



Sveriges lantbruksuniversitet  
Swedish University of Agricultural Sciences

Department of Economics

# **The Rescindment of Cash Management in the Swedish Bank Industry**

- A study of how to maintain the customer satisfaction while reducing the overall service offer

*Johan Sundqvist*

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# Abstract

Sweden is going through big changes within the bank sector. Increasing card usage, decrease of cash acceptance in the society, an attempt to reduce money laundering, and a possible increase in profitability has lead to the rescindment of cash management among three of the four major banks. This has lead to a big debate in the society, a lot of frustration from customers, and a drop in customer satisfaction for every bank that started the process of removing cash management.

The purpose of this study is to find out how the banks could keep their customer satisfaction when removing cash management. When doing the study, the rescindment of cash was a deduction of a part of the service, compared to the normal adding or starting of a service. The study was done through a focus group that was the base of a questionnaire that got answered by 125 respondents. A regression analysis was completed and the answers from it were thereafter analysed with the theories chosen for this thesis.

The results show that in order to maintain the customer satisfaction after removing cash from branches, the banks need to focus on five components to compensate and must be proactive for the rescindment of cash management. The five components affecting customer satisfaction are Price, Place, Promotion, Participants, and Process. Focusing on these components and letting the customers be a part of the formation of the new service layout, will give a higher quality of service. The study also show that components like Product and Physical appearance are not components that affect the overall customer satisfaction in cases such as this.

The strongest affecting component is Participants, which can be both employees and other customers being present when the service is being consumed. The employees stand for a majority of the customer perception of the bank and its service. By moving cash management from branch to ATM, the customers will experience a new process and less interaction with the employees.

The study is relevant to companies within the service industry that are taking away parts of their service but still want to keep their customer satisfaction. Since there are no former studies within this field this gives indications on what the customer finds important. It also adds to the overall understanding of customer satisfaction and what affects it within the service industry. The study opens up the issue for future researchers to dig deeper in order to see if the five identified components are also adoptable to other service industries or if these five components are the same for banks in other countries with other set ups.

# Sammanfattning

Sverige går igenom stora förändringar i banksektorn. En ökad kortanvändning, minskad acceptans för kontanter i samhället, ett försök att minska penningtvätten och en möjlighet till ökad lönsamhet för företagen har lett till en avveckling av kontanthantering på tre av de fyra största bankerna. Detta har lett till en stor samhällsdebatt, mycket frustration från kunderna och ett fall i kundnöjdhet för berörda banker.

Denna studie görs för att ta reda på vad banker måste fokusera på för att behålla kundnöjdheten när de tar bort kontanthantering. Denna studie undersöker fenomenet av att ett företag tar bort en del av en service, istället för det normala då en ny service startas eller en extra del läggs till. Studien gjordes med hjälp av en fokusgrupp för att ge underlag till ett frågeformulär. Detta frågeformulär blev sedan besvarat av 125 kunder i banken. En regressionsanalys gjordes på resultatet av frågeformuläret. Svaren från regressionsanalysen blev analyserade med hjälp av valda teorier.

För att behålla kundnöjdheten när kontanthantering tas bort måste banken fokusera på fem faktorer. Dessa fem är Pris, Plats, Påverkan, Personer och Process. Genom att fokusera på dessa faktorer och låta kunderna vara en del av att utforma det nya tillvägagångssättet av den totala tjänsten så kommer den totala servicen hålla hög kvalitet. Studien visar också att faktorer som Produkt och Fysiska tillgångar inte är faktorer som påverkar kundnöjdhet i ett fall som detta.

Den starkaste påverkande faktor är Personer, vilket kan vara på personal och kunder som är närvarande i servicemomentet. Personalen står för majoriteten av kundens upplevelse av banken och dess service. Genom att flytta kontanthantering från bankkontoren till uttagsmaskinerna så har processen för kontantuttag ändrats för en del av kunderna och följden blir mindre interaktion mellan kund och personal på banken.

Studien är relevant för företag inom serviceindustrin som har tagit bort delar av sin service men som strävar efter lika hög kundnöjdhet. Eftersom det inte finns några tidigare studier inom detta område ger det indikationer om vad kunderna anser är viktigt vid en sådan här reform. Arbetet bidrar även till den totala förståelsen av kundnöjdhet och vad som påverkar det inom serviceindustrin. Studien öppnar upp för ytterligare forskning för att se om de fem identifierade faktorerna också är anpassade för andra områden inom service industrin. Det går även undersöka om dessa faktorer är applicerbara i andra länder med andra förhållanden inom banksektorn.

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# 1 Introduction

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*The following chapter will discuss the background of the bank industry as well as where it is headed and why it is heading that way. The chapter includes an introduction, background to the problem, and the problem formulation, as well as the aim and the delimitation of the study.*

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A bank's main purpose is to store money and then lend out the same money in exchange for an interest rate to other interested parties. This business has been traced far back in history, all the way back to the renaissance (Hildreth, 1837). The banking system started in cities with big wealth. Citizens needed to store their excess wealth, usually in the form of gold, somewhere to make sure that it was kept safe. The safest place, at the beginning of banking, was usually at ironsmiths or ironworkers, since they made iron gates that were strong enough to keep intruders out. Whenever someone needed to withdraw any funds, they brought with them the receipt that they were given when they initially deposited the funds with the ironsmith. This later developed into modern day banking, where people deposit their salary or saved up wealth. In modern day banking, the reasons for keeping the money at the bank is far more than to keep it safe, even though that is still one of the arguments for depositing money. Today keeping money at the bank gives interest, investment opportunities and it increases the accessibility to the cash through bank cards.

The modernisation within banks and the way they are operating have been getting more and more advanced over the last centuries. New products, ways of working, organisational structures and changes in behavioural patterns have been the result of the technical advances within the IT sector (Nordea, 2012). The banks' focus of simply storing money in order to lend it out has steadily decreased. Instead they use new possibilities of investing. Banks can offer their customers a wide variety of complex and differentiated products. These products demand a digital set up in order to keep the transaction cost low and for the investment to be monitored. Just as investments are handled digitally, loans are handled the same way. Loans are just as important for today's society as the possibility of investing money. The payment gets digitally deposited into an account without any sort of transportation in monetary cash. The money is just transferred around instead of being physically withdrawn and deposited.

According to Bergman, Guibourg & Segendorf (2008), the banks need to follow technological advancements in order to increase profitability as well as to stay competitive. The crash in 2008 once again showed how fragile the market is and effects of it can still be seen in today's economy. To prevent future crashes and to create a more stable banking sector, Basel III was introduced. The goal of Basel III is to lower the overall risk through three major aspects. It is through increasing the safety barrier in common equity compared to loans, reducing or slowing down the increasing balance sheets in banks through leverage ratios, and increasing the pressure on passing a stress test on the liquidity (Slovik, 2012). All of these new goals will lead to a lowering of the overall profit for banks.

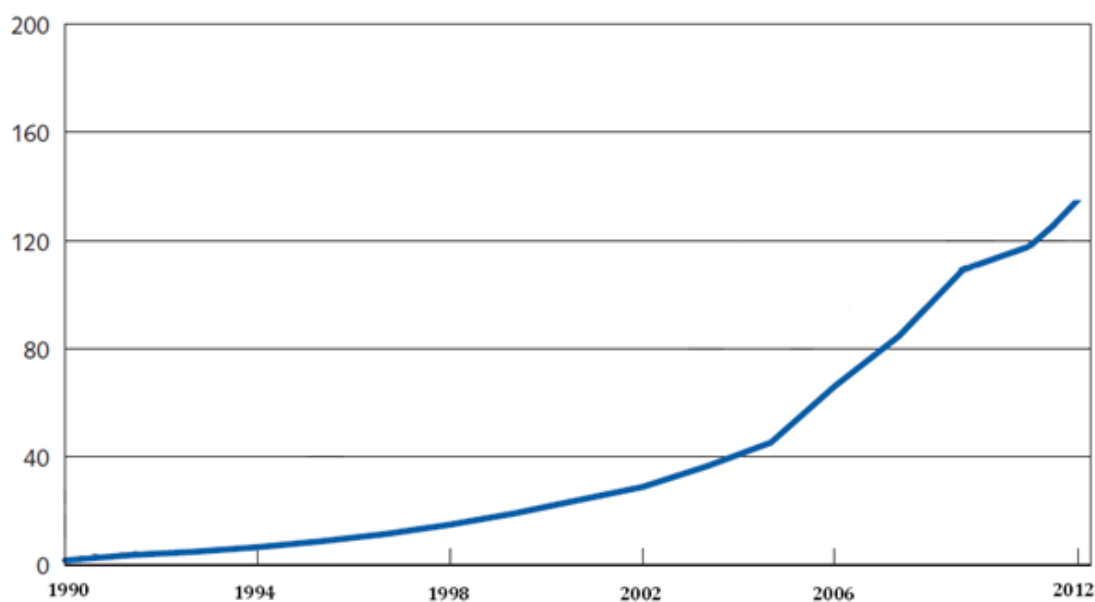
Due to these new goals in Basel III and the crisis in Europe, banks need to increase their profitability as well as increase their stability. This forces banks to find ways to improve today's management of businesses, including their cash management.

