

# **Does bonus affect Customer loyalty?**

Does bonus payments within the Swedish banks affects customer loyalty

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## Abstract

- Title:** **Does bonus affect Customer loyalty?** Does bonus payments within the Swedish banks affects customer loyalty
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- Keywords:** Customer loyalty, Performance-related pay, Loyalty, Bank, Service sector, Bonus, service loyalty.
- Purpose:** To see if bonus payments within the Swedish banks affect customer loyalty.
- Methodology:** Online self-completion questionnaire, followed by focus-groups interviews.
- Summary Findings:** Customers are of the opinion that they are against performance related bonus payments. They do however not spend their time or effort familiarize themselves with the subject and therefore the majority of them do not know if their customer bank pays out bonuses or not. Therefore it can be safe to say, that the subject of bonus payments is not considered very important when it comes to choosing a customer bank or staying with a customer bank. Factors like, terms and conditions, and aspects that affect the customer directly, are considered more important. When the differences between loyal customers and other customers are looked at, there is a clear difference regarding bonus payments as a reason to switch banks. Less loyal customers considered bank bonuses a reason to switch banks, even though the gap between groups was not very big. Therefore it can be said that banks bonuses do affect loyalty. However loyal customers are not as sensitive for bank bonuses as the everyday customer.

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# 1. Introduction

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Loyalty has been widely discussed and studied by researchers over the years in articles and books in a broad range of disciplines. Much of that writing can be found within service, namely in the field of service management which is where this thesis starts. Because the role of service in today's modern post industrialized world is central. Services touch all people's lives every day through things such as food, communication and transport. No advanced society can be found without the basic infrastructures like for example banking, health care, justice and education. Those infrastructure services are a part of the basic prerequisite for an industrialized society, service is therefore crucial for today's societal evolution into a global economy (Fitzsimmons & Fitzsimmons, 2008, pp. 4-5). In only around 100 years Swedish society has changed from being mainly manufacturing-based to being mostly service-based. There has been an unavoidable shift of employment between sectors over the years as can be seen in the workforce numbers. In the year 1965 around 46,5% of the Swedish workforce worked within the service industry, however forty years later in 2005 it was up to 76,3% (Fitzsimmons & Fitzsimmons, 2008, pp. 3-5). One part of the service sector is the financial sector which is now one of the essential growth industries in Sweden with 100 thousand employees (Svenska Bankföreningen, 2012). Service has however migrated from human interaction to be substituted by machines or some kind of electronic service. For instance, in banking nowadays, customer tend to use ATM or online bank to do their banking, instead of going to see a human teller in the bank (Fitzsimmons & Fitzsimmons, 2008, pp. 91-2).

Before the financial crisis of 2008, most of the world had been going through a boom, especially within the financial industry. The financial crisis showed however that the system that had been built seemed to contain some flaws and one of the aspects that came into questioning was bonus systems and salaries which had soured in the past decade.

News of employees enormous wage packages within the financial industry received a lot of negative publicity in the press and angered the general public, causing their trust and customer loyalty to plummet (Eriksson, 2012). It is this relation between customer loyalty and the bonus systems used in the banking sector which will be examined in the thesis.

## 1.1 Background

But what is loyalty? Before continuing this discussion it is essential to establish a basic understanding of the main concept. In *Encyclopaedia of business in Today's World*, Jennifer Rowley writes: "Loyalty, or customer loyalty, means that customers exhibit a commitment to, or a relationship with, an organization such as a retailer, a leisure service provider, a bank, or an airline" (Rowley, 2009, p. 1037). There are two main aspects of loyalty; firstly in behavioural terms which is based on the customer behaviour. It is based on the number of purchases, by frequency of purchasing and by aspects such as share of wallet, share of purchase and share of visit (Egan, 2011, p. 57; Kumar & Shah, 2004, p. 318). Secondly in attitudinal terms, then incorporating consumers preference towards certain brands which cannot be measured by only observing customers purchase behaviour (Egan, 2011, p. 57; Kumar & Shah, 2004, p. 319). Customer loyalty is therefore more than just customer repeatedly purchasing or simply being satisfied with his purchase. Although the term loyalty is widely used in a theoretical context it is often misused and overly simplified in everyday use and it has even been described as simply as "just a state of mind" (Dick & Basu, 1994, p. 99; Egan, 2011, p. 56). Levy and Weitz (2009) argue that loyal customers have an emotional bond with their retailer and that they feel like they are friends which makes it very hard for the competition to attract the customer (Levy & Weitz, 2009, p. 306). That definition complies with Jennifer's Rowley definition. Customer loyalty has also been regarded as essential in order to design an effective business strategy (Heskett, 2002, p. 355). Customers usually choose to be in business with the company they perceive offers them the most customer value (Kotler & Keller, 2012, p. 169). Making creation of value for the customer being the foundation of every successful business system, since creating value builds loyalty which in turn builds growth, profit and more value (Reichheld, 1996, p. 3). Customer loyalty therefore has to be conceptualized as a multi-faced concept which considers both psychological and behavioural components (Egan, 2011, p. 57).

Customer satisfaction is often assumed to be prerequisite for customer loyalty (Gremler & Brown, 1996, p. 174). Meaning, by having satisfied customers, firms are more likely to be able to develop those customers into loyal customers. Since contemporary marketing recognizes that customer loyalty might be more important than customer satisfaction, customer loyalty is something many companies are focusing on. Also, several studies suggest connection between financial outcomes and customer satisfaction (Evanschitzky &

Wunderlich, 2006, p. 331). Another factor leading to loyalty that is often mentioned is service quality (Gremler & Brown, 1996, p. 174)

Hart and Johnson (1999) state that trust is one of the most important loyalty factors, since customers are much more likely to become loyal if they trust the company to always act in their best interest. However, it is not enough to have satisfied customers, since only “very satisfied” customers are likely to recommend the company to their friends and family. Very satisfied customers are also up to 600% more likely to repurchase than those who are just “satisfied” (Hart & Johnson, 1999, p. 10).

## **1.2 Problem discussion**

But why bonuses? Performance related pay, or so called bonus payments are often considered to be one of the causes of the 2008 financial crisis. As a result, in order to reduce the likelihood of another financial crisis, the focus over that last few years has been on removing the connection between bonus payments and risk taking within the financial industry. Policy makers started thinking about ways to modify the system to prevent another disaster as seen in 2008. In Sweden a number of new laws were introduced in the pursuit of stability, for example the government banned bonuses within state-owned companies (Oloffson, Borg, Odell, & Pilsäter, 2009). On an international level, during the G-20 meeting in Pittsburgh in 2009, a number of new remuneration policies were decided on, with the main purpose of stopping the financial industry taking huge risks or rewarding their employees for taking such risks (Björklund & TT, 2009). When introducing the new remuneration policies for the financial market Sweden's finance minister Anders Borg said: "Individuals intent on enriching themselves will not be allowed to do this at the expense of society and its stability" (Swedish Government office, 2009). Since then, both Anders Borg and Peter Norman, minister for financial markets, have openly criticized the bonus systems and also the banks for using it. They are for example both referred to in DN.se series of articles "DN examines the banks" [*dn granskar bankerna*], encouraging customers to switch banks if they are not happy (Spängs, 2012). All this political pressure on the banks to change their bonus systems suggests the common belief that the prospect of high bonuses could possibly increase the risks employees were willing to take. However not everyone agree that bonus payments are a bad thing. Sven-Erik Sjöstrand, professor in economics in Handelshögskolan in Stockholm, believes that bonuses can be used as carrots if the job in question is based on routines and the results can be measured (Morén, 2012, p.

17). In today's business it is however very hard to measure if the work of each person is the factor that led to the success of the company and that especially applies within the financial sector. Martin Andersson, the general director of Finansinspektionen, said in his speech in *Riksdags öppna frågor* 15<sup>th</sup> of March 2012 that it was often looked at as a problem that financial advisors in banks might be getting paid for selling customers extra services that they do not need or have any use for, instead of thinking what is best for their customers. In that case employees might be trying to reach their sales numbers in order to get their performance related pay, instead of offering customers the service they need. Therefore the customers often do not trust their customer banks to have their best interest in mind. As recently as this year, some of the banks CEO's are still getting sky high bonuses, with Nordea's CEO at the top of the curve with 4,2 millions in bonus to add to his 10.8 million salary for the year 2011 (Spängs, 2012). Since the banks have a persistence to pay out bonuses even during a financial crisis and political pressure to reduce bonuses, they have received masses of negative publicity which logically decrease customer loyalty. If customers are not satisfied, not happy with the company's image, if they cannot feel consensus with the company and lose trust in their customer bank they will no longer be loyal customer of the banks. But do we know that for certain and will they be prompted to action? And even if it is right we still need more qualitative knowledge on how the customers relate to their banks bonus systems and how that adjusts to their satisfaction, trust and loyalty.

Another factor is that in recent years it seems to be getting more common that the general public considers all the banks to be similar. Swedish studies have shown that customers believe that all the banks are offering the same conditions and therefore is there no reason to compare prices or services (The Nordic Competition Authorities, 2006, p. 87). According to Svensk kvalitetsindex (2011) customer satisfaction within the banks, is quite high or 71,1 points (on the scale 0-100) (Svenskt Kvalitetsindex, 2011). There are however no numbers available over loyal customers, as no standardised measurements do exist. Nonetheless, around 1 of every 10 customers has switched to another bank in the last three years and one of every three that yet hasn't, is thinking of switching (Forsmark). Only 7 % of customer have totally switched banks over the last three years, while 11% have partly switched banks. Of those who have not switched, 33% say they stay because of old habit, while 56% of those who have switched say it is because of better terms and condition in the new bank (Spängs, 2012).

### 1.3 Aim and purpose

This study is intended to add to existing knowledge by looking into how performance related bonus payments affect customer loyalty. It examines the views of the everyday customer of the Swedish banks in correlation to their performance related bonus payments. Bonus payments in this context are all remunerations that are not a part of employees monthly salaries. The aim of this thesis is to see if the bonus culture within the banks is affecting customer loyalty there within. In order to fulfil the aim of the thesis, two hypothesis have been formed:

- *Hypothesis 1: Customers care if their customer banks pay's out bonuses*

The purpose is to see if customers have informed themselves about their customer bank, namely if customers know if their customer banks pays out bonuses or not. Because if customers do not know if their customer bank is paying out bonuses, then the importance of the matter is in question.

Another aspect is to see if those considered loyal customers are more sensitive about their customer bank paying out bonuses or not.

- *Hypothesis 2: Bonus payments have less affect on loyal customers than others*

By answering these questions and hypothesis the aim is to add to the knowledge on if, and then how bonus payments within the financial service sector is affecting customer loyalty.

### 1.4 Explanation of concepts

*Performance related Pay:* Performance related Pay is about rewarding employees with variable payment systems, on the basis of their performance. However, the focus can be on the individual, the team, the department, the whole company or even some kind of a combination of these (Storey & Sisson, 1998, pp. 181-2). The main purpose with performance related pay is most often to improve organisational performance by improving employee performance. By setting financial incentives organizations assume their employees will be motivated (Hume, 1995, pp. 5-6).

