

INNO58h

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Learning portfolio

The course has been challenging for me as the group leader. It has been a nice variation from the regular academic courses that I've participated in so far. We've been given the freedom to create a learning strategy and delegate tasks to our group. It has been done mostly by me and Bella. Bella has done an excellent job as a vice leader and helped me in constructing the tasks. Together we've everything from scheduling the appointments, assignments, researching, contacting etc. Max arranged a meeting for both groups with the Aktia bank here in Turku which showed some good initiative taking.

I and Mikael Lundqvist from the other Aktia- group and sent some questions to Marc Hinnenberg about the preparations for Camp Kunstenniemi. Unfortunately Marc is on paternity leave so we had to contact another person from the Aktia management. Hopefully we'll get some answers before Kunstenniemi.

The most valuable lesson that i've learned from this course so far is the leading of the group and delegation of assignments and so forth. I think that me and Bella have done a good job as leaders, and I'm also satisfied with the groups performance although there has been some inactivity time to time. I'm though looking forward to Camp Kunstenniemi, and i'm eager to find out what our innovation task that Aktia gives us will be.

I've also learned some more about customer loyalty and customer loyalty in retail banking but as I appreciate the leadership training that this course has provided especially for me and Bella.

Below are all the blog post that i've contributed to this project so far:

Examining Employee Satisfaction, Customer Service and Customer Satisfaction in a Retail Banking Organization

I read a PhD dissertation from Eric Simpson (2006) about Examining Employee Satisfaction,

Customer Service and Customer Satisfaction in a Retail Banking Organization. The dissertation analyzes the relationships that exist between these three variables: employee satisfaction, customer service quality, and customer satisfaction in a mid-sized retail bank. This is topical for our research on Aktia Banking.

In the increasingly competitive world of retail banking, organizations are focusing their attention on customer service as a means of increasing customer loyalty and retention. With this goal of increasing customer retention, the link between the attitudes of the service provider (employee satisfaction), the customer interaction behaviors that those attitudes lead to (customer service quality), and the attitudes that those behaviors generate in the customer (customer satisfaction) has become an increasingly important area of investigation.

The competitive world of retail banking, organizations must establish a presence that sets them apart from the crowd. Low cost, convenience, broad product lines, and customer service have all been used to segment the banking industry. For small and medium sized banks, customer service has increasingly been the method of choice for making their mark. This strategy has been driven primarily by an inability to compete in other key areas with the larger players in the banking industry, but also by the economics of customer retention. (Simpson, E., 2006, p. 1)

The transition to a service economy has had important repercussions for organizations and the way they operate (Bowen & Schneider, 1988). In today's competitive environment, service effectiveness is increasingly seen as a critical organizational objective (Cascio, 1995; Reicheld & Sasser, 1990). To understand the impact of the customer service focus, it is important to examine how the delivery of service differs from more traditional delivery of goods. The delivery of customer service is complex, dynamic, and dependent upon customer expectations and perceptions (Cascio, 1995; Iacobucci, Ostrom, & Grayson, 1995). Unlike manufacturing and distribution of products, the delivery of customer service generally is not a highly routine or structured task (Simpson, E., 2006, p. 12-13).

A particularly important approach to customer service is one that focuses on moving beyond the delivery of high quality service to the formation of long-term relationships

with customers. The benefit of forming such relationships comes from the presumably higher levels of customer commitment and retention. The commitment and retention should lead, in turn, to higher profits for the organization (Schneider, White, & Paul, 1997). Based on this line of reasoning, the manner in which customer service representatives treat customers will have a significant impact on the development of these long-term relationships. Customer service effectiveness is an important means for organizations to gain a competitive edge in today's service economy (Parasuraman, Zeithaml, & Berry, 1988; Bowen & Schneider, 1988). Customers who are satisfied are more likely to return for future business and sometimes recommend the service organization to others through word-of-mouth (Rucci, Kirn, & Quinn, 1998). Previous research has shown that customer retention leads to greater profitability year after year in many industries (e.g., automotive, banking) (Reicheld & Sasser, 1990). Further, the effort needed to retain current customers has been shown to be significantly less costly than that needed to find new customers (Reicheld & Sasser, 1990). (Simpson, E., 2006, p. 14)

Service quality is the customer's perception of how well their expectations were met during the service encounter (Zeithaml et al., 1990). Researchers typically measure service quality using customer evaluations of five attributes: reliability, empathy, assurance, tangibles, and responsiveness. Service quality has typically been measured by surveying customers both before and after a service experience and differentiating their expectations and perceptions (Zeithaml et al., 1990). Based on the service delivery gap model, perceptions greater than or equal to expectations suggest satisfactory (Simpson, E., 2006, p. 19).

References:

Simpson, Eric Phillip (2006) *Examining Employee Satisfaction, Customer Service and Customer Satisfaction in a Retail Banking Organization*, Dissertation Prepared for the Degree of Doctor of Philosophy.