## 1.1 Problem Background

Late in September 2012 the institute "Swedish Quality Index" published a report that shows a big decrease for three out of four big banks in terms of customer satisfaction (Kvalitetsindex, 2012). According to the report, the biggest reason for the decrease in satisfaction comes from the rescindment of cash service at branches. In a scale from 0-100 where the higher the number the more positive the customer's attitude to the bank, Nordea dropped from its highest average number 71.3 in 2010 to 66.4 in 2012.

A big cost for banks in general is the service of having branches that offer the possibility of withdrawing cash from a teller (Sveriges riksbank, 2008). The service costs a lot because of the cash management problem. The security that is needed for the cash itself, the delivery and collection of the cash, the equipment that is needed to handle the cash, and the need to have people working with the deposits and withdrawals are all big cost drivers. This service lost a lot of its value when ATMs were introduced and customers switched to using cards (Sveriges riksbank, 2004). It was however, still a service that was a "must have" service for banks up until the last nine years, when online banking started to grow rapidly. According to Statistics Sweden (2011), the usage of online banking has gone from 38% to 84% during those last nine years.

With the possibility of handling many transactions online, a big customer group moved their business there. The result of an increased usage of banks' online service ended up with a decreased need for branches managing cash (Sveriges riksbank, 2008). With the online service, customers just transferred money and used their card instead of going to a bank for withdrawals. The usage of bank cards and ATMS has grown, as seen on figure 1, and a lot of the banks have centralized to one or a few branches managing cash in every city.



**Figure 1.** The number of card transactions per capita per year in Sweden between 1990-2012. Source: Bergman et al., (2008); own modification.

The usage of cash in Sweden is still steadily decreasing every year (Daltung & Ericson, 2004). As seen on figure 1, the usage of cards will continue to increase (Bergman et al, 2008). The usage of cash is at such a low level that the cost of handling cash has reached such a point where the banks have to look for new solutions. The cost and time involved in cash management is not paying off and a lot of the bigger banks in Sweden are phasing out the service (Pers com. Östman). Smaller competitors meanwhile, are gaining ground in cash services to customers.

One of the solutions is a system of co-operation between some of the bigger organisations with smaller upcoming banks that focus on cash management. An example is Nordeas and Swedbanks where costumers are allowed to withdraw and deposit money in exchange branches. Exchange is thereby gaining an economy of scale, which means that it profits from handling cash because they can divide the fixed cost on the big amount of products. Because of exchange business model Nordea and Swedbank are able to give their customers the service of cash management.

The outsourcing of cash management is leading to a small number of customers wanting to withdraw cash from branches. With a smaller customer base, that is declining every year, most of the bigger banks have started the process of going cashless. Swedbank is the bank that has got furthest in their process of becoming a cashless bank: they have closed down in a lot of cities and are planning to keep this trend going (DN, 2013). Nordea is also heading in the same direction but has not got as far. Nordea have only closed down branches in smaller cities, and have not yet done so in a bigger city.

## 1.2 Problem

By closing down cash management operations in branch, the structure and focus of organizations will be different and more clear. The goal is to have a stronger focus on meetings with the customers than before the rescindment of cash management. By removing cash management, Nordea will be able to focus more on their core competences, the outsourcing branches, and ATMs will handle the cash distribution to the Nordea customers. All the banks that have been closing down cash management operations have been receiving a lot of negative publicity, and customers have been switching banks. This is a problem that damaging companies as well as leading to a loss of profit. Nordea needs to have a clear template on what affects the customers' view of the bank and what to focus on in order to keep the customers, while they remove their cash management operations in the bigger cities. This leads to the question that is the focus of this thesis.

*How does a bank keep their customer satisfaction while removing the cash management?*

## 1.3 Aim and Delimitations

The aim of this study is to determine what components are important to focus on in order to maintain high customer satisfaction during the rescindment of cash. The rescindment of cash has already been done in some regions and banks, but there are other regions and cities that have branches with cash management.

In order to increase the knowledge of what to focus on during the rescindment of cash management this study was made. The study also shows what affects costumers' satisfaction in processes such as the one discussed above. It can also help in other cases of a deduction of service, when a company decides to change its service concept as well as to add a service.

This study is of interest not only for the bank Nordea, but also for stockholders to see how the bank works to improve its customer satisfaction. Customers are another group that will find this study of interest in order to see that the bank is actually trying to improve. The reaction of the study among the participants has been positive because the customers see the study as an attempt to improve Nordea's service to the customers. This study is also of interest for the competitors to some extent, by having the above hypothesis proved.

The research has been done in cooperation with Nordea Bank. The goal is to better understand what to focus on during the rescindment of cash management in order to maintain higher customer satisfaction. The reason this is being studied is because of the on-going process of removing cash management from many of the bigger banks in Sweden and across Scandinavia. The question of whether the cash management should be removed or not will

not be a part of this study since the decision has already been made and the process is in full motion.

The study is based on information from Nordea customers and Nordeas set up and might therefore limit itself to Nordea Bank and its customers. Due to this, there is a possibility that the results and recommendations might not fit other banks as well as they will for Nordea because of the difference in the process of taking away the cash management.

## 2 Literature Review

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*The following chapter will present earlier findings in the research of customer satisfaction. The different definitions of customer satisfaction will be presented, along with the most common ways to measure it, and the findings in what affects customer satisfaction.*

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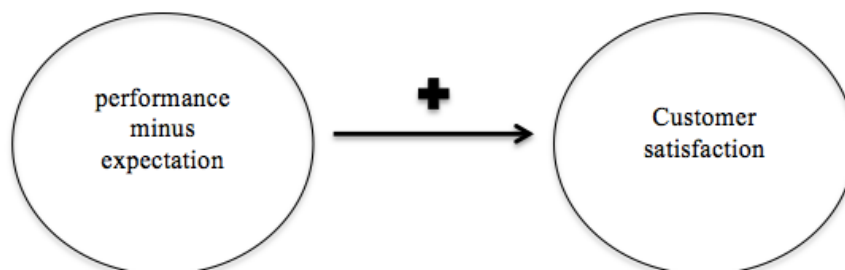
### 2.1 Definition of Customer Satisfaction

The definition of customer satisfaction is flexible and there is no cross-field definition. It fluctuates depending on the field of study (Anderson et al, 1997). There are two major ways of looking at customer satisfaction. They are called transaction specific satisfaction (Jones & Suh, 2000) and cumulative satisfaction (Danaher & Mattson, 1994). In this paper the best one to use is the cumulative satisfaction because of the long relations between customer and bank. Business between the customer and the bank is also based a lot on trust and therefore a long-term relationship is crucial for a good business relationship.

Depending on whether the research is being done on a short-term basis or long-term basis between the customer and the company, the definitions vary. With a short-term basis to the customer, the definition focuses on the exact moment of purchase being made. According to Carlson and O’Cass (2010) customer satisfaction is “a summary of affective reactions to a service incident”. The definition from Woodruff and Schumann (1993) also supports a short-term aspect by stating “satisfaction is an immediate reaction to how much value is received from using the product in specific use situations”. With these statements the focus is on the present and does not take the future in to consideration. Transaction specific satisfaction focuses on one single transaction at one point in time (Gustafsson et al, 1997).

The figure below shows the disconfirmation model that is used to describe transaction specific satisfaction. The model shows the difference between the performance of a service compared to the expectations of the service that are being provided.

If the customer expects the service to be greater than it actually is, the result will be negative in satisfaction. If the service itself is greater than what the customer was expecting the overall satisfaction will be positive and high. Therefore expectations can both disconfirm customer satisfaction both positively and negatively (Caruna, 2002).