- Financial Sector:* The financial sector consists of companies such as banks, insurance companies, investment funds, and credit institutions, who also manage the system. It is now one of the essential growth industries in Sweden with 100 thousand employees or around 2% of the Swedish workforce (Svenska Bankföreningen, 2012).
- Customer loyalty:* Jennifer Rowley defines loyalty as "... means that customers exhibit a commitment to, or a relationship with, an organization such as a retailer, a leisure service provider, a bank, or an airline" (Rowley, 2009, p. 1037). Levy and Weitz (2009) argue that loyal customers have an emotional bond with their retailer and feel like they are friends which makes it very hard for the competition to attract the customer (Levy & Weitz, 2009, p. 306).

## **1.5 Disposition of the study**

The thesis is divided into six main chapters.

- Chapter One: introduction.
- Chapter Two: explanation of the methodology chosen for collection and interpretation of the empirical data.
- Chapter Three: the theoretical approach to customer loyalty.
- Chapter Four: the presentation of the data.
- Chapter Five: the analysing of the data.
- Chapter six: the conclusion and further research.

## 2. Study Methods

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This chapter will explain the methods used in this study to analyse the influence of performance related pay on customer loyalty in Swedish banks. Furthermore it will describe how the data was gathered and analysed. Finally it will discuss the problems that arose during the data gathering.

### 2.1 The Study

This study examines the influence of performance related pay on customer loyalty within Swedish banks. For the purpose of this study it was deemed important to solicit the views of a large group of customers. The internet is a perfect place to find such a group, since it is thought to be important to have equal opportunity to participate, for people located all over the country.

Data collection sources are categorized into primary and secondary data. In the former the researcher plays the main role in both initiating the collection process as well as gathering the data used while in the latter the researcher examines data collected by others (Clarke & Dawson, 1999, pp. 66-7). The primary data here was collected through online questionnaire and focus group discussion.

#### 2.1.1. Mixed methods

This study is carried out in the form of mixed methods. Involving both qualitative and quantitative research methods in one research gives the opportunity to gain one integrated finding (Bryman & Bell, 2007, p. 656). The difference between qualitative and quantitative research methods lies in the nature of how the researcher gathers the data. Those methods are however not the opposite of each other rather located on the opposed end on the same pole (Creswell, 2009, p. 4). Since qualitative and quantitative methods have their own strengths in different areas, they can be used together in a single research. Thereby incorporating the potency from both ends (Patton, 2002, p.14). Hammersley (1996) proposed three approaches to mixed methods research, one of them being *Complementarity*; an approach where two methods are used in order to aid one another in order to get to different aspects of the research. This is the approach being used here.

Both a questionnaire and a semi-structured focus group interview were used in this study. The reason for choosing these two methods will be discussed further in sections 2.2 and 2.3. In this case the gathering of qualitative data is used to reflect upon the quantitative findings and it is thereby assumed that the methods complement each other by focusing on different aspects. Different methods do however capture different kinds of aspects and it can therefore be difficult to reach coherent results. The idea of triangulation is to use different methods to research one phenomenon, in order to reach a fuller understanding (Alvesson & Skjöldberg, 2000, p. 46). That aspect is therefore in full compliance with the mixed method used in this study, using both qualitative and quantitative research methods.

### **2.1.2 Deduction**

There are two distinct strategies available when selecting an approach; firstly the deductive approach and secondly the inductive. A deductive approach revolves around the relationship between theory and the research which leads to deduction of a hypothesis. In deductive research, preparatory work consist of a consideration of the various theories that can be linked to the area. Then one or more hypotheses are deduced, which in turn will lead to a platform to begin data collection. Deduction is therefore very linear process where each step follows the next (Bryman & Bell, 2011, pp. 11-13).

When conducting this study, a deductive approach was used which started by the researcher making a hypothesis.

- *Hypothesis 1:* Bonus payments do have some affects on customer loyalty
- *Hypothesis 2:* Bonus payments have less affect on loyal customers than others

Next step was then to conduct a survey as well as focus group interview in order to see if this was the case.

## **2.2. The questionnaire**

The questionnaire is one of the most frequent used research methods and a major tool when collecting primary data (Clarke & Dawson, 1999, p. 67). Using a survey is a good way to get to extensive customer flora and this method was used in order to get the opinion of a variety of customers from each bank in Sweden. However, since it is very difficult to

go to every Swedish bank and ask every customer, it is necessary to choose a representative of the customers. Because of a limited time and resources of this study a online questionnaire was chosen as a relatively cheap and effective way to reach big group of people.

The questionnaire was tested in a pilot study before the actual admitting took place and some changes were made after receiving comments from the test group, which consisted on four people in the age group from 26-44 year olds, all customer in at least one of the Swedish banks.

### **2.2.1. Sampling**

As it is the aim of this study to see if performance related bonus payments have any effect on customer loyalty every adult living in Sweden is a possible participant. It is considered important that participants from all of Sweden have the possibility to undertake in the study. In order to do so, an online study was created, giving everyone living in Sweden a equal possibility to participate in the study.

Normally, the aim of a questionnaire is to research or describe the population by using a sample. A population can be used for describing everything from users of a particular local store to all the inhabitants of a country (May & Williams, 2001, p. 89). A sample does not necessary have to be large in order to be a good sample. Since the importance is about the representativeness of a sample rather than the size. The best samples are representative of the whole population (Best, 2001, pp. 53-4; May & Williams, 2001, pp. 93-4; Trost, 2001, pp. 28-9). In this case the population is the whole customer flora in the Swedish financial market. However, during this research only adult individuals were considered into the sample. Jan Trost (2001) talks about convenience sample as a part of non probability selection. That is when a researcher gathers data from random people that are willing to answer a survey, which is the case in this research. The reason why this kind of a sample is chosen, is mainly because of the wide selection of people that can possible be in the sample. As the typical everyday customer of a bank is just as diverse as typical person in everyday life, since almost every single adult person living in Sweden do have some business with a bank. Therefore any person, fulfilling the condition of having some business with a Swedish bank, could participate in the questionnaire as they are a customer. This kind of a questionnaire with a convenience

sample as participants is called self-completion questionnaire (Bryman & Bell, 2011, p. 231).

### **2.2.2. Design**

The questionnaire was designed to take under five minutes to answer with short and precise questions. It consisted of 10 questions, four of those using five point Likert scale, three questions have "yes", "no" or "I don't know" answers possibilities and three are demographic questions. All the questions can be seen in appendix 1.

The survey was conducted during one week from 5<sup>th</sup> until 12<sup>th</sup> of August 2012. In order to reach as many willing participants as possible, two digital distribution methods were used for the self-completion questionnaire. A link to an online survey was published on the social utility Facebook. Four different individuals published the link on their walls asking everyone living in Sweden to participate. Additionally a link to the survey was sent through an e-mail to friends and family members, asking them to participate and then forward the link to their friends and family, asking them to participate. Using this methods 91 respondents were gathered.

### **2.2.3 Analysing**

As suggested in Saunders, Lewis and Thornhill (2009) the questionnaire was analysed using a computer, in this case a software by online company called Survey Monkey. It provides an online package which allows for designing, distribution, collecting and analysing a questionnaire, all within the same software (surveymonkey.com).

## **2.3. Focus group Interviews**

Since the aim of the study is to see if performance related bonus payments do affect customer loyalty, semi -structured focus group interviews were also conducted in order to gain a deeper understanding of the subject. The use of focus groups has for a long time been used in various researches but is now becoming more widespread (Bryman & Bell, 2011, p. 503). Focus group research is often described as natural since it emulates the way people discuss issues in real life, even using natural groups in order to emphasize this element (Bryman & Bell, 2007, p. 635). The reason for using focus groups is that this technique lets the researchers acquire a further understanding about why people feel like they do about a certain aspect of the research. That is in context with how Saunders, Lewis

an Thornhill (2009) explain the purpose of semi structured focus group interviews. Making it a perfect method to enhance a further understanding on peoples opinion on bonus systems in connection with their customer banks. The focus group discussion was held on the evening of 4<sup>th</sup> of September and lasted for 105 minutes.

### **2.3.1. Sampling**

Focus groups normally consists of a relatively homogeneous group of 6-8 people that participate in a group interview for 90-120 minutes (Patton, 1990, p. 335). Participants are typically chosen by not using probability sample, but are selected because of them having certain characteristics in common (Saunders, Lewis, & Thornhill, 2009, pp. 344-7). When choosing participants socio-demographic factors such as gender, age, occupation and if the participant was a home-owner were taken into account. Emphasis was on getting equal amount of each gender and some distribution between age groups. Another factor that was considered important was having people who are employed and with families within the group as well as even some company-owners. The thought behind that is that people having homes, family, job and even a company are more likely to be using diverse services at their bank, such as having a mortgage, savings account, credit card and normal personal account. With all that in mind six participants were selected.

#### Participants:

In order to protect the privacy of participants they will be given a new name within this research. Following is a short presentation of the participants.

Interviewee 1: Beth: a married home-owner in the age group of 26-35 year olds. She is working on her doctoral degree and has a husband with a steady income. They have one child in school and another in kindergarten. Her customer bank is SEB.

Interviewee 2: John: lives in a rental home with his family of four and is studying. Their only income is student loans and both children are in kindergarten. He is in the age group of 18-25 year olds. His customer bank is Handelsbanken.

Interviewee 3: Hannah: a home-owner and a small business owner, living with her family of five. Her husband has a steady income and they have two children in school and one child in kindergarten. She has quite recently finished her studies and has been

working for just over a year now (not in her own company though). She is in the age group of 26-35 year olds. Her customer bank is Länsförsäkringar Skåne.

*Interviewee 4; Jenna:* married and lives with her family of four in a rental home. Her husband has a steady income and they have one child in school and one child in kindergarten. She has recently started working again after her maternity leave and is in the age group of 36-45 year olds. Her customer bank is Handelsbanken.

*Interviewee 5; Richard:* a home-owner as well as business-owner, living with his family of five. He works at his own business along with his wife. They have two children in school and one in kindergarten. He is in the age group of 36-45 year olds and his customer bank is Nordea. His company is also a Nordea customer.

*Interviewee 6; Bob:* living in a rental home with his family of four and is working. He is the only one in the family with a steady income and both their children are in kindergarten. He is the only one in the focus group without a higher education and is in the age group of 26-35 year olds. His customer bank is Nordea.

Though participants in the focus group only represent three age groups from 18-45, people within this age gap most often includes customers that are buying their first/second apartments, have a salary account and are often taking their first loans. Therefore the participants in this age gap should be good representatives to give clues on how the customer in general might think about their customer bank and what factors are important regarding their customer bank. Having a relatively homogeneous group is also consistent with how Patton (1990) describes the typical focus group.

Another factor when choosing participants for the focus group, was to select individuals that somewhat knew each other in order to create an inviting and open atmosphere since not everyone are comfortable talking about their finances with complete strangers. However as stated in Bryman and Bell (2011) participants need to be vigilantly chosen in order to avoid unspoken understanding between participants that know each other too well.

### **2.3.2. Design**

First the researcher made a list of possible participants, from those that had participated in the online questionnaire, that met all the conditions such as being employed, having

a mortgage and so on. Next all possible participants were divided into six categories by age and gender. Then one possible participant out of every category were contacted through email and asked to participate in the focus group interview. Since two persons were unavailable the next possible participant out of same category was contacted. Eight persons were contacted in total.

