the changes in customer behaviour (Grönroos, 2004). In the case bank, there are difficulties with integrating new systems, which results in their reaction time being slow, despite the existing alignment between CRM and the digital strategy. Had this alignment not been there, it would take longer for the case bank to notice changes in customer behaviour and the development of new products and services to satisfy the new demands would take even longer (Fry & Smith, 1987). An even slower reaction time would be a hotbed for
creating dissatisfaction among customers. Furthermore, the digital strategy would have a harder time developing systems in accordance to case bank’s internal needs, which would harm the efficiency of the processes in the CRM department and other departments.

5.6 Business Strategy - Digital Strategy Relationship

As the business strategy is aimed at reducing costs in the organisation’s value chain (Porter, 1985a), the influence based on internal needs is important in the relationship between the business strategy and the digital strategy (Zhu, 2015). In the case bank, the digital strategy is responsible for the development of digital systems based on internal requests. According to the results, these digital systems are aimed at making the processes for other departments easier and quicker. This is a sign that the internal digital transformation is creating more cost-efficient processes in the case bank’s value chain (Berman, 2012; Matt et al., 2015). While it is not certain that all the internal digital improvements will lead to more cost-efficient processes in the value chain, it is at least an attempt at achieving this. Therefore, this is an indication of alignment between the two factors in the case bank.

Regarding the customer influence on the digital strategy, it has in the case bank resulted in the development of new digital platforms aimed towards the customers. In the case bank, these digital platforms are replacing the bank offices, which results in less personal meetings as the customer interaction is moved to the automated digital platforms. Automated interactions with customers require fewer resources than interacting with customers through physical branch offices (Liu et al., 2013). This also means that the costs associated with assisting customers through the digital platforms in the case bank are lower than assisting them at a branch office (Matt et al., 2015). In the case bank, this is a possible solution in achieving reduced costs in the value chain, thereby achieving their cost leadership business strategy. However, as of now only the errands that the case bank considers simple errands, such as payments, are able to be conducted through the digital platforms. The other errands, due to their complexity, have to be conducted at the branch offices as the automated platforms cannot handle them, which mean that these errands cost a lot more for the case bank to assist the customers with (Matt et al., 2015). If the case bank would manage to develop digital platforms that can handle the more complex errands, then it would be a further reduction of costs in the value chain that has the possibility of achieving a competitive
advantage as all parts of the customer interaction chain would be a part of the cost leadership strategy (Porter, 1985a).

According to Liu et al. (2013) the digital strategy requires both internal resources and capabilities in order to achieve an optimal digital transformation process. As the case bank has limited internal resources and capabilities, they, therefore, are selective about which digital projects they undertake. From the results, it can be seen that the case bank has chosen to outsource some of their digital development to third parties. Had this development occurred internally, the case bank’s resources would have been split among multiple consecutive projects, which would have increased the time and cost of the development as the resources are split rather than focused (Liu et al., 2013). A focus on only internal development would, therefore, make it more difficult for the case bank to reduce costs in the value chain (Matt et al., 2015).

As the discussion above indicates, there is an alignment between the business strategy and the digital strategy in the case bank. This alignment enables the case bank to develop digital platforms, products and services based on the needs of both customers and internal departments that make processes in the case bank more efficient (Fry & Smith, 1987). Had this alignment not existed, the digital strategy in the case bank would not be developing digital systems aimed at aiding the other departments in their processes, thus not being able to create efficiency in the other departments’ processes (Fry & Smith, 1987). Furthermore, the development of products and services in the case bank would have led to the resources in the case bank being split in focus among different projects, resulting in both increased time and costs to complete the projects (Fry & Smith, 1987).