Customer loyalty

I chose this article because it focused directly on my subject of research and I'm interesting in the process of building customer loyalty. It can be done through many ways, but the most relevant keywords in building customer loyalty according to T. van Vuuren, M. Roberts-Lombard and E. van Tonder are customer satisfaction, trust and commitment.

According to Iyer, Sharma and Bejou (2006: 3–10), organizations need to identify relationships that are worth pursuing and will contribute to the overall business objectives. Stated differently, relationship management is a matter of balancing the different stakeholder interests and creating added value through trust, commitment and social norms (Garcia & Valor 2007: 426). Relationships are established through voluntary repeat business between a supplier and a customer where the behavior is planned, cooperative and intended to continue the mutual benefit of both parties. An understanding of trust and commitment is required to build this long-term relationship. Businesses need to show customers that they are committed while offering customers the core service benefit. If these issues are addressed correctly, it could lead to the customer developing long-term relations with the business, which will then create loyalty.(T. van Vuuren, M. Roberts-Lombard & E. van Tonder 2012, p. 83-84)

Roberts-Lombard (2009: 73) defines customer satisfaction as “the degree to which a business’s product or service performance matches up to the expectation of the customer. If the performance matches or exceeds the expectations, then the customer is satisfied, if performance is below par then the customer is dissatisfied”. Customer satisfaction is influenced by expectations, perceived service and perceived quality (T. van Vuuren et al. 2012, p. 83-84).

High levels of service quality may lead to increased customer loyalty, higher profitability, increased market share and lower employee turnover. If a customer feels that he has a satisfying relationship with the business, he may perceive the business to have a high level of service (Rootman 2006: 77).

According to Morgan and Hunt (1994), relationships can be viewed as a series of transactions that foster an awareness of a shared relationship through trust and commitment.

Higher levels of trust and commitment in turn are related to higher levels of customer retention, and this could result in higher organizational profitability. Trust is an important factor in affecting relationship commitment and customer loyalty. If one party trusts another, such a party is willing to develop a positive behavioral intention toward the other party. Accordingly, when a customer trusts a business or brand, that customer is willing to form a positive buying intention towards the business. (T. van Vuuren et al. 2012, p. 85)

References:

T. van Vuuren, M. Roberts-Lombard & E. van Tonder (2012), *Customer satisfaction, trust and commitment as predictors of customer loyalty within an optometric practice environment*, Department of Marketing Management, University of Johannesburg, Southern African Business Review Volume 16 Number 3

Esa Viitamo (2012) PhD analysis and case study of the Finnish banking industry

The text I'm reading for this assignment is the PhD thesis for Esa Viitamo's (2012) analysis and case study of the Finnish banking industry. The specific contribution of the thesis is called the value creation approach (VCA) and it examines the relation between technology and productivity in a market-based interaction by a service firm and its clients. The thesis tangents the service design from a strategic management and organizational design point of view.

The thesis highlights the inter-linkages between technology, resources and strategy that determine the productivity of an organization. The case study consists of data of the Finnish universal banking industry accompanied with former industry studies, interviews with Nordea and Svenska Handelsbanken, reviews and statistics which are used in analyzing the corporate goals in the industry. My report will mainly consist of the Universal Banking Industry

case study and more specifically on the technological and customer aspects since they interest me the most.

The case study is based as earlier mentioned on the VCA and how the value creation framework can be applied within the universal banking industry. The case study involves various aspects of banking technology and the standards in assessing competitiveness and the productive performance within the banking industry. Since the global financial crisis that started in 2008 deep academic researches on finance and on the negligence of the economic fundamentals of competitiveness and productivity have been made. In response to the pro-competitive policies within the EU, the European commercial banks have adopted strategies aimed at improving efficiency, expand output and increase the range of services offered (cf. Goddard et al., 2001; Barras, 1990). In general, the characteristics of the service technology and the measurement of the productive performance in the banking business highlight the diversity of the financial and operative goals of a banking firm

Our studies for Aktia bank involve research on customer satisfaction. The case study provides measurements of customer's productivity and satisfaction. Arguments are given on how the revenue-cost ratio should be measured in connection with the price of the service quality and value. A purchased service may be substantially higher or lower than the actual price paid for the service(cf. Hoopes et al., 2003), income-cost ratio and perceived quality are interrelated. An ideal framework for the analysis of customer's productivity in the universal banking industry is the customer satisfaction survey conducted by EPSI (Extended Performance Satisfaction Index) Research Services (EPSI Rating, 2008).