The focus group interview was conducted in a neutral settings at the researchers home, with the seating in a circular fashion with every participant facing inward. Chances of any interruption were low as was the possibility of the discussions being overheard. Those settings are in context with how Saunders, Lewis an Thornhill (2009) describe the ideal surroundings for such a focus group interview. As this study examines the perceived effects that performance related bonus payments have on customer loyalty and the focus group interview is intended to complement the outcome from the questionnaire, the same questions were used. In order to introduce the topic to the participants, the purpose of this study was introduced as well as the reason for the focus group interview. Next, the original online questionnaire was presented and participants were asked what their opinion was on the topic. Each question was then presented and discussed, as well as the compiled results of customer loyalty and its connection with bonus payments. All questions can be seen in appendix 1. Participants where then asked about their opinion about the results of each question from the questionnaire. Each participant had the opportunity to express his/hers opinion about each question, both if they wanted to tell how they would answer each question, as well as the reason behind answering as they did. Also, by talking about each result, the group often had discussions about possible reason behind other participants answering like they did. In the case were the discussions where dominated by 2-3 participants, the moderator brought others into the conversation by asking them specifically about their opinion on the matter being discussed. Bringing others into the discussions increases input from all participant and decreases the contribution from dominant participants (Saunders, Lewis, & Thornhill, 2009, pp. 344-5). In the end all participants were given the opportunity to add some further information if they wanted. By giving all participants the option to reflect on the questions as well as other participants answers is consistent with the description Patton (1990) gives on the strength and qualities of the focus group.

The interview with the focus group was recorded on two separate recording machines in case something would fail with one of them. The recording was done with approval from all participants.

## **2.4 Credibility and quality in data**

According to Patton, the quality of the qualitative data depends on the researcher and his or hers interpretation skills, understanding and competence, because he or she is the main instrument used. No matter what data collection method the researcher uses, it all comes down to his interpretation of the data and what understanding the researcher makes out of it (Patton, 2002, p. 14). Qualitative research has also been criticized for being too generalized and subjective, meaning that too much relies on the researcher's opinion of what is important and what is not. Therefore it is very difficult to replicate such research, since another researcher might see some other interesting aspect in the same research material. Also the researcher might affect the participants with his/her gender, age, characteristics and so on. Since different people respond differently to other people, the interpretation might be influenced by the factors previously mentioned (Bryman & Bell, 2007, p. 423). Since a online questionnaire is used for this research the respondents never see the researcher in person, therefore should her characteristics and other peoples reflection on that be eliminated as a factor. Also, every question and answer is in writing which minimises misunderstandings or any misinterpretation regarding the questions. However, since a convenience sampling is used, it is very hard to confirm heterogeneity of the sample.

The focus group was selected in order to get as wide distribution of socio-demographic factors as possible within such a small group, but still keeping it a bit homogeneous. Those factors looked at included gender, occupation and age. However all participants have a family that they are living with.

### **2.4.1 Reliability & Validity**

Reliability is essentially concerned with issues of the consistency of methods. The three prominent factors that can highly influence the reliability of a research are *stability*, *internal reliability* and *inter-observer consistency* (Bryman & Bell, 2007, pp. 162-3).

Validity is one of the strengths of qualitative research and is based on determining whether the findings are accurate from all standpoints. The researcher normally incorporates validity strategies into their proposal in order to check the accuracy of their findings but one of the primary validity strategies is triangulation (Creswell, 2009, p. 190). That is also the validity strategy chosen for this research. The difference between validity and reliability is that in the former the researcher's checks for accuracy of findings while in the latter accuracy should be found in the researchers approach to doing the research (Creswell, 2009, p. 191). In order to keep the reliability high, all participants in the focus group also participated in the online questionnaire therefore they all knew the topic beforehand and were prepared before the focus group interview. In order to ensure participants understanding of every question, the main results from the discussion about each question was concluded, before starting talking about the next question. Before wrapping up each discussion, all participants had the opportunity to express their opinion on the matter. Also, in the end the session was completed by answering the question; "does bonus payments have an effect on customers?" accumulating all the questions from the questionnaire, discussing and trying to understand if bonus payments are something that bank customers think is important. However, due to limited timeframe, neither the questionnaire nor the focus group interview was repeated in order to see if the outcome would yield the same results.

When combining two or more different methods, results can be in one of three ways. They can mutually confirm and support the same findings, they can focus on different aspects of an issue but thereby provide a fuller picture or they can be contradictory (Flick, 2006, p. 40). The reason results sometimes point in different directions, is since different kind of data can yield different interpretations (Alvesson & Skjöldberg, 2000, pp. 46-7). In order to ensure validity in this case, the purpose of the focus group discussion is to provide a fuller picture on the same questions used in the questionnaire. Therefore the triangulation is used to combine the results in order to get a bigger and clearer picture of the topic.

### 3. Literature Review

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This chapter will focus on earlier studies of loyalty and attributes such as customer loyalty, customer loyalty programs, loyalty factors and mobility.

#### 3.1 Loyalty

The concept of loyalty is not just a simple term but rather conspicuous by its ubiquity. It can be interpreted in various ways and not everyone consider the same aspects the most important. Earlier studies on loyalty only focused on behavioural and attitudinal aspects. Behavioural data is typically easier and cheaper to collect. It can include aspects such as frequency or size of the purchase, or simply share of wallet. However by only looking at behaviour aspects and not identify the factors underlying the behaviour, it is difficult to differentiate between true loyalty and spurious loyalty, but in spurious loyalty the customer will switch to competitor at first possibility. Attitudinal loyalty has been defined as a deeply held commitment to a service or product with a desire to keep that commitment (Wetsch, 2005, pp. 32-3), or even positive identification with the organization (Rowley, 2009, p. 1038). Therefore firms that want to accomplish true loyalty should focus on creating both behaviour and attitudinal loyalty (Kumar & Shah, 2004, p. 319).

Nowadays, service loyalty is considered to incorporate three specific components; the purchase, attitude and cognition and is often defined as:

*"Service loyalty is the degree to which a customer exhibits repeat purchasing behaviour from a service provider, possesses a positive attitudinal disposition toward the provider, and considers using only this provider when a need for this service exists (Gremler & Brown, 1996, p. 173)."*

Jennifer Rowley defines loyalty as "... means that customers exhibit a commitment to, or a relationship with, an organization such as a retailer, a leisure service provider, a bank, or an airline" (Rowley, 2009, p. 1037). Customer loyalty is therefore more than just a customer repeatedly purchasing or simply being satisfied with his purchase. Levy and Weitz (2009) argue that loyal customers have an emotional bond with their retailer and feel like they are friends which makes it very hard for the competition to attract the customer (Levy & Weitz, 2009, p. 306).

### 3.1.1 Customer loyalty

Loyal customers are the foundation of any business (Caruana, 2002, p. 811) and having loyal customers is an important method in sustaining advantage over the competitors (Levy & Weitz, 2009, p. 138). Therefore it is often considered as the heart of any business to create loyal customers (Kotler & Keller, 2012, p. 145). The concepts of customer satisfaction, service loyalty and service quality are often associated with each other (Caruana, 2002, p. 812). Together they are a great factor in creating customer loyalty. Loyalty is thought to be especially important for service firms for three reasons; loyalty is greater among service consumers, service provides more opportunities for personal interactions and perceived risk is often higher when purchasing service. Since loyalty is often used as a risk reducing device, these three factors provide an atmosphere more likely to lead to customer loyalty (Gremler & Brown, 1999, p. 273).

## 3.2 Loyalty factors

There are many factors that have been considered being able to affect customer loyalty. Many researchers however keep entering into the same fields when talking about which factors are the most important in customer loyalty.

### 3.2.1 Customer satisfaction

Customer satisfaction is often assumed to be a prerequisite for customer loyalty (Gremler & Brown, 1996, p. 174). In a research done by Ball, Coelho and Machás (2004) on *The role of communication and trust in explaining customer loyalty* did customer satisfaction have a direct impact on loyalty. Contemporary marketing also recognizes that customer loyalty might be more important than customer satisfaction, even though several studies suggest connection between financial outcomes and customer satisfaction (Evanschitzky & Wunderlich, 2006, p. 331). Many researchers have showed that customer satisfaction alone is though not necessarily enough to create customer loyalty (Gremler & Brown, 1996, p. 174). But even though neither customer satisfaction as such nor service quality create loyal customers, are both factors critical variables within customer loyalty. The value customers feel they are getting and the sacrifice the customers have made, in terms of comfort, price, cost and timeliness are also sometimes considered valuable factors (Grönroos, 2007, p. 147). A highly satisfied customer normally stays longer with the company, talks favourably about it and its

products and is less sensitive to price (Kotler & Keller, 2012, p. 150). In order to gain high satisfaction with a service, the perceived service has to exceed the level of service the customer expects and desires. If the perceived service only matches the customers' expectations he is simply satisfied (Caruana, 2002, p. 814; Kotler & Keller, 2012, p. 150). If the perceived service does not exceed expectation it may even lead to decrease in customer satisfaction (Anderson, Fornell, & Lehmann, 1994, p. 61).

Even though the link between satisfied customer and their loyalty is not proportional it can still be put on a scale from 1-6. Then at level 1 customers has low satisfaction and are likely to switch to competitor companies. At level 2-4 customers are fairly satisfied but will still switch companies if something better turns up. At level five the customer is likely to repurchase, but it is only when the customer reaches the highest level of satisfaction that he starts making emotional bonds with the company. Those customers are even 6 times more likely to repurchase than customers that still are satisfied (Kotler & Keller, 2012, p. 150).

Jones and Sasser (1995) also express the importance of total satisfaction when it comes to being a loyal customer. They conducted an extensive research between customer satisfaction and customer loyalty using five scale categories ranging from very dissatisfied to very satisfied. Their results showed that "except in a few rare instances, complete customer satisfaction is the key to securing customer loyalty and generating superior long-term financial performance" (Jones & Sasser, 1995, p. 89). They furthermore express the importance of customer satisfaction in an area such as financial service and others with similar high competition since those have the most connection between drop in satisfaction and drop in loyalty (Jones & Sasser, 1995, p. 89).

Lovelock and Wirtz agree that true loyalty lies in customer satisfaction and they also express the importance of the need for customers to be highly satisfied instead of simply just satisfied. They state that the satisfaction-loyalty relationship can be divided into three main sectors which they call *defection*, *indifference* and *affection*. As can be seen here below in *the Customer Satisfaction - Loyalty Relationship table*, which Lovelock and Wirtz adapted from Jones and Sasser; *the Zone of Defection* occurs at the low satisfaction zone. Where customers will switch unless switching cost is really high or no alternatives are available, even turning into *terrorist* by bad mouthing the company. *Zone of Indifference* occurs at the intermediate satisfaction level, where

customers are willing to switch if they find a better alternative. It is only in the zone of affection which is present at the very satisfied level where customers do not look for better opportunities elsewhere. They do however praise the company and refer others to it and are thereby described as *apostles* (Lovelock & Wirtz, 2011, pp. 329-31).