5.7 Effects on the Case Bank’s Relationship with Customers

Figure 3 below illustrates the focus of each individual factor and how aligned with each other the factors are. Furthermore, the effects of the relationship between the three factors on the case bank’s relationship with customers are illustrated at the bottom of figure 3.
According to Fry and Smith (1987), if there is an alignment between the factors in an organisation, then the organisation will be more effective. In regard to the business strategy and CRM, there exists an alignment between them in the case bank. An effect of this alignment is that the CRM department shares gathers and analysed customer information with the other departments, which means that the other departments do not have to gather and analyse this information on their own and can focus their resources on other things. This is aided by the digitalisation process in the case bank that has provided digital systems to make it easier for the CRM department to share customer insight with the other departments. The indication here is that Fry and Smith’s (1987) theory on effectiveness holds true, and this
effectiveness creates cost reduction in the value chain (Porter, 1985a). The effect of this on the case bank’s relationship with their customers is that the case bank is able to offer them products and services that are in line with their preferences and demands. Furthermore, if customer behaviour changes, then the case bank can detect the changes faster, which provides them more time to react to the changes in preferences and demands (Grönroos, 2004)? This alignment should lead to the case bank being able to satisfy their customers, and thus avoiding dissatisfaction among them (Storbacka & Lehtinen, 2012). This is a positive effect on the case bank’s relationship with their customers as the customers will be content.

Based on the earlier discussion, there exists an alignment between CRM and the digital strategy. This alignment has resulted in the development of digital systems and tools aimed at making the CRM department’s processes faster and easier (Liu et al., 2013). The development of these digital systems has also resulted in the development of digital platforms, and these digital platforms have split the case bank’s customers into two groups: the ones who primarily use the digital platforms and the ones that primarily visits the branch offices. From the results, it can be seen that customer satisfaction is high among customers that primarily use the digital platform, whereas it is lower among customers that primarily visits the branch offices. Despite the alignment between the factors, the indication here is that the effectiveness that should be the result of the alignment is not affecting all of the case bank’s customers (Fry & Smith, 1987). This is an indication that the digitalisation process in the case bank has resulted in this split, and that the digitalisation process affects the relationship with customers that primarily uses the digital platforms positively. However, the digitalisation process in the case bank affects the relationship with the customers that primarily visit the branch offices negatively. A possible explanation for this is that the case bank has reduced the number of employees working in the branch offices.

As previously has been discussed, there exists an alignment between the business strategy and the digital strategy. The effects of this alignment are that the case bank is outsourcing some of its digital development to external parties in order to be able to focus their resources on completing projects quickly (Liu et al., 2013). When customer behaviour changes, the digital outsourcing aids the case bank in being able to react to these changes quicker as the development of products and services goes faster due to the focus of resources (Liu et al., 2013). The effect of the digitalisation process on the case bank’s relationship with customers through this is positive as the case bank is able to satisfy the customers’ new preferences and
demands faster than if this alignment did not exist. However, due to the fact that the case bank has issues with integrating new systems into the organisation, their reaction to changes in customer behaviour is not as fast as the effectiveness of the alignment between the business strategy and the digital strategy would indicate (Fry & Smith, 1987).
6. Conclusion

Customer relationships are fickle, and it is not unusual for customer behaviour to change. Due to digital advancements in society, banks are starting digitalisation processes in order to digitally transform themselves. In this study, it is evident that the digitalisation process within the case bank has affected its relationship with its customers. As the digital strategy is the main driving force for digital transformation in an organisation, the alignment of the digital strategy with the business strategy and CRM in the case bank has led to the bank being able to notice changes in customer behaviour quicker. This provides the case bank with more time to react to the changes, and be able to satisfy the new customer preferences and demands faster. The effect of this on the relationship is positive, as it avoids making customers unsatisfied for long due to their new preferences not being fulfilled. However, the case bank has issues with integrating new systems into the organisation, which makes the reaction time slow, despite the early notification on changes. This is an indication that the digital strategy is misaligned with a factor that lies outside the scope of this study. Furthermore, the alignment of the three factors has led to case bank outsourcing some of its digital developments in order to be able to focus their resources better. A more focused use of resources allows projects to be finished faster, which aids the case bank in being able to satisfy new customer preferences and demands in case of changes in customer behaviour. This is an effect on the case bank’s relationship with customers as it enables the case bank to satisfy the customers faster, which affects the relationship positively. Lastly, the digitalisation process in the case bank has also split the customer base into two groups: customers who primarily use the digital platforms, and customers who primarily visit the branch offices. The former group’s satisfaction has increased along with the digitalisation process in the case bank, whereas the latter group has not had an increase in satisfaction. This indicates that the digitalisation process only positively affects customers that are digitally oriented. As a result of the increased usage of digital platforms, the case bank’s relationship with customers is becoming less personal and more automated.