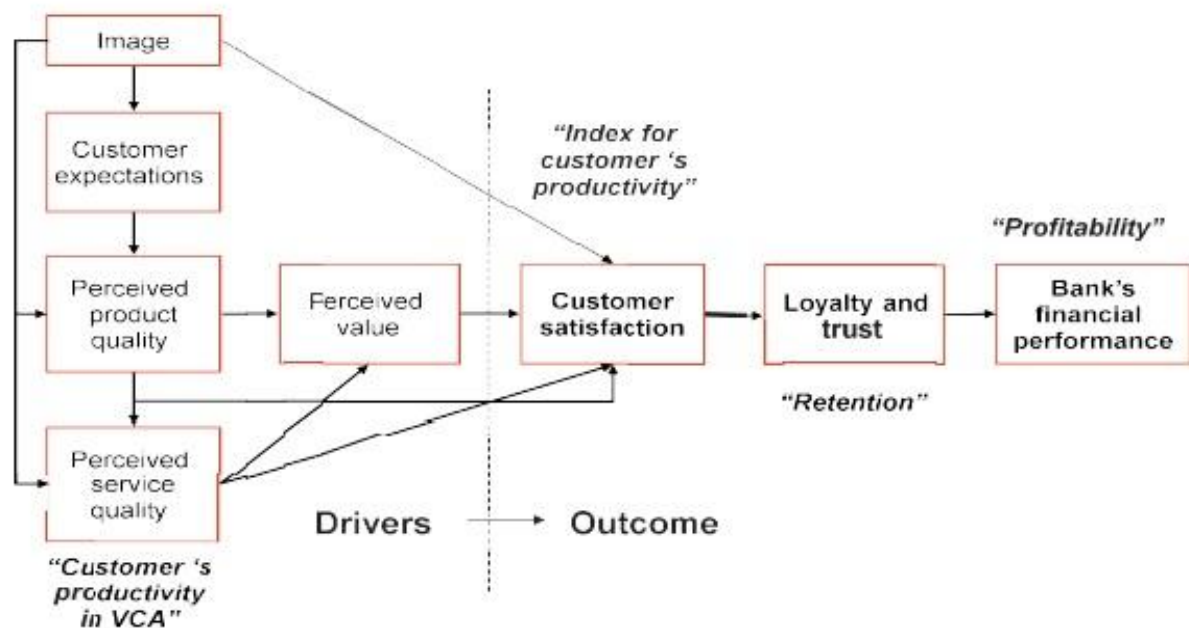


Figure 32. Customer's productivity within the EPSI model (modified from EPSI Rating, 2008).

This figure summarizes quite well the customer satisfaction part of the thesis. The figure is in my opinion pretty self-explanatory. It all starts with image and customer expectations combined with perceived product quality and perceived service quality. This creates the perceived value for the provided service. This contributes to the customer satisfaction. Loyalty and trust can be catered for in numerous ways, e.g. with customer relations management (CRM) or B2B key account management (KAM) etc. Loyalty can be created by making sure that the customer feels like he or she has been observed on a personal level by the company or in this case the bank. This all contributes to the financial performance of the bank.

The thesis was very heavy to read and the speculations and arguments were so protracted and thoroughly elaborated that the orientation through the context was pretty hard to comprehend. All in all the thesis was partly interesting but 350 pages of banking industry analysis didn't turn out to be a reading pleasure that i had expected.

References:

Viitamo, Esa (2012) *Productivity as a Competitive Edge of a Service Firm – Theoretical Analysis and a Case Study of the Finnish Banking Industry*,

URL:<https://aaltodoc.aalto.fi/bitstream/handle/123456789/3801/isbn9789526046396.pdf?sequence=1> (read 27.3.2013)

Some questions mailed to Aktia's management.

Togeather with Mikael Lundqvist from the other Aktia- group we contacted Marc Hinnenberg to get some answers on some questions that we've been pondering over. Unfortunately Marc is on paternity leave so we contacted another member of Aktia's management. Hopefully we'll get some constructive answers before 15.4.

""Hej!

Vi är två grupper från innovationskursen INNO58h (Åbo Akademi, Turun Yliopisto, Folkhögskolan Novia och Turun AMK) som har fått i uppgift att göra ett arbete till Aktia som främst tangerar er framtida utveckling samt strategier. Om ni möjligen kunde svara på följande frågor skulle det vara till ovärderlig hjälp för vårt arbete.

- Vi har hört att Akitas mål är att år 2015 vara Finlands bästa bank på service; hurdana åtgärder och hurdan strategi har ni för att genomföra målet?
- Har Aktia planerat att göra eller håller Aktia på att göra en "bank-app" till smarttelefoner? Hur kommer den att verkställas och vilka tjänster kommer den att innehålla?
- Vilken är er viktigaste målgrupp/kundsegment inom private-banking?
- Vad upplever Aktia själv att är dess starka sidor och vilka kunde utvecklas?
- Hurdan skolning har Aktia för arbetstagarna och hur ofta håller Aktia skolningar?

- Finns det någon möjlighet för oss att få tag på "test-bankkoder" för att se hur ert Internet-kontor fungerar?

Stort tack på förhand!

Med vänlig hälsning, Mikael Lundqvist och Rasmus Kuhlberg (ÅA-studerande)"