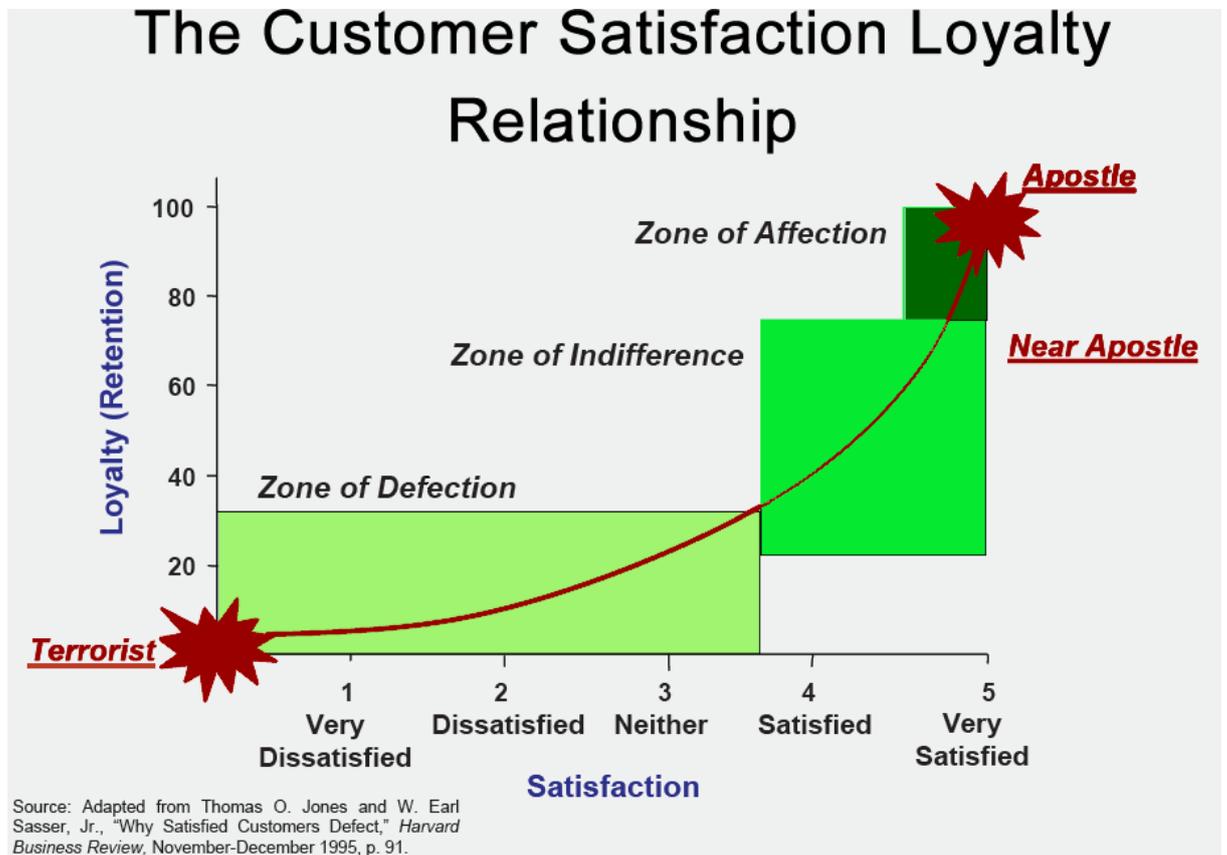


Figure 1; The customer satisfaction Loyalty relationship

### 3.2.2 Customer relationship & profitability

Research suggests that both personal individual relationships, as well as having high personal contact within a firm does affect customer loyalty (Egan, 2011, pp. 50-51). Perceived relationships are therefore one of the factors that alone are not enough to make a customer loyal, however are one of the factors that help create loyalty, but loyal customers are usually more profitable customers (Grönroos, 2007, p. 8). Providing high customer satisfaction is also a factor that is considered to be rewarded by economic returns (Anderson, Fornell, & Lehmann, 1994, p. 61). Customer loyalty can have a direct value for a company not only because it can be up to ten times more expensive to

acquire a new customer than to make another sale to an existing customer. But also, since loyal customers are more likely to buy additional services therefore making customer loyalty extremely important (Datamonitor, 2003; Reinartz, 2006, p. 409). Loyal and satisfied customers needs to be acquired, retained and developed and that cannot be done without cost. The resources allocated to improve satisfaction should be treated as investment since loyal and satisfied customers are revenue generating assets to the firm (Anderson, Fornell, & Lehmann, 1994, p. 63). Loyal customer are not only cheaper to serve, but also less price sensitive and stay longer with the company (Kumar & Shah, 2004, p. 319).

### **3.2.3 Word of mouth**

Gremler and Brown proposed, what they called, *the loyalty ripple effect* to indicate the added value word of mouth can have to a firm. It is anchored around three key concepts which are; value of a customer, service loyalty and word-of-mouth communication (Gremler & Brown, 1999, pp. 271-2). They found evidence to suggest a strong loyalty ripple effect generated by loyal customers (Caruana, 2002, p. 281). Heskett (2002) stated that just being loyal is not enough. Loyalty can be realized by looking at three factors in customer behaviour, that he calls; *commitment, apostle-like behaviour and ownership*. Thereby referencing the *loyalty ripple effect* by Gremler and Brown. Alhabeeb stated that consumers positive word of mouth could be crucial in gaining a product loyalty since it acts as a free advertisement. It also widens the product's range and offers tested benefits. Therefore it could lead to the recruiting of new consumers that also would carry on the positive word of mouth to possible new consumers (Alhabeeb, 2007).

### **3.2.4 Trust**

Trust is the glue in every relationship, since both parties have to believe that a partner is honest and concerned about the other party's welfare (Levy & Weitz, 2009, p. 402). Hart and Johnson (1999) state that trust is one of the most important loyalty factors, since customers are much more likely to become loyal if they trust the company to always act in their best interest. Furthermore, Chaudhuri and Holbrook (2001) performed a research on two aspects of loyalty, behaviour and attitudinal, and found that consumer trust leads to both types of loyalty.

### **3.2.5 Other factors**

Levy & Weitz (2009) state that three of the factors often used to help create customer loyalty are to develop a strong brand image, create a customer loyalty program and develop clear and focused positioning strategies (Levy & Weitz, 2009, p. 138).

Zeithaml, Berry & Parasuraman (1996) suggested a new model when researching service quality on behavioural intentions and used that in their research on the topic. The findings showed customer behavioural intentions being influenced by service quality which correlates with Gremler and Brown as well as Grönroos. Reichheld (1996) states that customer loyalty, employee loyalty and investor loyalty are all connected and even heavily dependent on each other. In order to establish customer loyalty there have to be loyal employees, and loyal employees are hard to maintain if investor loyalty is not present. Those three factors together could therefore build loyalty (Reichheld, 1996, p. 2).

### **3.3 Customer Loyalty Programs**

Customer loyalty programs are interwoven with customer relationship management and have been the centre of the attention since the late 1990s (Levy & Weitz, 2009, p. 139; Reinartz, 2006, p. 409). Those programs have developed quite much in recent years but customer loyalty programs do however very seldom create loyalty (Reinartz, 2006, p. 410). Members normally give out basic demographic details which some organizations use to better target their customers. The members receive plastic membership card giving them the opportunity to receive some rewards or membership points (Rowley, 2009, p. 1038). The principal motivation for customers to participate in Customer loyalty programs is their ability to receive rewards. The rewards can be a soft reward, which is something emotional or psychological, or hard rewards which is something tangible or financial. Hard rewards can be something like free products or price reductions, while soft rewards are more about being a "gold" member or something similar (Reinartz, 2006, p. 412).

Loyalty programs that only reward the customer behaviour without taking profitability into account are often thought to be risking impending failure (Kumar & Shah, 2004, p. 319). The problem with loyalty programs in the banks is that it enhances complexity and deteriorates transparency since it gets more difficult for customers to compare products, price and services (The Nordic Competition Authorities, 2006, p. 89). It has also been

suggested that these loyalty programs do not create loyalty, but offer only rather low-level discount (Rowley, 2009, p. 1038).

### **3.4 Switching cost and mobility**

The mobility of customer minimizes market power since a rational customer normally chooses the cheapest good if two suppliers offer the same good at different prizes. Therefore the supplier with the lower price will win market share, start a price war which often ends with suppliers offering the same market price. A lack of customer mobility can therefore have a negative impact on the level of competition (The Nordic Competition Authorities, 2006, p. 75) but switching cost is also one of the factors often assumed to be influencing service loyalty. It can include investment of money, time or effort (Finansinspektionen, 2011, p. 174). Gremler & Brown (1996) did a research on, if switching cost, customer satisfaction and interpersonal relationships, could influence the development of customer loyalty to service providers. Their results suggested that switching cost, customer satisfaction and personal relationships could all be influential in customer loyalty. Their findings showed that switching cost plays a significant role, which is consistent with the work of Guiltinan (1989) and Klemperer (1987). However, in the Nordic countries, banks normally do not have fees connected to starting or terminating the normal products, such as accounts, loans and deposits. Therefore it is the general understanding that switching cost in terms of money does not have an effect on bank customers. However investment of time and effort could paint another picture. Even though no official research has been done in Sweden looking directly at customer mobility within the banking sector, the general switching rate within the Nordic is around 5 % (The Nordic Competition Authorities, 2006, pp. 82-5).

### **3.5 Conclusion**

In this chapter the theoretical background of this study has been discussed. The main factors are considered to be Customer satisfaction in connection with customer loyalty. Other factors considered important when researching customer loyalty within the banking sector are trust, switching cost and customer relationships.

The question I intend to answer is: *Does performance related bonus payments within Swedish banks affect customer loyalty?* Prior studies have not focused on bonus payments in connection with customer loyalty in Sweden, so by answering this question it is the

intention to add to the existing knowledge about this issue. Two hypothesis have been made in order to deepen the understanding in the subject;

- *Hypothesis :1 Customers care if their customer banks pay´s out bonuses*
- *Hypothesis 2: Bonus payments have less affect on loyal customers than others*

By answering these questions the connection between bonus payments and customer loyalty are verified and also if loyal bank customers are more or less sensitive for their customer bank to pay out bonuses.

## 4. The empirical data

In this chapter the material gathered for this study will be accounted for. Two types of material have been gathered; responses to online questionnaire and a semi-structured focus group interview. The questions used in the questionnaire and phrases from the focus group interview will be referred to. All questions from the questionnaire can be found in appendix 1. All comments from the questionnaire can be found in appendix 2. To keep all participants of the questionnaire anonymous and untraceable, each have been assigned a number during the analysing in order to see which answers and comments go together. The number is given in chronological order, depending on time and date each participants contributed to the questionnaire.

### 4.1 Background Information

The purpose of this thesis is to find out if performance related bonus payments have any effect on customer loyalty amongst the customers of Swedish banks. Therefore an online questionnaire with 10 questions was generated and distributed in order to gain as much dissemination as possible. Further information on the sample can be found here below.

#### 4.1.1 Age and Gender of the Sample

The sample consisted of 91 persons, thereof were 61 (67,8%) female and 29 (32,2%) male. One person however skipped that question and therefore one person is not counted as either male or female. This was however the only question without a 100% answering rate. The sample then had to select one of five age groups as their own, and the distribution can be seen in the graph here above.