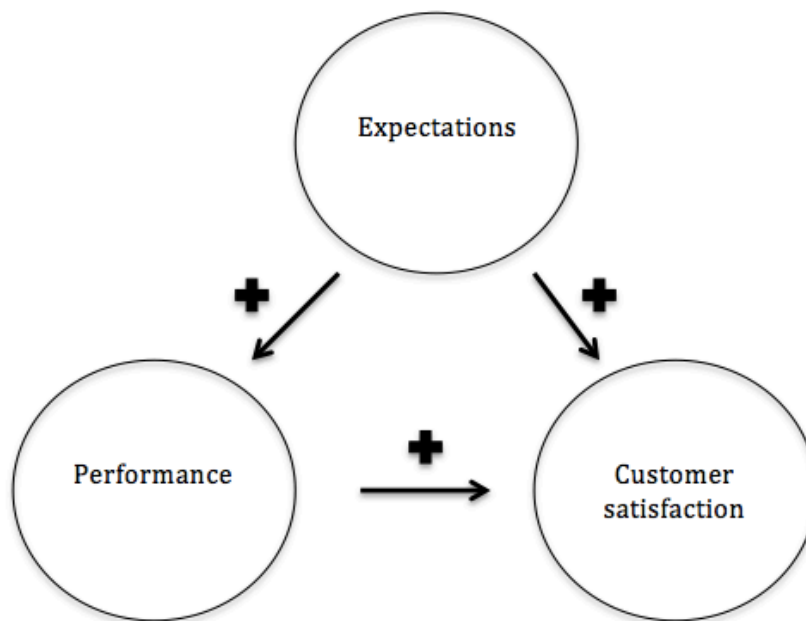


**Figure 2.** The relationship between performance, expectations and customer satisfaction in the disconfirmation model. Source: Waligóra & Waligóra, (2007); own modification.

A relationship between a bank and its customer generally stretches over a time period of several years. The definition of satisfaction in transaction specific satisfaction does not therefore cover all the aspects of satisfaction needed in order to get a good foundation when measuring customer satisfaction at a bank. In order to measure the satisfaction over this time period a definition that includes the long-term aspect is more appropriate.

A way to encompass the time aspect in the definition of customer satisfaction is to look at a long-term perspective definition. By not looking at the single transaction but to the overall picture of the company or service, the view shows cumulative satisfaction Anderson et al. (1997) states that customer satisfaction leads to customer loyalty. It is also stated that the increased loyalty secures long-term revenue, which indicates a long-term relationship between company and customer. The cumulative satisfaction focuses on the customers' gathered opinion after several experiences. The cumulative way of measuring satisfaction is looked at as a long-term focus that measures the customers' satisfaction, pre and post-purchase in the long run (Fu & Mount, 2007). Fu and Mount (2007) also state that the gathered experience and attitude towards a company weigh heavier than the last encounter.

Below is the performance model that has a cumulative approach to satisfaction. The performance model looks at performance and expectations differently (Waligóra & Wailgóra, 2007). The performance is viewed more as an image of the service and is based on either personal experiences or on word of mouth. The expectations cannot have a negative influence on satisfaction; the stronger they are the more positive an effect they have on the perceived performance.



*Figure 3.* The relationship between expectations, performance and customer satisfaction in the performance model. Source: Waligóra & Waligóra, (2007); own modification.

Both measures are each better suited to certain industries and businesses. The transaction specific definition of satisfaction would only be adaptable to this case if the single transaction were so bad that it led to that the customer taking their business away from the bank. Within the banking sector, due to their long relationships with the customers, a cumulative definition is therefore going to be used in this thesis. Due to the decision to have a cumulative definition

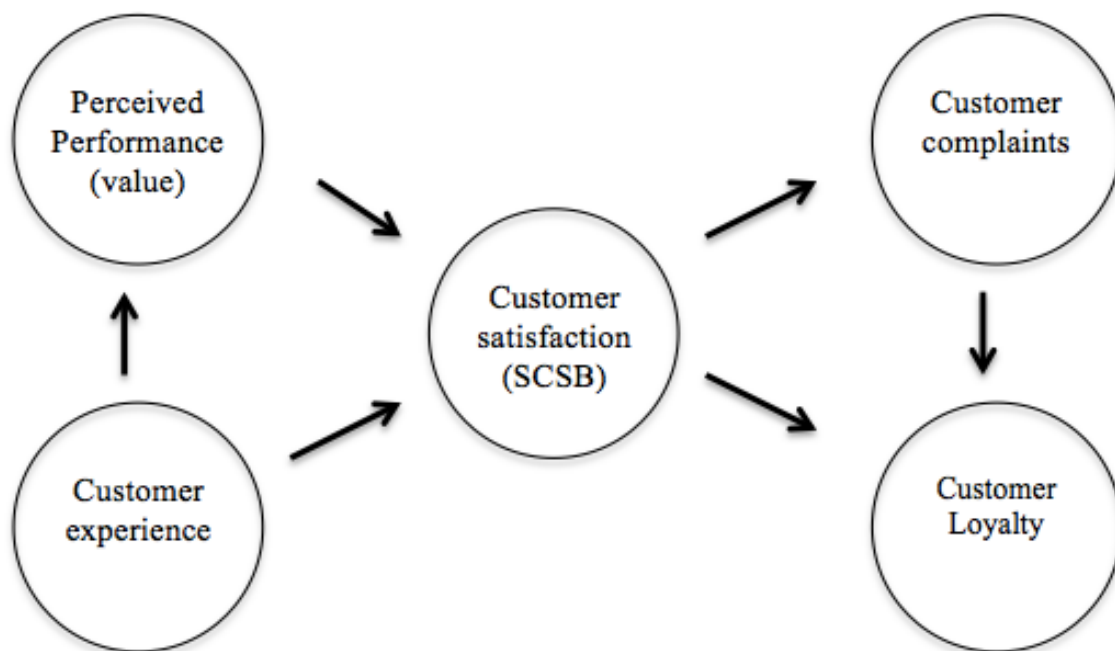
of customer satisfaction, the definition used by Giese and Cote (2000) is going to be used in this thesis.

*“A summary affective response of varying intensity, with a time-specific point of determination and limited duration, directed toward focal aspects of product acquisition and/or consumption.”*

## 2.2 How Customer Satisfaction is Being Measured

The research within the field of service marketing is vast and has been studied for a long time (Grönroos, 2006). Depending on what is being measured the method of measuring satisfaction differs; looking at the goods market, satisfaction with a product can be measured through malfunctions, durability or product returns. Looking at the service industry however, it is harder to identify a hard fact to measure (Parasurman et al, 1988).

There are different national units for measuring customer satisfaction and the first country in the world to start measuring its customer satisfaction nationally was Sweden. Itb was founded by Claes Fornell in 1989.



**Figure 4.** Swedish customer satisfaction index, the interaction between the factors. Source: Waligóra & Waligóra, (2007); own modification.

The Customer Satisfaction Index by Fornell has later been developed into a similar customer satisfaction index structured with extra units of measures and effects. Figure 4 shows what is being measured and what is affecting what but in order to get answers from these categories a survey still needs to be done. The idea is that customer loyalty is the end result of the model above and is gained through customer satisfaction. The customer satisfaction is measured through perceived performance and customer experience. The customer satisfaction thereafter leads to either loyalty if the customer is satisfied or to customer complaints if the customer is dissatisfied. If the company handle the complaints well the complaints result in customer loyalty because of good handling.



The most common way to measure customer satisfaction is by using surveys and questionnaires. To get to the point of a good questionnaire, a lot of pre-work is done in order to ensure the questionnaire is representative and that it can be generalized (Chan & Chan, 2011). This can take the form of in-depth interviews, pilot tests, analysis of earlier findings, etc. The work that is done in advance of the questionnaire is done to produce a better questionnaire that captures the measured group’s point of view. The items in the questionnaire are usually rated with a Likert scale ranging in different parts of the scale (Ko & Chiu, 2008; Chan & Chan, 2011; Carlson & O’Cass, 2010).

Depending on what is being measured the tool of analysis differs. When comparing the results a T-test can be used which helps to test a hypothesis where it is possible to compare the differences between two normally distributed sets of groups. Another way is to do a regression analysis, which measures the relationship between variables. With a regression analysis it is possible to see how one variable affects another (Fu & Mount, 2007). The regression analysis is more frequently used when measuring satisfaction and will therefore be used in this study.

According to Bouckaert & Van de Walle (2003) service satisfaction is hard to measure and very specific. The reason why it is so hard to measure is because satisfaction differs from customer to customer, while product satisfaction can be partly be measured by looking at whether the product is either working or not. The measure of satisfaction does not have an international measure. Without an international measure the same research can have different results, depending upon the satisfaction definition.

### 2.3 Findings in Customer Satisfaction

Customer satisfaction is widely studied, in different forms and in different scenarios. There are studies like Mithas, Krishnan, and Fornell (2005) about customer relationship management where it is shown that an increase of customer knowledge boosts the customer satisfaction, or studies about the relationship between customer satisfaction and brand attitudes (Ko & Chiu, 2008).