6.1 Limitations

One critical aspect is the choice of three factors in the theoretical model. If we had the opportunity to study the case bank’s IT-structure and capabilities as well, it would have helped us explain the case bank’s integration challenges in more detail and how it affects the
case bank’s capability to react to changes in customer behaviour. Furthermore, another critical aspect is the fact that this study was limited by the respondents’ willingness to participate. Because of this, it was not possible to have a random sample of respondents from the case bank, which potentially could have contributed with more perspectives on the factors.

6.2 Future Research

One of the conclusion made in this study is that there exist integration difficulties in the case bank that is related to a lack of alignment between the digital strategy and the factor that is not a part of the scope of this study. Most likely this factor is related to the digital capabilities and capacity, possible the IT-structure and resources. It would be interesting to include the IT-factor and its relationship to the digital strategy in future research. Furthermore, this study has been conducted as a case study at one of Sweden’s largest banks. For future research, it would be interesting to see how the alignment between the factors affects customer relationships in smaller banks with a more focused business strategy to see how it compares. Since this study has been conducted from the bank’s perspective, it would be interesting to conduct a similar study from the customers’ perspective.
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Articles


Books


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## Appendix 1. Interview Guide

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<thead>
<tr>
<th>Theme</th>
<th>Basic questions</th>
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<tr>
<td>The position and role of the interviewee</td>
<td>• What is your position within the organisation?</td>
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<td></td>
<td>• How long have you been working in the organisation?</td>
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<table>
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<tr>
<th>Theme</th>
<th>Open questions</th>
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<tr>
<td>Strategy &amp; objective</td>
<td>• How would you describe the organisation’s business strategy?</td>
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<td></td>
<td>• How would you describe your department’s primary objective?</td>
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<td>The role of technology</td>
<td>• How would you describe the role of technology in today’s banking industry?</td>
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<td>• How would you say that the latest digital development has affected your bank?</td>
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<td>Digitalised competition</td>
<td>• How has your organisation dealt with the increased competition regarding digital banking? What are the results of these undertaken measures?</td>
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<td></td>
<td>• How would describe that the technological developments have affected customer behaviour?</td>
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<table>
<thead>
<tr>
<th>Theme</th>
<th>Narrow question regarding the CRM group</th>
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<tr>
<td>Customer relationship</td>
<td>• Do you believe that customers want a relationship with their bank and why? Does your organisation want a relationship with the customers and why?</td>
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<td></td>
<td>• Can you describe how your organisation works towards improved customer relationship (with the CRM)? And how digitalisation has affected your department?</td>
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<td>Theme</td>
<td>Narrow question regarding Digital group</td>
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<tr>
<td>Customer information process</td>
<td>● Do you cooperate with digital department? If so how does that process look like?</td>
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<td></td>
<td>● How does your department collect information regarding your customers?</td>
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<td>Customer preferences and demands</td>
<td>● Could you describe how the introduction of the internet and mobile banks have affected the customers’ satisfaction in either direction?</td>
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<td></td>
<td>● Can you describe today’s consumer preferences and demands when it comes to digital solution and products?</td>
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<td></td>
<td>● How do you believe your organization digital development affect the customer relationship?</td>
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<td></td>
<td>● What challenges has the increased availability of technological products and services on the market had on the difficulty of establishing a relationship with customers?</td>
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<td>Digitalisation process</td>
<td>● Can you describe how your department work toward digitalisation in your organization?</td>
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<td></td>
<td>● Can you describe your development process of digital platforms and solution?</td>
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<td>● How do you believe your organization digital development affect the customer relationship? And how much effort is your organisation spending on the development of online banking service?</td>
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<td>● What challenges does your department have when it comes to developing new digital products and services?</td>
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<td>Customer focus</td>
<td>● Do you cooperate with customer service department? If so how does that process look like?</td>
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<td></td>
<td>● Can you describe how your department work towards customer relationships?</td>
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<td></td>
<td>● Do you involve customers when you develop new or improved digital solution, channels and product? If yes, how do you involve them? If no, what’s the reason for not involving them?</td>
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<tr>
<td></td>
<td>● Could you describe how these channels can improve your communication with your customer?</td>
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