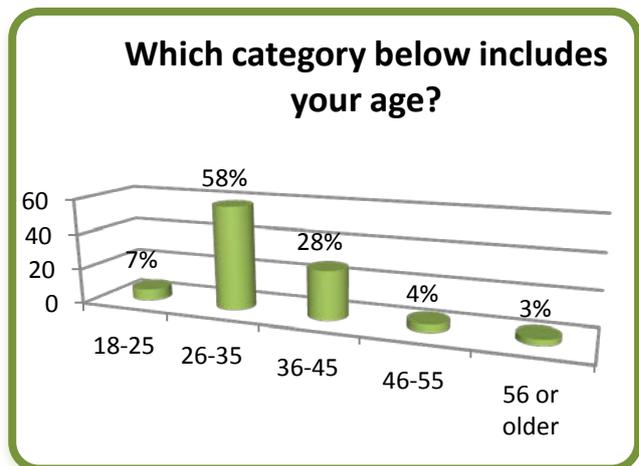


Figure 2; Empirical material, Age

During the focus group interview, participants were chosen with age and gender in mind, as has been discussed previously in chapter two.

### 4.1.2 Customer bank

As can be seen here to the right, the distribution between participants customer banks was quite even. That was also the case during the focus group interview as has been discussed previously in chapter two.

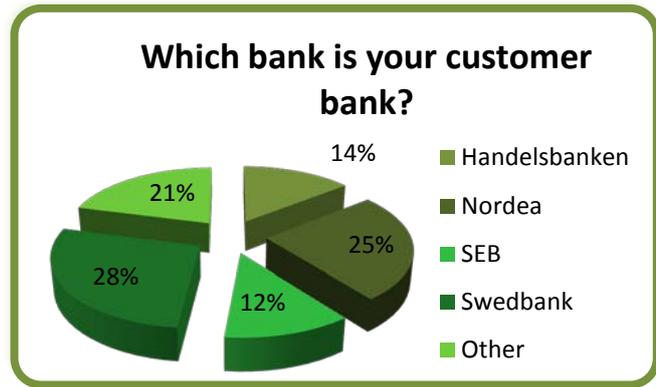


Figure 3; Empirical material, customer bank

## 4.2 Customer satisfaction

Jennifer Rowley defines loyalty as "... means that customers exhibit a commitment to, or a relationship with, an organization such as a retailer, a leisure service provider, a bank, or an airline" (Rowley, 2009, p. 1037). Customer loyalty is therefore more than just customer repeatedly purchasing or simply being satisfied with his purchase. In this case, since the organization in matter is a bank, there can be a definition problem with "repeat purchasing". The reason for this is that some would say that everyone ever buying anything using cash, internet banking or card, uses some kind bank services. While others might only consider the service used when they go in person or call the bank office. Therefore could any question about behaviour connected loyalty be misunderstood. As a result; in this research more focus was put on attitudinal loyalty such as commitment to the bank, the liking of a bank or a banks product and the desire to keep a commitment.

Therefore three questions where formed in order to configure if the customer liked the bank, if the customer was satisfied with his customer bank, and if the customer wanted to keep the commitment and stay with his customer bank. The three question formed where:

- *How satisfied are you with your customer bank?*
- *How satisfied are you with the service at your customer bank?*
- *Have you ever considered switching bank?*

Those three questions were also used in order to find which customers could be considered loyal, the concepts of customer satisfaction, service loyalty and service quality are often associated with each other (Caruana, 2002, p. 812). Together they are a great factor in creating



customer loyalty. By **Figure 4; Empirical material, customer satisfaction**

participants answering "very satisfied" with both the service and their customer bank they can fulfil one of the requirements for being loyal. But it is only when the customer reaches the highest level of satisfaction that he starts making emotional bonds with the company. Those customers are even 6 times more likely to repurchase than customer that still are satisfied (Kotler & Keller, 2012, p. 150). Here above the results from the two satisfaction question been can be seen as well as the distribution. As figure 4 shows, customer satisfaction is quit high among Swedish customers. 47% are satisfied and 17 % very satisfied with their customer bank. When asked about the service at their customer bank 18% are very satisfied while 43% are satisfied. That is however little lower than the earlier mentioned report from Svensk kvalitetsindex (2011) or 64%/61% instead of theirs 71,1%. That can however be explained by different methods and scope of research. Few comments were made on these two questions, but those who did comment mainly stated why they were not satisfied, such as: "I think the bank's profits are far too huge and that the interest rate on loans should be much lower than today" (participant 23), "long wait" (participant 32), "no interest in savings" (participant 4). Other commented on why they were satisfied: "My main customer bank does not have any offices. But I'm very satisfied with the internet bank" (participant 50), "It's secure and easy to operate through internet" (participant 26), "When I need help I can call and ask questions. They are helpful" (participant 26), "My bank has offered me (without me asking for it) put together two different loans in order to put cost down for me" (participant 11).

During the focus group interview most of the participants were satisfied with their customer bank. One member had recently switch banks due to new mortgage and was now really satisfied; *“when you go in at Länsförsäkringar you don’t have to go and wait in line, or take a number or anything like that. You make an appointment and get to meet someone, it’s much more personal, you have your own person doing this and that. Makes you feel very special”* (Hannah). Another member said he was satisfied with his customer bank, even though the service in his customer bank was bad: *“The awesome Handelsbanken, always open until 18:00, great opening hours, so we went there and opened an account. But we could not got a permanent account since we did not have Swedish ID cards, which I thought was quite dreadful, so now I have to take my passport every time I want to withdraw my money. But then I found another branch which is much more professional, and there I can have just my driver’s licence. So now I am happy and receive much better services in the new branch, they just argue if I try to talk to them in my old branch. [...] the biggest trouble with not having permanent account is that you cannot have any monthly payments, you can sign for it, but then nothing happens until you get a letter from Kronofogden saying you didn’t pay”* (John).

### 4.3 Loyalty

In the third question stated here above, participants were asked if they had ever considered switching banks, and furthermore they were asked to clarify their response. 46% of participant of the questionnaire had considered switching, but the reasons for wanting to switch were diverse. Only 32 of 91 participants did however specify reasons for why they had considered or not considered switching banks. Of those who had thought about switching, reasons included; *“Very bad attitude and communication towards customers (even though I have very good economy/record)”* (Participant 39), *“To get higher interest on savings.”* (Participant 4), *“Because of bad service.”* (Participant 24), *“Due to the new home mortgage”* (Participant 16), and *“To have everything in one place”* (Participant 5). Comments on why they had not thought about switching banks were for example; *“Never had a reason to”* (Participant 3), *“Because they are all the same”* (Participant 32), *“I get the attention I need and do not get stuck in too much bureaucracy”* (Participant 21), *“Because me and my family have always had a connection to that bank”* (Participant 47), *“I don’t have time to read information to take a decision”* (Participant 72) and *“I have*

*because they say in the newspaper that you should get lower interest on the loan. But I'm lazy and comfortable so I stay with My bank"* (Participant 8).

Only one member of the focus group had considered switching banks. He was however mostly satisfied with the service at his bank, the reason he had thought about switching was *"I like the idea of have everything at the same place, I think that is much better"* (Bob). Other stated, that they might have thought about it once or twice if they got a bad service but then next time they were happy with the service and then forgot all about it: *"the only reason I have not switched banks is because I am always treated so good here in the new branch"* (John), *I would have changed banks by now if I was John"* (Jenna).

Of those participants contributing to the questionnaire, 14,2% are considered loyal for the sake of this research. The factors controlling if a participant is considered loyal or not, is answering *very satisfied* to both of the questions showed in the graph here above as well as answering *no* when asked if the consideration of switching banks had ever come up. That is considered in compliance with the research that Jones and Sasser (1995) conducted about the correlation between customer satisfaction and customer loyalty using five scale categories ranging from very dissatisfied to very satisfied. Their results showed that complete customer satisfaction is the key substance into securing customer loyalty (Jones & Sasser, 1995, p. 89).

During the focus group interview three members of the group were eligible to be loyal customers, since they were really satisfied and had not consider switching banks. One of them however had just recently switched to his current bank, while the other two had stayed with their banks for a long time. Other group members were from being indifferent to satisfied, with no-one being dissatisfied. Some member's also explained their satisfaction with the lack of communication with the bank *"...I mean I do not own any thing, we only get our salary and when it's finished, it's just finished. So I never go to the bank, or have to deal with them in any way, so they can't irritate me in any way"* (Jenna).

Another factor that came up in the focus group interview that the participants thought should be highlighted more, was how much trouble it is to switch banks. Even though there is maybe no direct cost included, there is still the process of getting new debit cards, new credit cards, new accounts, moving all direct payments and lack of over sight during the switch. *"We cancelled our membership cards long time ago, but they keep on trying to withdraw from our old accounts, It has happened at least twice that we get a letter from*

*Kronofogden because they are still trying to use the old account even though we have cancelled" (Hanna).*

#### 4.4 Bonus payments

In order to see what customers think about their bank paying out performance related bonuses to their employees and especially top management, two questions were asked in the questionnaire. No

participant really approved of bank's paying out bonuses, however 64% of participants disapproved or really disapproved of bonus payments to all employees and 68% for top management. More about the distribution of participants can be seen here to the right in figure five. Most comments

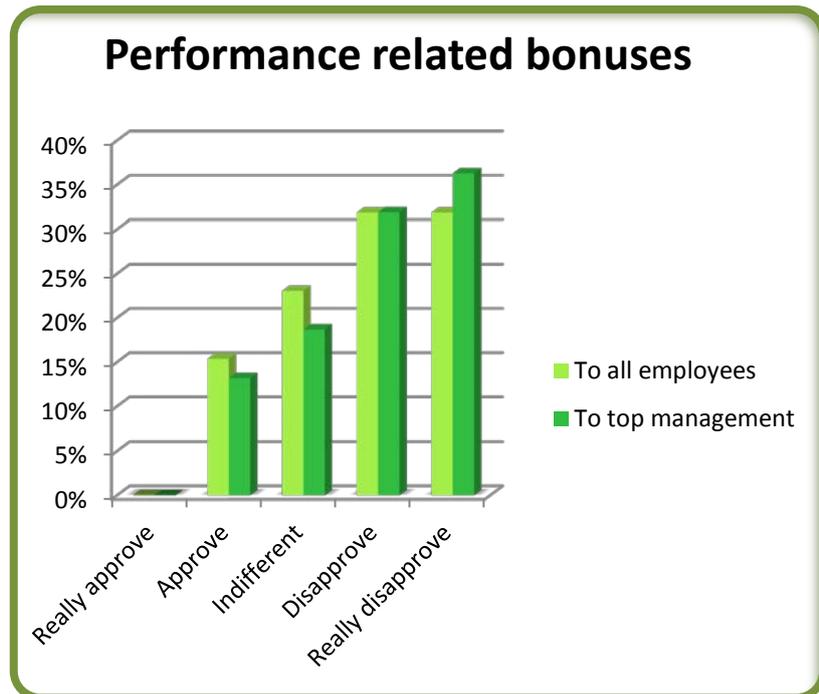


Figure 5; Empirical material, bonuses

explained why participants did not like banks paying out bonuses, such as; *"In general I guess it depends on \*which\* types of performances the bonuses are paid out for. However, the way my impression of how bonuses are used, I am somewhat afraid that this would make the bank employee even more of a "sales person" than they already are; i.e. they keep trying to make me invest in stuff not because it is good for me in the long run, but good for the bonus of the employee"* (Participant 46). Other comments were not as detailed but still enlightening such as; *"I don't like bonus at all"* (Participant 44), *"it's their job to give us good service, why should they get extra bonus because of that!?"* (Participant 63), *"Risking other people's money is easy. You don't need incentives to do this"* (Participant 35). Few comments were however on the edge of expressing anger towards the bonus system; *"The salaries and extensive bonuses of the top management are as close to robbery you get within the legal framework"* (Participant 23), *"It's not their money!"* (Participant 11), *"I think that the*

*extensive bonuses are a real rip off, a far bigger part of the profit should be returned to the customers. bankers are greedy"* (Participant 23). Only two comments were on the positive side; *"...if its within reason"* (Participant 29) and *"Don't know for what reason they get it. If it's for better service then it's good"*, (Participant 51).