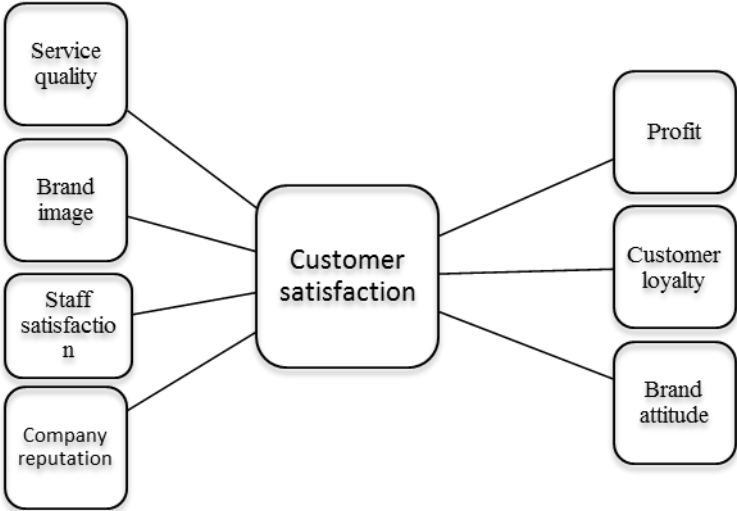


Figure 5. Customer satisfactions mediating role in the studies about customer satisfaction. Source: own modification.

Studies into customer satisfaction show that customer satisfaction works as a centre point that gets affected by a change in service or a change in perception of the customer. Depending on whether this is positive or negative, it affects parts of the company in a positive or negative way. Looking at the picture above, customer satisfaction is not just something that affects the customers but the company as well.

Customer satisfaction has been connected with elements like brand value, corporate reputation, and image. These elements are closely related and are all affecting the customer satisfaction in their own way. A study carried out by Caruna (2002) looks into how service quality affects service loyalty through customer satisfaction. Caruna (2002) sent out a questionnaire to 1,000 people and then carried out a regression analysis on the answers. The findings showed that customer satisfaction was a key factor in mediating between service quality and service loyalty. The service quality was affecting customer satisfaction to 53% of the variance. The suggestion from Caruna (2002) is that the managers should focus on customer satisfaction but have in mind that service quality is an important antecedent.

A study carried out by Ko and Chiu (2008) confirms Caruna's statement that good service is the prime-affecting factor in terms of customer satisfaction. Good service refers to relaxed and friendly attitudes, and this contradicts Caruna's finding that service quality was the prime-affecting factor. Ko and Chiu did though mention service quality as a big affecting factor on customer satisfaction. Ko and Chiu (2008) also identified customer satisfaction as having a big influence on brand attitude. The brand image is the strongest factor that affects the brand attitude. Customer satisfaction works as a mediator, just like it did in Caruna's study but this time between brand attitude and revisiting behaviour.

Customer satisfaction is also affected by staff satisfaction, which leads to increased financial profit (Maddern et al, 2007). There is also proof that both staff satisfaction and customer satisfaction have a correlation with a higher result and market value in the long run (Edmans, 2011)(Anderson et al, 1994). The importance of achieving enough technical service quality is also an important factor in order to achieve customer satisfaction. Maddern, Maull, Smart and Baker (2007) also stated that this is more important than friendly and well informed personnel in order to attain high customer satisfaction.

Looking at earlier studies shows that customer satisfaction is an important factor and companies should strive as much as possible to increase the chances of having a successful company. Fu and Mount (2007) did a study on the effects of losing cumulative customer satisfaction and the possibility of recovering it through improvement. Their findings were that it is possible to recover parts of the lost cumulative customer satisfaction, but in all four cases examined no one reached their former satisfaction level.

## 3 Theoretical Perspective

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*This chapter will go through the relative theories about customer satisfaction in the service industry. The theories that are out of interest are quality in new service development and the marketing mixes 7Ps for the service industry.*

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The theory will be used to compare with the result of the study. The quality in new service development has a focus on how to get a service correct. The focus is on the process of starting and maintaining a service in high quality. The focus is also very customer centralized and the most of the approaches is put on how to form the service after what the customers want.

Looking at the 7 Ps they are also focusing on what is needed to get a good service concept. With a combination of the 7 Ps, the marketing mixes goal is to reach a good service and customer satisfaction. The focus on the 7 Ps is partly focused on the customer but also at the company's own ability and limitations. The importance and goal of i.e. brand image, discounts, and physical appearance is brought into the model.

According to each other writer, the other writers models does not cover all the important factors in order to reach a high customer satisfaction and a good service. The 7 Ps have added parts like image, discounts and so on but these factors are not a part of the goal of quality in new service development. Looking at the 7 Ps, the model does not consider the time used to adopt its recommendations and strategies. Since it is proven that it is hard to get customer satisfaction back after losing it (Fu & Mount, 2007), even if the company compensate the customer for the bad experience, the company will still not be able to recover the customer satisfaction to the same former level. These two theories will therefore complete each other and using both it will result in a better coverage in discussion and explanation of the findings.

### 3.1 Quality in New Service Development

When a service is being formed there are a lot of different approaches to shape it to the customer. To have the customer as a part of the entire process of coming up with through to executing a service is of key importance (Edvardsson, 1997). When a customer gets service from the company, what matters is the perceived quality of the service. The customer's experience of the service is what makes it a good or a bad service (Brady & Cronin, 2001).

In order to make a service as good as possible, the company needs to focus on quality from the start. It starts with the company having an idea and it ends at market introduction. The service should include prerequisites that result in long-term profitability for the company with the customers (Edvardsson, 1997). In order to make the service development as high quality as possible, it needs to have prerequisites that make the service attractive to the customer. Since the service quality is dependent upon the service process and the customer is judging the service process, a customer focus should be a central point of the service development (Kelley et al, 1990).

When creating the service, it needs to give the customer opportunities when taking part of the service to reach the desired or correct outcome. By having the customer evaluate the success of the service, what the customer does not see or experience of the service does not contribute

to customer satisfaction (Kelley et al, 1990). The service needs to fit the customer's expectations and every new part of the service needs to contribute to the total outcome for the customer. When building up the expectations of the customers, the marketers often build expectations too high, which leads to the total outcome of the service not being able to match the expectations (Cardozo, 1965).

There are three different stages in a development of a new service. In order to get a high quality service the focus must be on this from the very beginning. The main focus on how to achieve a high quality service is therefore achieved by making sure that the prerequisites are formed properly.

The prerequisites are "described in a model with three main concepts" (Edvardsson 1997 p. 35.):

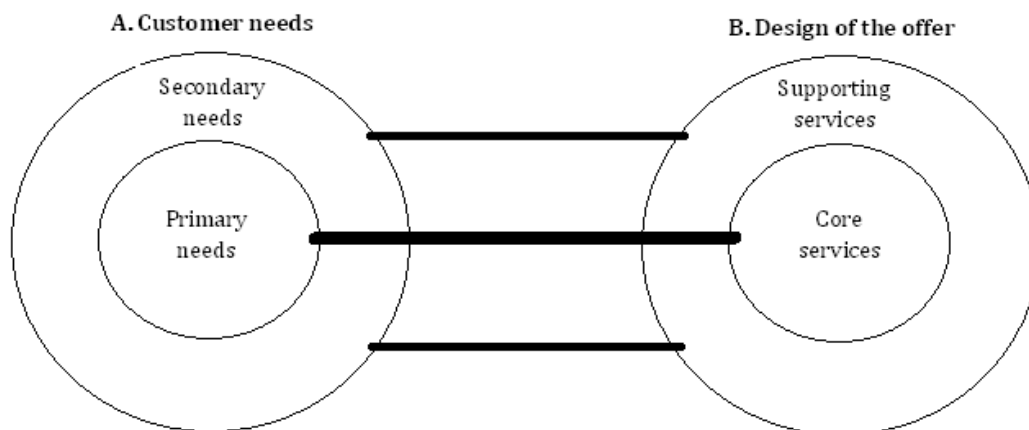
- The service concept
- The service system (resource structure)
- Service process

The correct prerequisites are the goal, in order to reach a long-term quality of service. The customers, the feedback from their earlier experiences, and the experience in the customer process shape the prerequisites.

### 3.1.1 The Service Concept

The service concept is focused on what the customer wants and how to fulfil their needs (Edvardsson, 1997). A detailed description is given of what the customers want and of what the customers' needs and wishes are. All of these needs and wishes are thereafter embedded into the plan for the company as to how to fulfil these requirements. With this information they thereafter form a plan on what to offer.

With the knowledge of the customers' needs, the service is thereby shaped. The service concepts are decided as to what they should consist of and what they should not consist of. The customers' wants and needs are divided into primary needs and secondary needs (McDougall & Levesque, 2000). These needs are thereafter matched with the service core offer and supporting offers around the core service as shown in the figure 6.