During the focus group interview the group divided into two factions, with one smaller part against bonus payments while the other bigger part was for them. *"Bonuses per se is not bad, I think it is more of a question to what the extent the bonus is"* (Richard), *"I am very much against it"* (John), *"it's very common to have bonuses in workplaces"* (Hanna), *"I get bonus in my job, so why should bank employees be excluded?"* (Bob). When the topic of the discussions changed into if it mattered if the bonus payments were only to top management or maybe to everyone except top management all group members did however agree the importance of everyone having equal share *"...everyone should be able to get share of the bonus for their work"* (Jenna). *"... I think everyone should get proportionally equal share. If the company is doing well it must be important that all employees are doing a good job"* (Beth). However, the participants also stated that top management could just increase their own salary if they would not be eligible for bonuses, so they should not be as dependent on the bonus payments as the everyday employee *"Management can just allotment themselves as they want"* (John).

One thing that they all agreed upon in connection with bonus payments was the necessity to not only have a fair and equal bonus system, but also to connect the responsibility of the employees action to the bonuses. So those employees receiving bonus payments, would also take responsibility for the work they did to receive the bonus *".. since it is a huge responsibility, they do their job and receive a large bonus, but then everything goes south and no-one takes the blame"* (Jenna).

#### **4.5 The importance of bonuses**

In order to see if bank bonuses are imperative to the average customer, two questions were asked regarding importance. The former question asked if the average customer had acquainted themselves with how their own customer bank behaved regarding performance related bonus payments.

As can be seen here to the below, the vast majority of correspondents did not know if their own customer bank did pay out bonuses or not. Not many comments were made on that question, but most of them were similar; *"Probably, don't they all?"* (Participant 75), *"But I guess they do... Don't all???"* (Participant 89). One comment was however completely different from the rest; *"I have never heard of it and I do not believe they do"* (Participant 11).

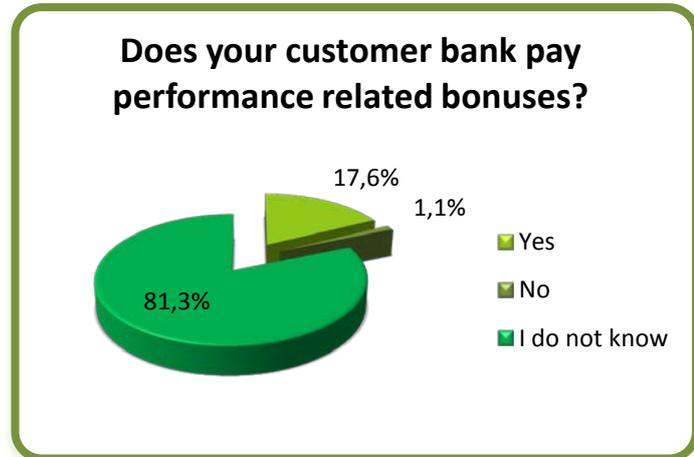


Figure 6; Empirical material, bonus knowledge

When examining this question in the focus group interview not all members knew if their banks paid bonuses, some assumed that they did, others knew they did not pay bonuses and the rest did not know. They all agreed however that this was not a subject the everyday customer was expected to have any knowledge about. If the banks and/or media did not express it very clearly than the customer would not know. *"You just don't worry that much about it, that you spend time looking into such a matter"* (Jenna), *"it might have indirect influence though"* (John).

The second question was formed in order to look at the importance of bonuses *"Could performance related bonus payments to top management be a reason for you to switch banks?"*. If the participants would take a stand against bonus payments it should suggest the importance of those payments. Further distribution of answers can be seen here to the

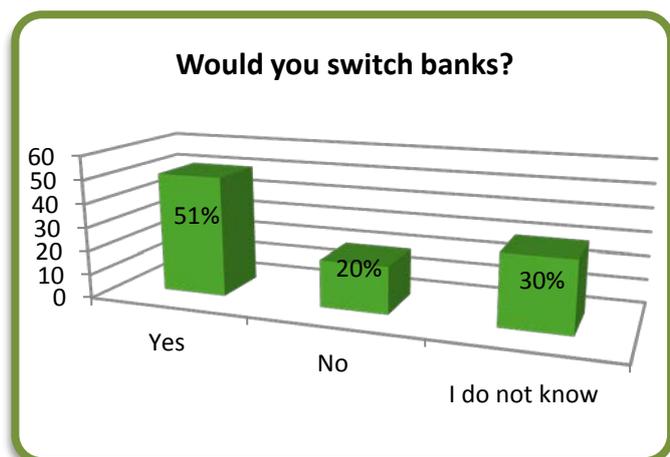


Figure 7; Empirical material, mobility

right. Some participants however suggested in their comments that there was no point in switching banks. *"Unfortunately all the banks have the same system"* (Participant 23), *I write "I do not know" because I do not think there are any banks which do not use these*

*bonus systems. So i do not think there are any banks to switch to, However, I might be wrong...* (Participant 46), and *"If they are paying out outrageous amount of money"* (Participant 6).

When discussing the subject in the focus group, most of the group members did not consider bank paying out bonus as a reason for them to switch bank; ...*"if I could get better terms on my loan, I mean, why should I pay more in interest just because they are doing something over there..."*(Beth) *"you mean since it does not affect you directly"?* (Bob) *"yes"* Beth. *"I am not ready to pay more for my loans, or lose the interest on my saving accounts just to put my conscience at rest"* (Jenna). *"People don't research these things, they only look at how much am I going to pay, and how much do I get"* (Richard). *"...only if it was a huge scandal and was published in the news or something"* (Hannah). The majority agreed that reasonable bonus payments would not concern them, since it was not a factor in their everyday business with their bank. Therefore they had nothing against it, and did not see the reason to spent time investigating if their bank did pay bonuses or not. Not everyone did agree to that though; *"I would not want to be Nordea's customer, that's why I haven't switched banks, but if I would find anyone better, then I could switch"* (John).

If the information was published in the media, about how bad some of banks where behaving in connection with bonus payments then it might be a different story. *"They would have to badmouth them"* (Bob), *"... as we were talking about earlier if we would get this information, you know, I think the problem that shines through is that people have no idea. They do not know what's going on and have maybe no time to familiarize themselves with this, but suppose one of the newspaper, for example Sydsvenskan, wrote a full-page article or something on the front page, about bonuses scandals at Nordea, I am afraid that many would then go and switch banks"* (Richard).

## 5. Analysing

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All material gathered for the purpose of this research has now been accounted for and therefore the discussion and analysing can begin in relation to the question asked in the beginning and the two hypothesis formed.

### 5.1 Factors leading to loyalty

As can be seen in figure 4, customer satisfaction is rather high among the Swedish bank customer. 47% are satisfied and 17 % very satisfied with their customer bank and when asked about the service at their customer bank; 18% are very satisfied while 43% are satisfied. In order to gain the satisfaction of customers it is very important that the perceived service exceeds the level of customers expectations (Caruana, 2002, s. 814; Kotler & Keller, 2012, p. 150). Only one participants comments on such service: *"My bank has offered me (without me asking for it) put together two different loans in order to put cost down for me"* (participant 11). This customer is categorized as a loyal customer since he fulfilled all criteria earlier mentioned. Another loyal customer suggest that it does not have to be personalized service, it is enough to have very well functioning internet bank: *"My main customer bank does not have any offices. But I'm very satisfied with the internet bank"* (participant 50). That is coherent with the service evolution moving more to online banking as stated in Fitzsimmons & Fitzsimmons (2008).

During the focus group interview most of the participants were satisfied with their customer bank. One member had however recently switch banks due to new mortgage and was now really satisfied and fulfilled previous mentioned criteria of loyal customer. She stated that *"when you go in at Länsförsäkringar you don't have to go and wait in line, or take a number or anything like that. You make an appointment and get to meet someone, it's much more personal, you have your own person doing this and that. Makes you feel very special"* (Hannah). Another member said he was quite satisfied with his customer bank, even though the service in his customer bank had been bad in the beginning. *"The awesome Handelsbanken, always open until 18:00, great opening hours, so we went there and opened an account. But we could not got a permanent account since we did not have Swedish ID card, which I thought was quite dreadful, so now I have to take my passport every time I want to withdraw my money. But then I found another branch which is much more professional, and there I can have just my driver's licence. So now I am happy and*

*receive much better services in the new branch, they just argue if I try to talk to them in my old branch. [...] the biggest trouble with not having permanent account is that you cannot have any monthly payments, you can sign for it, but then nothing happens until you get a letter from Kronofogden saying you didn't pay"* (John). This customer of Handelsbanken likes the image Handelsbanken has, so he is amazingly loyal to the bank, even though he received bad service at the beginning and also though he cannot have permanent account; *"the only reason I have not switch banks is because I am always treated so good here in the new branch"* (John). But since he also really disapproves of bonus payments, he will rather have the status quo than switch banks and go to Nordea, however if he could find a better bank than Handelsbanken he would consider switching banks. *"I would not want to be Nordea's customer, that's why I haven't switched banks, but if I would find anyone better, then I could switch"* (John). That is in compliance with what Kotler and Keller (2012) stated in their customer satisfaction scale. At the beginning John was at level 1 and was likely to switch banks. Now he is in level 2-4, fairly satisfied, but still ready to change banks if something better turns up. Even though the service is good now after he changed his visiting branches he is still not eligible for permanent account, after being living for over two years in Sweden, which causes endless amount of trouble for him.

Hannah could be described as *Apostle* in *The customer satisfaction loyalty relationship* by Lovelock and Wirtz (2011) since she praises her bank and does not look for better opportunities elsewhere. With these examples from both the questionnaire as well as the focus group interviews, it is safe to say that service satisfaction and exceeding the customers' expectations is a crucial part in maintaining customers and developing loyal customers.

Hart and Johnson (1999) suggest trust being one of the most important loyalty factors. Levy and Weitz (2009) also state that trust is the glue in every relationship. This was confirmed by two participants in the questionnaire stating that they used the same bank as other family members and had therefore never consider changing banks. Suggesting that, since they are in business with their family bank, the bank should have the customers best interest in mind and those participant therefore in good trusting relationship with their customer bank.

The work of Gremler & Brown (1996), Guitinan (1989) and Klemperer (1987) all supports the fact that switching cost is considered to play a significant role in customer

loyalty. Switching cost has however not been considered a factor for the customers of Nordic banks since there is not a certain fee that has to be paid to be able to changing banks. This is however not consistent with the results from this study since both participants from the questionnaire as well as from the focus group interview stated the hassle that follows switching banks. So even there is maybe not a huge financial cost involved in switching banks, there is still a problem with switching account number as well as debit and credit cards that has been underestimated so far.

## 5.2 Bonus payments

Bonus payments within the banks, do not appear to affect the customer as much as other factors such as price and satisfaction. That is coherent with what The Nordic Competition Authorities (2006) stated, that the rational customer normally chooses the cheapest good if two suppliers offer the same good at different price. When the subject of bonus payments was discussed during the focus group interview a smaller part of the participants stated that they were against it, while the bigger part stated that they had nothing against it. However, only one knew with certainty if their customer bank did pay bonuses or not. Most of them however assumed their bank did pay bonuses, but some also stated that it did not matter that much; *“People don’t research these things, they only look at how much am I going to pay, and how much do I get”* (Richard), *“It does not affect you directly”* (Beth). That is the same result as from the questionnaire, even though customer state their disapproval on the bonus payments, they do not seek information themselves as can be seen in figure six in the previous chapter. During the focus group interviews this was clarified further: *“if I could get better terms on my loan, I mean, why should I pay more in interest just because they are doing something over there...”* (Beth). *“I am not ready to pay more for my loans, or lose the interest on my saving accounts just to put my conscience at rest”* (Jenna). It therefore seems to be a minor factor, positioned after at least interest rate and expensive. *“... as we were talking about earlier if we would get this information, you know, I think the problem that shines through is that people have no idea. They do not know what's going on and have maybe no time to familiarize themselves with this, but suppose one of the newspaper, for example Sydsvenskan, wrote a full-page article or something on the front page, about bonuses scandals at Nordea, I am afraid that many would then go and change banks”* (Richard). Hence, the importance of media and competitor banks publishing openly the information about bad behaviour regarding bonus schemes or outrageous amount of

money badly spent, is required for the customer to notice and react. Participants in both the questionnaire as well as the focus group interview stated that they would react to such information. It was also stated that it would have to be published in the tabloids or the news, an article within the economic part would not be sufficient. That was confirmed even firmer when asked if there was something about bonus payments that could have more impact on the customer. Then everyone in the focus group agreed that if so, it would have to be something huge and be published in the media because people do not familiarize themselves with the subject “...*only if it was a huge scandal and was published in the news or something*” (Hannah).

Nevertheless, as can be seen in figure five, 64% of participants stated that they were against performance related bonus payments to bank employees and 68,2% were against bonus payments to top management. That can be explained by the common believe that bonus payments are something bad, something that you are supposed to be against as has been indicated in the media since the financial crisis started in 2008. If the general public agrees with Martin Andersson, in his speech in *Riksdags öppna frågor* 15<sup>th</sup> of March 2012 when he talked about the problem of financial advisors where often thought selling customers services they were in no need for instead of thinking what is best for their clients. Then it is understandable that customers are against performance related bonus payments. If those factors are studied closer and participants stating that they, disapprove or really disapproved of banks paying performance related payments to both top management as well as employees, are 62% of all participants. Of those 62 percents, 61 % would consider changing banks because of bonus payments. However if we inspect the other angle and look at those customer approving of bonus payments (no participants really approved) those were 11% of participants and only 40% of them would consider changing banks because of bonus payments. The difference there between is significant and could be explained by the customers not wanting to commit to nor identifying with a organization that emphasizes aspects that they do not like, such as bank paying performance related bonuses. Rowley (2009) and Wetsch (2005) stated that attitudinal loyalty has been defined as a deeply held commitment or even a positive identification with the organization. If the organization behaves in a matter the customer does not like, in this case regarding bonus payments, the customer can't identify with the organization and therefore the lack of loyalty.

It is nevertheless always prominent that customers do not appear to care enough about bonus payments to search for the information themselves. That however could partly be explained by the popular belief that since all banks are offering the same condition (The Nordic Competition Authorities, 2006, p. 87), they probably all have the same bonus systems as well. That implication is supported by the comments from the questionnaire "*Unfortunately all the banks have the same system*" (Participant 23), and "*I write "I do not know" because I do not think there are any banks which do not use these bonus systems. So I do not think there are any banks to switch to, However, I might be wrong...*" (Participant 46).

The fact that customer do not search themselves for the information about bonuses must mean that bonus payments are not that important to the customer. Therefore the answer to the first hypothesis; *Customers care if their customer banks pay's out bonuses*; the data clearly shows that a large majority of people care about bank bonuses, however it is not a priority when choosing a customer bank. Customers might say that they are against bonuses, however according to this study, bank bonuses are ranked well below other aspects considered when choosing to stay with a bank, like terms and conditions. Because even though 51% of participants would consider changing banks because of bank bonuses, majority does not know if their bank does pay out bonuses or not, and no indications have been giving of that changing any time soon. Unless maybe the media starts showing more interest in bonus payments and starts informing the general public more. Since this can be considered an ethical matter and ethics are often high in the pecking order with the media. We all have read about the big clothing companies using children to be able to keeping their price down. So why not show the big CEO bonuses the same courtesy and publish a piece about the ethics of only paying the teller around 252.000 SEK in salary per year while the CEO got around 15.000.000 SEK last year thereof 4.200.000 SEK in bonus payments. Even though *Dagens Nyheter* published a series of articles in February this year focusing on the banks, the publicity still does not appear to be enough. Another factor worth pointing out is the alleged importance of terms and conditions in comparison to other banks. No one in the focus group did mention their interest rate, fees, or other condition nor did some of them know if they could get better rates elsewhere. They all just appeared satisfied with what they had, and had therefore no interest in looking elsewhere for a better deal. It can thereby be added that customers do not always know their own

terms and conditions or if their terms are comparable to others. As long as the bank fulfil their duties then there is no reason to go through the alleged hassle of switching banks.

### 5.3 Loyalty

Caruana (2002) stated that having a loyal customer is the foundation of any business. Therefore one of the most important task every organization has, is to make customers loyal. Jennifer Rowley defines customer loyalty as the customer demonstrating a commitment to an organization such as a bank (Rowley, 2009, p. 1037). Therefore is customer loyalty more than just customer repeatedly purchasing or simply being satisfied with his purchase. Jones and Sasser (1995) express the importance of total satisfaction when it comes to being a loyal customer. The outcome from their extensive research between customer satisfaction and customer loyalty showed that "except in a few rare instances, complete customer satisfaction is the key to securing customer loyalty and generating superior long-term financial performance" (Jones & Sasser, 1995, p. 89). Therefore customer satisfaction was considered crucial in this thesis in order to find loyal customers. Only 14,2 % of participants were considered as loyal customers. The conditions participants needed to fulfil, in order to be considered as a loyal customer, was to be "*very satisfied*" with both their customer bank and also the service in their customer bank. The third condition was not having considered switching banks. Those three factors are considered in correlation with Gremler & Browns (1996) definition of service loyalty as well as Wetsch's (2005) description off attitudinal loyalty. Furthermore, these factors are in correlation with Lovelock and Wirtz (2011) statement of the importance of the customers being highly satisfied instead of simply just satisfied.

Following these three conditions, 14,2% of participants were considered as a loyal customers. Of those loyal customers, 46% of them, compared to 51% of all participants, stated that performance related bonus payments to top management could be a reason for them to switch banks while 23% customers, compared to 20% of the whole, did not see bonus payments as a reason to switch banks. Further distribution between loyal customers, other customers and all participants can be seen here below in figure 8.

As can be seen here below, the loyal customers are less likely to see bonus payments as a reason to switch banks and also there are more loyal customers that do not see bonus payments as a reason to switch. However the difference between other customer and all the participants is not great.

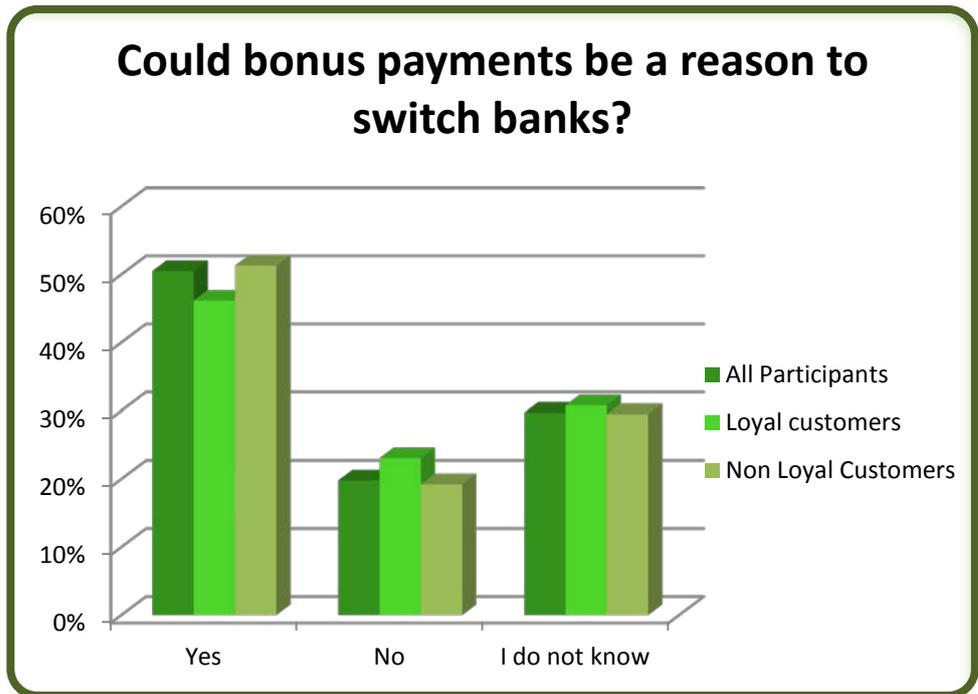


Figure 8; Empirical material, reason to switch

Therefore, it is safe to answer hypothesis 2: *Bonus payments have less affect on loyal customers than others*, with yes. Loyal customers appear to be less sensitive to bonus payments within their customer bank, however the difference is not great.

## 6. Conclusion

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In this chapter the conclusion of the research is accounted for. Earlier in this paper the research question was asked and two hypotheses were introduced as a way to answer that question. Now there will be elaboration and the conclusion will be accounted for.

The research question for this study was: *Does bonus payments within the Swedish banks affect customer loyalty?*

To answer this question two hypotheses were formed;

- *Hypothesis 1: Customers care if their customer banks pay out bonuses*
- *Hypothesis 2: Bonus payments have less affect on loyal customers than others*

As has been discussed in previous chapters and can be seen in figure 5 in chapter 4, customers are of the opinion that they are against performance related bonus payments. They do however not spend their time or effort familiarize themselves with the subject and therefore the majority of them do not know if their customer bank pays out bonuses or not. Therefore it can be safe to say, that the subject of bonus payments is not considered very important when it comes to choosing a customer bank or staying with a customer bank. Factors like terms and conditions, and aspects that affect the customer directly, are considered more important. That is coherent with the results from the focus group interviews or as one of the participants stated it so elegantly; *"It does not affect you directly"* (Beth). This is also supported by the comments from the questionnaire *"Unfortunately all the banks have the same system"* (Participant 23) and could be associated with the popular belief that all the banks are offering the same conditions (The Nordic Competition Authorities, 2006, p. 87), and therefore the same bonus systems.

All the same, majority of participants in the questionnaire stated that they would consider switching banks because of bonus payments. During the focus group interviews participants there stated that if they were informed for example by the media, of some outrageous amount of money spend in bonuses, or some kind of scandal in connection with bonus payments, that could be sufficient for them to consider changing banks. The scandal would have to be big though, and someone would have to tell them. They would not search for information themselves about banks bonuses, unless it would start to affect their own rates, fees or ability

to lend money. The question of how much customers really know about their own terms and condition can also be important factor. Because not everyone in the focus group knew what their own rates and fees where, even though they used it as a reason not to change banks. Therefore it appears that customers are not very interested in bank issues and do not compare or look for better alternative as long as they are not dissatisfied. The material gathered for this research still suggest that performance related bonus payments within the banks could be the deciding factor if interest and fees are the same between banks when choosing a new bank. Also, if media would inform customer better about bonus payments within the banks, that would affect the customers.