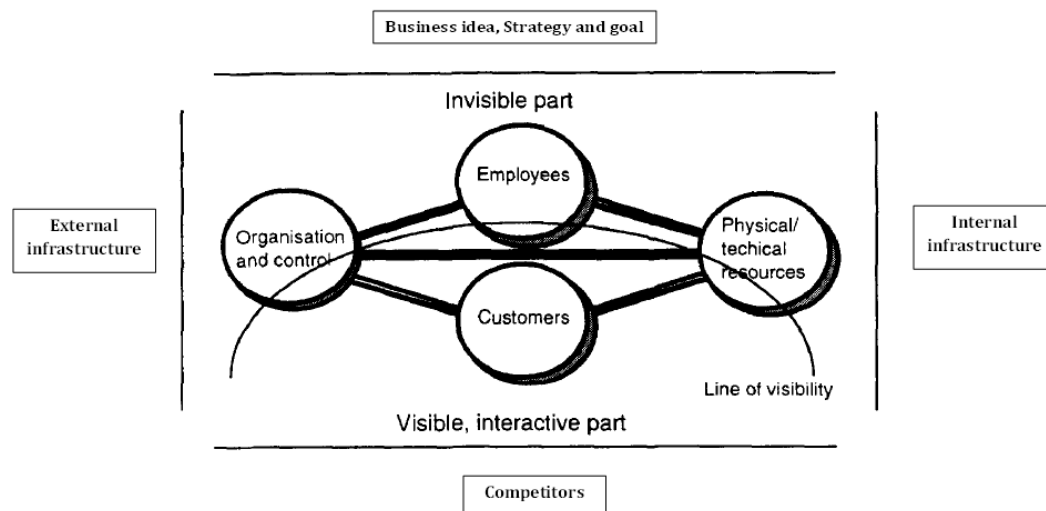
**Figure 6.** A model of the service concept and what needs matches the offered service. Source: Edvardsson, (1997); own modification.

### 3.1.2 The Service System and the Resource-Structure

The service system consists of the resources available in order to bring about the service concept. These resources are divided into subsystems that need to function by themselves, but at the same time all together as one big system. The service systems subsystems can be divided in to four categories:

- Management and staff
- Customers
- Physical/Technical resources
- Organisation structure and system

The employees of a service company are one of the strongest affecting factors of the customer perception of the company (George, 1990). Based on this, the employees should be looked at as a part of the service instead of being looked at as a resource. The employees help the customers' experience of the service to become more tangible than it would be without the interaction with such employees. In order to have high performing staff, the service company needs to have jobs that give the employees motivation and enjoyment. This is achieved through having good relationships between co-workers and supervisors, as well as a high work satisfaction. Systematic recruitment and training should be adopted in order to get the best possible result in achieving high service for the customers through the employees.



**Figure 7.** Resource categories in the service system. Source: Edvardsson, (1997); own modification.

According to Cermak and File (1994), the customer is part of the process because of the way they interact with the company and its service. The knowledge of the customer together with the ability to assimilate information and the equipment that is used by the customer, is what shapes the service (Alam & Perry, 2002). By being part of the process, the customer does not simply take part in it but also adds to the process itself. Due to this interaction and service added by the customer, the technical aspects like computers and systems need to be developed so they are customer friendly. The physical and technical aspects should be driven from a business perspective but the design should be customer focused.

The four subsystems are partly interactive with the customer and work partly as a back office service, which is invisible to the customer. Figure 7 shows the line of visibility that acts as the border that determines which parts of the process the customer is allowed to see. The line of

visibility is good for defining which parts are okay for the customer to see, in order for them to get a better experience of service quality. The line of visibility is how much of the service process the customer can see, for example how much of the cash management process the customer can see at the bank. If the customer can see the bank employee count the money, and there end up being a difference between the claimed amount and the counted amount from the employee. If this is the case, then the line of visibility is not correctly drawn.

### 3.1.3 The Service Process

The service process is the activity, or several activities, that must function in order for the service to work. According to Edvardsson (1997) these different activities are problematic to varying degrees and the ones that are more problematic need to be focused on, in order to make sure that a customer process is being performed to the right quality. By looking at figure 8 the different processes are identified that need to be considered before setting up the routines. There are two processes that are the most interesting in the process of services: customer process and service process. The difference between customer process and the service process is that the service process is a model of how customer process should be enacted. When a customer first takes part in a process, is when the service process is activated.

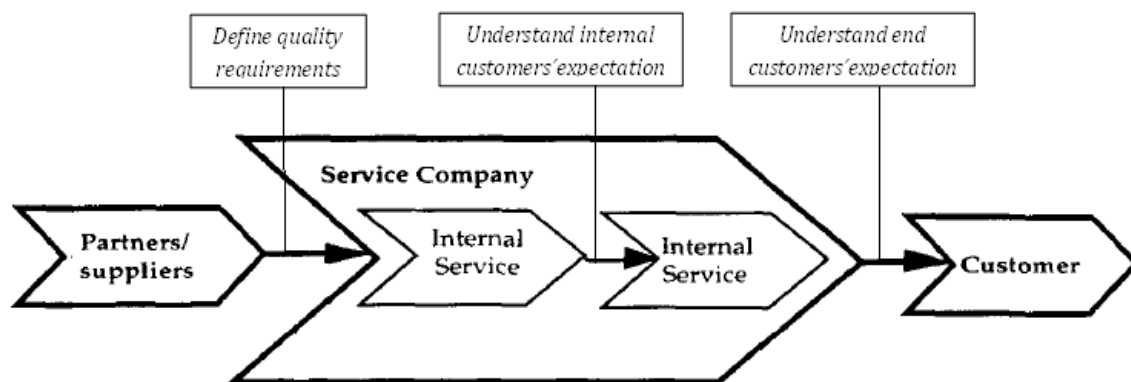
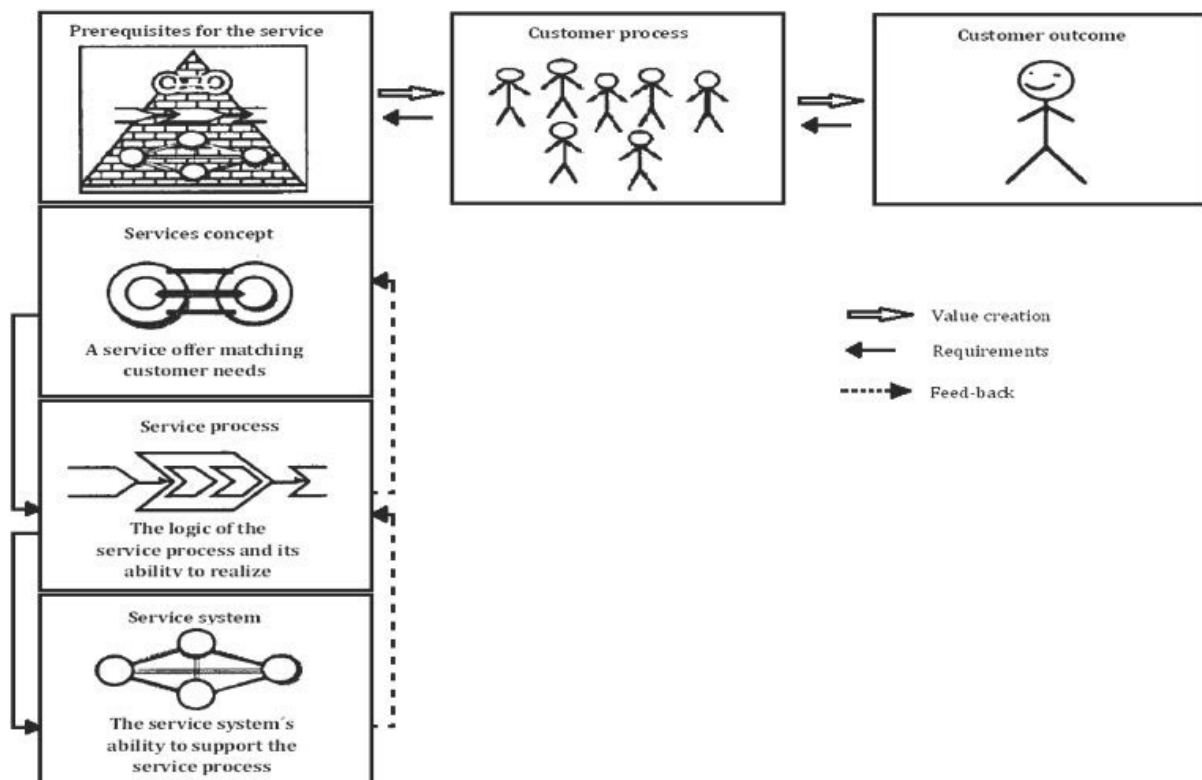


Figure 8. The service process, from supplier to customer. Source: Edvardsson, (1997); own modification.

The service process has a static system but when activated it is a dynamic process. With this dynamic process the system sets the limits and depending on what the customer wants, the process should be able to adapt where possible. With the service process being activated by the customer, the line of visibility is important.

### 3.1.4 Complete Service Development Process

The three service focused subjects above form the foundation for the prerequisites. Every new idea is analysed through these three subjects and compared with one another both financially and in terms of feasibility. The evaluation of an idea should have an approach of adding value to the customer, which with a long-term perspective will lead to an increased profit for the company.



**Figure 9.** The service development, prerequisites for the customer outcome and customer process. Source: Edvardsson, (1997); own modification.

When analysing a service idea an external analysis is done through customer analysis, competitor analysis and institutional analysis. According to Campell and Cunningham (1983), the customer analysis should look at the possibility to fulfil the customer's needs and expectations. The competitor analysis should identify which companies are competitors and find their strengths and weaknesses (Piercy & Giles, 1989). The institutional analysis should focus on legal requirements, regulations, and the political climate (Edvardsson, 1997). After the external analysis, the internal strength and weaknesses are identified and the resources are used to adapt the idea to the external analysis as much as possible. When the analysis is done the formulation of the idea should thereafter be done according to figure 9, with a high quality foundation which will hopefully lead to an increasing quality in the rest of the process.

The goal of total quality throughout the entire process is of key importance in the process of new service creation. As seen on figure 9 the service concept, service system and service process are the foundation to getting good prerequisites. Given this goal, the company needs to keep in mind that what matters is not the quality experienced from within but the quality experienced outwardly by the customer. The process is supposed to fit both the customer as well as the company but with a focus on the customer as the main starting point.

### 3.2 The 4 Ps Origin

The 7Ps have their origin from what today is known as Kotler's 4Ps. The 4Ps stands for Product, Price, Place, and Promotion (Kotler, P. & Armstrong, G., 2010). The 4Ps originated from McCarthy (1960), who melted down an earlier set of twelve elements in the marketing mix to today's 4Ps. The 4Ps that are today's definition of the marketing mix, had their major breakthrough because of Kotler making them famous.

### 3.2.1 The Basic 4 Ps

The 4Ps are a grouping of components that are supposed to affect the complete offering of a product/service. By making a change in any of these Ps, you change the offer and give the customer a different experience; this should also lead to a new positioning on the market for the customers (Bradley, 2007). The 4Ps are not just about the Product, Price, Place, and Promotion; every category has its own sub-mix itself. Due to this, there is a product mix, a promotion mix and so on (Rafiq & Ahmed, 1995).

The 4Ps are known for their simplicity and coverage but there has been a lot of critique of their simplicity as they, doesn't work as well in specific cases (Rafiq & Ahmed, 1995). There have been several suggestions of extra components to add to the marketing mix, such as packaging or public relations (Nickels and Jolson, 1976; Rafiq & Ahmed, 1995). There has even been as many as 7Ps added to the original 4Ps in order to fill the gaps experienced by other researchers (Blamer & Greysner, 2006). According to Magrath (1986), the 4Ps are not enough though when doing service marketing.

### 3.3 The 7Ps

The most popular alternative framework for the service industry is Booms and Bitner's 7Ps (Rafiq & Ahmed, 1995). They identified the following three extra Ps: Participants, Physical evidence, and Process (Booms & Bitner, 1981).

*Table 1.* The marketing mix in the original and the service adapted version. Source: Rafiq & Pervaiz, (1995); Own modification.

Product	Price	Place	Promotion	Participants	Physical evidence	Process
<b>Original 4 P</b>						
Quality	Level	Distribution	Advertising			
Features and options	Discounts and allowances	channels	Personal selling			
Style	Payment terms	Distribution coverage	Sales promotion			
Brand name		Outlet locations	Publicity			
Packaging		Sales territories				
Product line		Inventory levels and locations				
Warranty						
Service level						
Other services		Transport carriers				
<b>Service marketing 7 P</b>						
Quality	Level	Location	Advertising	Personnel:	Environment:	Policies
Brand name	Discounts and allowances	Accessibility	Personal selling	Training	Furnishings	Procedures
Service line	Payment terms	Distribution channels	Sales promotion	Discretion	Colour	Mechanization
Warranty	Customer's own perceived value	Distribution coverage	Publicity	Commitment	Layout	Employee discretion
Capabilities			Personnel	Incentives	Noise level	
Facilitating goods			Physical environment	Appearance	Facilitating goods	Customer involvement
Tangible clues	Quality/price interaction		Facilitating goods	Interpersonal behaviour	Tangible clues	Customer direction
Price	Differentiation		Tangible clues	Attitudes		
Personnel			Process of service delivery	Other customers':		Flow of activities
Physical environment				Behaviour		
Process of service delivery				Degree of involvement,		
				Customer/customer contact		



Looking at table one there are three extra Ps but there is also a change to the original 4 Ps in order to fit the service sector. The service marketing mix still has common elements with the goods marketing mix; the change was made to cover the challenges of marketing a service. The 7 Ps are described below.

### 3.3.1 Product

A service is a packaged deal for a customer that gets produced in front of the customer. It is intangible and always needs to be consumed straight away (Booms, & Bitner, 1981). When marketing a service the original factors that need to be taken in to consideration are still important, but factors like quality inputs, features and brand name need to be added into the concept of product (Grönroos, 1993). This leads to the following hypothesis,

*H<sub>1</sub>: Customer satisfaction for a bank is affected by the element of the service marketing mix component called product.*

### 3.3.2 Price

The price is an indicating component for both product and service (Lichtenstien et al, 1988). In product marketing the customer can usually feel, try and look at the product before trying it. When looking at the service industry however, the customer can only look at this indicator and go on previous experience. According to Anderson (1996), customer satisfaction is affected by the price but he could also identify that when customer satisfaction increased by 1%, the price elasticity increases by 0.6%. This results in the following hypothesis:

*H<sub>2</sub>: Customer satisfaction for a bank is affected by the element of the service marketing mix component called price.*

The company giving the service therefore needs to be aware of the effects of price manipulation. The basic idea of how price affects the customers is, the higher the price the higher the expectations of the service. The company needs to be aware of therefore, who its customers are and what benefits and earnings the customers experience from the service.

### 3.3.3 Place

In order to distribute the service to the customers, the location of the company needs to be highly accessible and this is a prime factor when deciding upon a location. According to Hankinsson (2001), location has been proven to also have a branding effect for companies. Looking at the product marketing mix, the goal is usually to have a location where an economy of scale can be achieved (Booms & Bitner, 1981). From the earlier studies this hypothesis was derived:

*H<sub>3</sub>: Customer satisfaction for a bank is affected by the element of the service marketing mix component called place.*

Another goal of the location is that it should be convenient for the workers, whilst also being convenient for the customers in the service marketing mix.

### 3.3.4 Promotion

Due to the intangibility of service, service promotion has more variables to consider than the promotion of normal goods (Grönroos, 2006). Fundamentally, just like goods promotion, the service promotion has factors like publicity, advertising, sales promotion and so on. The difficult part in service promotion is deciding which message they should send to the customer. With an intangible product and with benefits that are seen first after the service is carried out, the message that is promoted is of high importance. According to Berry (1995) due to higher involvement of employees of the company, the service differs and this is also something that needs to be taken into the consideration when promoting the service. Since the service is delivered to the customer at the exact moment the customer visits the company, factors such as the noise level, sign design, the name, interior, appearance of staff and so on, affect the customer's perception on the level of quality of service that the company can provide. This results in the following hypothesis:

*H<sub>4</sub>: Customer satisfaction for a bank is affected by the element of the service marketing mix component called promotion.*

### 3.3.5 Participants

The participants are looking at how the personnel behave, how they are trained and how they work in several aspects. This is because the service industry consists of large interaction between customer and service supplier. The employee itself has a key position in affecting the customer perception of the quality of the product (Bitner, 1990). Since the product is also a service the employee is a part of the product. Bad service from an employee directly affects the product's quality and it is therefore important to make sure the employee does not vary too much in performance, since that would result in a unreliable varied quality. From this the following hypothesis can be derived:

*H<sub>5</sub>: Customer satisfaction for a bank is affected by the element of the service marketing mix component called participants.*

In addition to the employees, customers also usually affect other customers in high contact services (Booms & Bitner, 1981). The service provider therefore needs to manage the interaction between customers as well. For example, if some customers were to be loud or offensive to other guests at a restaurant, they would affect the experience of the meal and thus should not be allowed to disturb people eating. The interaction between customers therefore needs to be controlled and analysed

### 3.3.6 Physical Evidence

Physical evidence refers to the environment the service is being offered in. The more service intense the product is, the more physical evidence is needed to reinforce good service (Booms & Bitner, 1981). Investment services are an example of a service that is highly service focused and the result of the investment itself will not be able to be measured for several years. The décor, furnishing, and meeting rooms etc. therefore affect the customer's instrumental assessment. This leads to the sixth hypothesis:

*H<sub>6</sub>: Customer satisfaction for a bank is affected by the element of the service marketing mix component called physical evidence.*

This makes the customer feel safe and reflects the service provider's success according to the customer.