At least as stated in hypothesis 1, customers do care if their bank pays out bonuses or not, because overwhelming majority of participants do not like bonuses and certainly do not want to take any part in their bank paying out bonuses. Therefore, customers do not appear to get to the stage of *Apostel*, as described by Lovelock and Wirts (2011), when they are against bonus payments and think their customer bank pay's bonuses. Therefore it is very rare that customers can be considered to have true loyalty since only 23% of loyal customer found during this research, did not see bonus payments as a reason to switch banks. It is very likely that customers that are against bonus payments will keep on waiting for a better offer, being content with their customer bank, until one of the banks not paying bonuses starts informing potential customers or the media finds out about some bonus scandal in one of the other banks. Reducing the time and effort required when switching bank could also affect the situation, this could be the possibility of moving your bank account between banks, without getting a new account number, as seen having a major effect on the mobility of customers in the telecommunication industry a few years back.

That being said the subject of banks and bonuses does not appear to wake much interest with any of the participants. Most had predefined views of what they considered important, using their own terms as the most important factor. However most of them had not examined what terms where available in other banks. They might be willing to take bonuses into consideration when choosing bank if the tabloids published the information about the banks, but until now, most of the articles have been written in the business section of daily newspapers.

When the differences between loyal customers and all customers is looked at, there is a clear difference regarding bonus payments as a reason to switch banks as can be seen in figure 8 in chapter 5. More customers that were not considered loyal viewed bank bonuses as a reason to switch banks than the customers categorized as loyal, even though the gap between groups was not very wide. There were also more loyal customers that did not consider bonus payments as a reason to switch banks. Therefore it can be said that banks bonuses do affect loyalty. Furthermore, loyal customers are not as sensitive for bank bonuses as the everyday customer.

## **6.1 Future Research**

The findings in this study only reflect in a small way upon the views and perspective beliefs of the customers of the Swedish banks. It would therefore be very interesting to see if these findings apply in larger context. This field offers many interesting avenues for future research, especially within customer loyalty associated with the financial service firms. It is very interesting to correlate the knowledge, or maybe rather the customers lack of knowledge on the banks. Firstly, which factors do customer consider top priority for them when choosing bank. Secondly, how much does the customer really know about its customer bank? Then objects such as interest rates, charges, mortgages and functions such as private internet bank, or customer loyalty programs could be looked at. Thirdly, aspects such as why do customers stay with their customer bank even though they are not satisfied with neither the service they are getting nor the bank as such when the cost of switching is not considered very high. Or is the switching cost maybe higher than earlier researches has found out? There is still much to be learned about in the correlation of loyalty, finance and the customer.

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## Appendix 1, Questionnaire

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### 1. How satisfied are you with your customer bank?

- Very satisfied
- Satisfied
- Indifferent
- Dissatisfied
- Very dissatisfied

Comment:

### 2. How satisfied are you with the service at your customer bank?

- Very satisfied
- Satisfied
- Indifferent
- Dissatisfied
- Very dissatisfied

Comment:

### 3. Have you ever considered switching to another bank?

- Yes
- No

Can you specify why?

### 4. What is your opinion about banks paying out performance related bonuses to their employees?

- Really approve
- Approve
- Indifferent
- Disapprove
- Really disapprove

Comment:

### 5. What is your opinion on performance related bonus to top management in banks?

- Really Approve
- Approve
- Indifferent
- Disapprove
- Really Disapprove

Comment:

### 6. Does your customer bank pay performance related bonuses?

- Yes
- No
- I do not know

Comment:

### 7. Could performance related bonus payments to top management be a reason for you to switch banks?

- Yes
- No
- I do not know

Comment:

### 8. Which bank is your customer bank?

- Handelsbanken
- Nordea
- SEB
- Swedbank
- Other

### 9. What is your gender?

- Female
- Male

**10. Which category below includes your age?**

- 18-25
- 26-35
- 36-45
- 46-55
- 56 or older

Done

## Appendix 2, Comments from questionnaire

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### Questions: How satisfied are you with your customer bank?

- *"Bad service. Doesn't call back even if it's a phone meeting. Keeps pushing to sell the same services after saying no several times"* (Participant 75).
- *"My main customer bank does not have any offices. But I'm very satisfied with the internet bank"* (Participant 50).
- *"it's secure and easy to operate through internet"*(Participant 26).
- *"I think that the bank's profits are far to huge and that the interest rate on loans should be much lower than today"* (Participant 23).
- *"No interest on savings"* (Participant 4).

### Question: How satisfied are you with the service at your customer bank?

- *"Internet service"* (Participant 50).
- *"When they took away the possibility to take out cash"* (Participant44).
- *"long wait"* (Participant32).
- *"When I need help I can call ask questions. They are helpful"* (Participant 26).
- *"The bank employees I am in contact with are highly professional"* (Participant23).
- *My bank has offered me (without asking for it) put together two different loans in order to put cost down for me"* (Participant 11).
- *It's ok, but to long queue if you need help at the bank"* (Participant 8).

### Question: Have you ever considered switching to another bank?

- *"Changed bank when I moved together with my boyfriend and are now satisfied"* (Participant 89).
- *"I guess they are all the same"*(Participant 85).
- *"Om villkoren är bättre på en annan bank (exempelvis ränta på lån, sparande eller lägre avgifter) tvekar jag inte på att byta"* (Participant 84)..
- *"Swedbank denied me a car loan of 80.000 SEK. Me having good income as a doctor"* (Participant81).
- *"They are all the same in the end"* (Participant76).
- *"Bad service when they messed up with a new Visa-card. Forgot to cancel account three times"* (Participant 75).
- *" I don't have time to read information to take a decision"* (Participant72).
- *" They give good service and rates on my mortgage"* (Participant 63).
- *They were not accommodating when asking for loan to buy Property"*(Participant 62).
- *. "For better service"*(Participant 53).
- *"I have several banks, each bank serve a special purpose"*(Participant 50).
- *"I recently switched to this bank"* (Participant49).
- *" I have my savings account at another bank, since the interest is so low on my bank"* (Participant 48).
- *"I have tried Nordea, Handelsbanken (still having a resting account there), I also have a resting account at IKANO banken. I change bank when I feel like I'm not treated like an equally important customer as those who make the BIG money"* (Participant 41).
- *"Different bank card offered"* (Participant 37).

- *" My bank matches me perfectly, I almost pay no fee for having a card and using card in other countries in different currencies is off charge" (Participant 26).*
- *Mostly due to the level of interest tare level" (Participant 23).*
- *I feel that i haven ´t considered other options properly, I have just followed traditions in my family concerning what bank I use" (Participant 22).*
- *"Very bad attitude and communication towards customers (even though I have very good economy/record)" (Participant 39).*
- *"To get higher interest on savings." (Participant 4).*
- *"Because of bad service." (Participant 24).*
- *"Due to the new home mortgage" (Participant 16).*
- *"To have everything in one place"(Participant 5).*
- *"Never had a reason to" (Participant 3).*
- *"Because they are all the same" (Participant 32).*
- *"I get the attention I need and do not get stuck in too much bureaucracy" (Participant 21).*
- *"Because me and my family have always have a connection to that bank" (Participant 47).*
- *"I have because they say in the newspaper that you should get lower interest on the loan. But I ´m lazy and comfortable so I stay with My bank" (Participant 8).*
- *"Poor customer service" (Participant 19).*
- *"To get better rates" (Participant 17).*
- *"Hard to get service at the bank itself but the internet bank is quite easy to understand and accessible" (Participant 14)..*
- *"Line opportunities" (Participant 12).*
- *"I am satisfied with my bank" (Participant 11).*

**Question: What is your opinion about banks paying out performance related bonuses to their employees?**

- *"In general I guess it depends on \*which\* types of performances the bonuses are paid out for. However, the way my impression of how bonuses are used, I am somewhat afraid that this would make the bank employee even more of a "sales person" than they already are; i.e. they keep trying to make me invest in stuff not because it is good for me in the long run, but good for the bonus of the employee" (Participant 46).*
- *"I don ´t like bonus at all" (Participant 44).*
- *"it ´s their job to give us good service, why should they get extra bonus because of that!?" (Participant 63).*
- *"Risking other people ´s money is easy. You don ´t need incentives to do this" (Participant 35).*
- *"Don ´t know for what reason they get it. If it ´s for better service then it ´s good", (Participant 51).*
- *"...if its within reason" (Participant 29).*
- *"It ´s the customers money" (Participant 11).*
- *"The bonus should not be high percentage of total salary and the bank has to have a simple and clear system that should be fair" (Participant 79).*
- *I don ´t know the staff contracts or how to run a bank. Everyone knows it ´s not charity they do. However, there must be limits, we are dependent of the Banks" (Participant 75).*

- *"Are the bonus really performance related? They seem to get really good bonus no matter what result the bank presents..."* (Participant 50)
- *"I think that the extensive bonuses are a real rip off, a far bigger part of the profit should be returned to the customers. bankers are greedy"* (Participant 23).
- *"This might be a problem for customers, since they don't know whether the employees of the bank are really giving them good advice or just trying to get their bonuses"* (Participant 22).

**Question: What is your opinion on performance related bonus to top management in banks?**

- *"The salaries and extensive bonuses of the top management are as close to robbery you get within the legal framework"* (Participant 23).
- *"It's not their money!"* (Participant 11).
- *"See answer above because Some say that this is one factor for the bank crises 2008 the sky high bonuses"* (Participant 79).
- *"Are the bonus really performance related? They seem to get really good bonus no matter what result the bank presents..."* (Participant 50).
- *"They already have rather big salaries"* (Participant 47).
- *"I see no fundamental, principal argument against bonuses to the top management. However, in practice, it seems like the bonus systems nowadays have been connected to short-sighted goals (which are not necessarily good in the long run), and used as a way of just raising the wages for a selected few"* (Participant 46).
- *"Senior managers usually never make critical decisions. They hide behind committees and make recommendations based upon consensus. If they really went beyond that then a bonus would be acceptable. However, if a bank loses money then no bonuses should be paid until a profit is realized"* (Participant 35).
- *"In my opinion Bonuses are currently used to give the customers and shareholders' money to banking employees"* (Participant 39)..
- *"...if its within reason"* (Participant 29).

**Question: Does your bank pay out performance related bonuses?**

- *"Probably, don't they all?"* (Participant 75).
- *"But I guess they do... Don't all???"* (Participant 89).
- *"I have never heard of it and I do not believe they do"* (Participant 11).
- *"Probably"* (Participant 50).

**Question: Could performance related bonus payments to top management be a reason for you to switch banks?**

- *"Unfortunately all the banks have the same system"* (Participant 23).
- *I write "I do not know" because I do not think there are any banks which do not use these bonus systems. So i do not think there are any banks to switch to, However, I might be wrong...* (Participant 46).
- *"If they are paying out outrageous amount of money"* (Participant 6).
- *"maybe"* (Participant 63).
- *"Perhaps"* (participant 33).
- *"If too high bonuses, which of course is needs a definition I'm not capable of doing"* (Participant 75).