### 3.3.7 Process

The process is how well the service is being executed in the form of flows (Edvardsson, 1997). From the way in which customers line up while they wait, the extent to which they need to be active and how much help they get, to what they can and cannot do affects their perceived quality of the product. Taking an airline as an example, the ability to check in online or on the spot without having to visit personnel are different ways to set up the process which affect the service quality. From this the following hypothesis can be derived:

*H<sub>7</sub>: Customer satisfaction for a bank is affected by the element of the service marketing mix component called process.*

### 3.3.8 The 7P's Extended Role

The 7Ps correlate more and work better in each other's fields compared to the original 4Ps. Because of this, the people responsible for each segment therefore need to co-operate in order to have a unified approach of the company. Since the service marketing mix covers more than just the promotion of service itself and since personnel make the promotion in the physical environment, it is an on-going process. Due to the fact that the promotion is an on-going process, the focus on maintaining a high level of training, customer feedback as well as customer interface are of high importance.

When implementing the 7Ps there is a risk that the different departments will end up in conflict because of the complicated structure of the 7Ps (Booms and Bitner, 1981). For example, if the marketing department promise a long and relaxing service to attract customers, and the floor manager encourages the personnel to work fast in order to cut costs, the miscommunication between these two departments can lead to a bad service for the customers. In order to implement the extended 7Ps and minimize the overlapping problem, it is important to make it clear to the employees, that one department alone cannot perform the new role; the only way to achieve good results is by co-operation. With this mentality implemented early the risk of conflict will be minimized within the organization.

In order to keep the co-operation high and the service good, the monitoring, observing and customer feedback are all important. By having regular check-ups the personnel will keep the service high and any malfunction can be corrected quickly. In order to have the personnel fully aware of their importance, they need to be educated in how they affect the company's image by being a marketer for the company when they meet customers every day. This education also teaches and reminds the employees what the company stand for and how they should mediate it in the best possible way.

To get full commitment from the employees they need to "be sold" on the service itself. When the employee believes in the product, they are more inclined to want the customer to have it and are able to see its full benefit (George, 1990). If the employee believes in the product, they also see their possible influence on the customer and through that can affect the

customer's satisfaction. Internal marketing is therefore important in order to get the full effect when adapting the 7 Ps to the company's marketing.

With the new role marketing plays in service companies, when adapting the 7 Ps the structure will include activities carried out by multiple groups. The overriding goals and vision in marketing need to be taken into consideration. The stimulation of the employees should not be through individual rewards that encourage competition between departments or co-workers; the focus should instead be on encouraging co-operation and rewarding in a way that motivates such behaviour. The top management has the main responsibility for ensuring that all the different activities are carried out properly.

## 4 Method

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*This chapter describes how this study has been conducted. An explanation will be given for why and how the design of the research is formed the way it is, and what strengths and weaknesses it contains.*

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### 4.1 Approach

The focus of this study is to identify which components affect customer satisfaction. There are many different definitions of the concept of customer satisfaction (Moore & Shuptrine, 1984; Swan & Trawick, 1981). With a wide range of definitions, there will be a problem when it is time to identify what affects the customer's satisfaction. The two primary ways of measuring customer satisfaction, are through transaction specific satisfaction and the second is cumulative satisfaction (Gustafsson et al, 1997).

$$Y=f(x) \quad (1)$$

The analyses of customer satisfaction is the function of Y in this study, where Y is customer satisfaction and  $x_n$  are elements that affect customer satisfaction. Each element in the 7 Ps service marketing mix makes up the formula that sums up to Y. Therefore there will be seven parts that are the affecting components of customer satisfaction.

$$Y=x_1+x_2+\dots x_n \quad (2)$$

Not every part affects the customer satisfaction equally and this needs to be taken into consideration. To take this into consideration a beta value (B) will be calculated for each of the affecting elements.

$$Y= B_1x_1+B_2x_2+\dots B_nx_n \quad (3)$$

The beta value gives a weighted value for the affect of each element and will therefore show what element has the most importance to the customer. By making a questionnaire, the goal was to find a beta value for each component that affects the customer satisfaction, as well as finding out how well Nordea are doing in these measures. With the beta value it is possible to see what components are affecting the customers the most and which ones are key components. Since there are so many components to take in consideration, the most important ones have to be identified.

Since this study has a service perspective the customer satisfaction only refers to services, instead of services and products, as it usually does. Customer satisfaction is usually measured when a company wants to improve a service or add another service. In this case however, a part of a service is taken away, but with a goal to maintaining the satisfaction level among the customers. Having a service taken away has led to a decrease in customer satisfaction. With a decrease in services, the benefits in the total offer leads to a decrease in input for the customer.

## 4.2 Quantitative Research Approach

With the choice of studying customer satisfaction, a well-studied field, the research approach is affected. There are two different approaches to be made, a deductive approach and an inductive approach (Bryman, 2008). The two different approaches differ quite a lot and what differentiates them is how to start a study. The deductive approach starts off with an existing theory. This theory is tested with a hypothesis and a collection of data that gets analysed. The result of the analysis thereafter confirms or rejects the theory and hypothesis. The inductive approach involves analysing previous observations first, which in turn leads to a theory (Eliasson, 2010).

The inductive approach is a more appropriate for qualitative studies since a qualitative study has its base in the observing and trying to find something new. The inductive approach is therefore not appropriate for this study, since there are a lot of well-developed theories and studies around customer satisfaction. The deductive approach is trying to prove an existing theory and would usually need some prior knowledge in the focus of the study. Since there are already a lot of theories today about customer satisfaction and a lot of studies into it, this study will have a deductive approach.

### 4.2.1 Focus Group

To produce a better questionnaire and a stronger base for the hypotheses, a focus group was conducted. When conducting a focus group the most common approaches are an exploratory focus group and a clinical focus group (Aaker et al, 2000). The exploratory focus group is usually used to define the problem or used as a pilot test of a hypothesis. A clinical focus group focuses on the subconscious feelings of the person. This method is only used for qualitative research and usually demands expertise in the method. A clinical focus group is also considered to be the most scientific form of qualitative research (Aaker et al, 2000).

### 4.2.2 Collection of Information

In order to produce a more precise questionnaire and hypotheses, an exploratory focus group was put together to identify the key questions to ask in the questionnaire. This focus group was looked at as a pilot test for the upcoming questions for the questionnaire. Since the author has four years of work experience with the same kind of customers that are being studied in this thesis, their needs are well understood. In order to validate the assumptions and to make sure that nothing is over looked, this focus group was made.

### 4.2.3 Questionnaire Group and Sample Selection

The focus group's goal was to have five to eight participants in order to get a wide diversity of people; the focus groups final number was five. The people who were chosen to be in the focus group were all customers of Nordea. The selection was made outside of Nordea's office in Sandviken, Sweden. The main criteria was that they withdrew money from the ATM outside the office of Nordea, and that they used to use the cash service offered from the office before the service was removed.

The focus group's goal was also to have as wide an age span as possible and to be as gender equal as possible. The age span of the focus group stretched from people in their early 40s to late 70s. The more the focus group reflects the public, the better it represents their opinion. According to Bryman (2008) there are different views in the academic world as to whether the focus group should consist of people who know each other or not. The strongest argument that is in favour of people knowing each other is that the conversation is relaxed and natural (Bryman, 2008). The arguments against people knowing each other on the other hand, are to do with group mentality and that the leader decides what is good or bad.

#### 4.2.4 Procedure

To achieve a successful focus group, the group was briefly informed about the project and the goal of the study. Everything was recorded after approval from the group but a promise of complete secrecy was given. In order to help the discussion and to open their minds, the focus group was given objects that they associate with the bank. The objects that were given were a card reader for logging in to online banking, a visa card, and some cash. A set of questions was also given to the focus group in order to stimulate the conversation even further. The results from the focus group were analysed after the discussion and summarised into a set of questions that was used for the questionnaire.

This way of conducting a focus group is supported by Aaker et al (2000) because he finds it to be the best way to get a good discussion out of the group. By bringing in objects it increases thinking outside of the box and the focus group members realise new problems or aspects that wouldn't have come up in the discussion otherwise. The items also help to steer the discussion in the direction the focus group leader wants.

#### 4.2.5 The Questionnaire

The empirical part of the study is based on the results from the questionnaire. The questionnaire is based on what was discussed in the focus group in order to configure the best questions possible. With a questionnaire, the results will be generalised, and it is the most common way of providing an answer to a hypothesis (Robson, 2011). The questionnaire is handed out to the customers at different branches throughout Sweden. The focus of the questionnaire is to get answers about the seven different components being tested.

The seven different components being tested on their effect on customer satisfaction is the 7Ps from Booms and Bitners (1981) marketing mix. Each of the 7Ps are measured in the questionnaire. There are 14 statements divided up into two different questions about the same P. With this method the chance of covering the true value of each P is greater than if only one question is asked about each P. The statements are written so that there is one question about each of the seven Ps before the second question about each P is asked. The questions will also have different angles in them between negative and positive in order to get the customer answers to be all over the scale and not all on one side. The risk of making the questions so that all the answers end up on one side of the arguments will lead to that the customer is affected by this, and is therefore answers in a pattern more than what she really feel. It is structured this way to avoid the risk of the customer to what is exactly asked from them. The statements thereafter add up to a mean value, which is thereafter used as the result and gets analysed.

The questionnaire is something that the customers fill out on their own and is given to the customers at their point of entry into several branches of Nordea. The reason for using a questionnaire which the customers fill out on their own is partly to avoid interviewer bias, but mostly because of the fact that the customer is asked about dissatisfaction. The questions are asked at and around the customer's existing bank, so the need to be anonymous is greater than usual. There is a big chance that the customer is afraid to answer honestly because of the risk of damaging their relationship with the bank (Aaker et al, 2000). To have an anonymous questionnaire that the customer fills out on their own, the questions need to be easy to understand and have a good structure.

#### 4.2.6 The Analysis of the Questionnaire

The answers, because of the generalisation will not give an exact number on each component's effect on customer satisfaction, it will only give an indication. These indications should therefore be considered as a positive or negative effect, rather than an exact number. By looking at these indications it is possible to see which one affects stronger than the other but not how strong (Bryman, 2008). The analysis will also show each part questions alpha, how reliable the answer is on the component.

To measure the satisfaction of the customer's answers, the Likert scale is used. With an interval measure, such as Likert scale, the numbers are usually exact. This means that the distance between one and two is the same as it is between four and five. The problem with measuring attitudes like satisfaction, is if the interval between each number is unequal for the customers (Aaker et al, 2000). One customer might experience a four much better than another customer. An attitude therefore provides more of a direction and area of an experience than an exact number.



# 5 Results

*This chapter will describe the results from the questionnaire as well as the results from the regression analysis.*

In this study there were seven hypotheses, each matching one P of the marketing mix. The hypotheses that were stated said:

*H1-H7 “Customer satisfaction for a bank is affected by each separate element of the service marketing mix of product (1), price (2), place (3), promotion (4), participants (5), physical evidence (6), and process (7).”*

## 5.1 Questionnaire

There were in total 163 respondents of the questionnaire but there were only 125 complete questionnaires. The distribution between males and females was 53% males and 47% females from the complete respondents. The majority of the customers asked, were those who used to withdraw cash from the branch before they closed down cash management. The customers ranked what they found most important of the seven components measured in this study and the top three important components were 1. Participants, 2. Place, 3. Process/safety. The statements 1-14 (see appendix 1.) measure the customers’ satisfaction on how well the employees provide the service to them. In *Table 2* you can see an overview of what the results of the mean value of the results of the statements as well as the standard deviation.

### 5.1.1 Statement Measurements

When measuring the customers’ satisfaction, the 14 statements had a negative charge and a positive charge in order to avoid getting a one sided questionnaire. The answer therefore, can reflect different standpoints to the company. Depending on the question, an answer of one can mean that the customer is satisfied or dissatisfied. Every statement therefore has a positive or a negative standpoint to the company. When these are paired together to reflect the seven different components, they are translated so they will give a combined result where seven is high and one is low. So the satisfaction components only have seven as a positive and one as a negative, while the 14 statements can have both. There were 14 statements numbered from 1-14, each using a scale from one to seven where one is “I do not agree” and seven is “I completely agree”.

*Table 2.* The 14 statements mean and standard deviation. Source; own modification.

Statement	Mean	Standard deviation
<u>Product</u>		
1. It is important for me to have cash in my wallet.	4.14	0.88
8. I have less controll of my economy when I can not withdraw money from an ATM.	2.85	0.97
<u>Price</u>		
2. I experience that I have to pay a fee to be able to withdraw my money because of the bankcard fee.	3.49	0.97
9. Nordea has good prices on their services.	3.47	0.90
<u>Promotion</u>		
3. I was informed early enough when Nordea took away their cash management.	3.48	0.94

10. Negative news about Nordea affects my opinion negatively.	3.43	0.97
<u>Place</u>		
4. Nordea is NOT offering me enough other places to deposit my money.	3.02	1.16
11. There are enough possible ways to withdraw money in order for me to be satisfied.	5.14	0.92
<u>Process</u>		
5. I feel unsafe when I withdraw money when it is not from a cashier.	2.69	1.24
12. I feel unsafe using Nordea's card.	5.20	0.73
<u>Participants</u>		
6. The personnel have a nice and friendly way to meet me and other customers.	5.76	1.16
13. I have good contact with my personal banker.	4.77	1.08
<u>physical evidence</u>		
7. I do NOT experience Nordea's cards to be user friendly.	2.76	1.24
14. Nordea's branches feel warm and welcoming.	5.36	0.96

Fit stat.: F-stat.= 28.56; P-value= <0,01; R<sup>2</sup>=0,57

The mean answers from the statements are all around three, with some exceptions. Looking at some components the mean answers from the two statements are really closely ranked, as shown in price, promotion, and participants. The rest of the components have a higher difference between them, with the highest located in the participants column, where it differs 2.6 between the mean answer from the two different statements.

The ones that stand out are that people still find it important to have cash in their wallet, that they feel that there are enough possible ways to withdraw money, that they feel unsafe using a Nordea card and that they find the personnel nice and have a good relationship with their personal banker. The negative experiences are that the customers feel that they have less control of their economy with cards and that they don't experience the Nordea cards as user friendly.

It is also worth noticing the high standard deviation in question five and seven in table 2 that are 1.24. Except these two standard deviations with a higher number the rest are located around 1, with the exception of the lowest standard deviation in question 12 where it is 0.73.

### 5.1.2 Affecting Satisfaction Components

By combining these 14 statements into seven pairings, gives a reflection of 7 different components that are meant to affect customer satisfaction in a regression analysis. The results show that there are a few that have a P-value that is too high.

The ones that have a P-value that is too high, are product, physical evidence, and process. The mean of physical evidence also has a negative coefficient which is unusual. The highest P-value is the product and is thereafter followed by physical evidence and the lowest was the process. Due to the high P-values, backward manual elimination was made in order to have only significant variables in the model. An overview of the following results is presented below in table 4.

**Table 3.** The components mean, standard deviation, P-value and coefficient. Source: own modification.

Variable	Estimated Coefficient	Standard Deviation	P-value
<b>Intercept</b>	<b>-2.08</b>	<b>6.39</b>	<b>0.75</b>
<i>Product</i>	0.60	1.22	0.63
<i>Price</i>	5.33	1.25	0.004
<i>Promotion</i>	3.47	1.30	0.01
<i>Place</i>	2.85	1.64	0.09
<i>Process</i>	4.80	1.57	0.273
<i>Participants</i>	2.15	0.96	0.03
<i>physical evidence</i>	-1.26	1.40	0.37

*Fit stat.: F-stat. = 24.35; P-value = <0,01; R<sup>2</sup>=0,59*

The results of the questionnaire show that only five of the original seven tested components affect customer satisfaction within the service industry of banking. The five components that affect customer satisfaction are shown in table 4. The price and the participants are the strongest affecting factors. Whilst the process is the lowest affecting factor. It is worth noticing that the standard deviation of the process is also the lowest affecting factor.

**Table 4.** The components mean, standard deviation, P-value and coefficient. Source: own modification.

Variable	Estimated Coefficient	Standard Deviation	P-value
<i>Intercept</i>	-2.36	6.30	0.71
<i>Price</i>	5.25	1.23	0.00
<i>Place</i>	2.87	1.59	0.07
<i>Promotion</i>	3,40	1.20	0.01
<i>Process</i>	1.91	0.93	0.075
<i>Participants</i>	4.40	1.45	0.00

*Fit stat.: F-stat. = 34.15; P-value = <0,01; ; R<sup>2</sup>=0,59*

The customers' lowest mean satisfaction was place and price, whereas price has the highest coefficient and therefore affects customer satisfaction the most. Price and participants are the components that have the highest P-value. Comparing the different means, they are all close together with the exception of participants, which have much higher mean. Looking at the different coefficients however, there is a big gap between the effect the components have on customer satisfaction.

The model has a determination coefficient, R<sup>2</sup> of 0.59 which shows that 59% of the variance of the dependent variable, customer satisfaction, is explained in this model. With a P-value of <0,01 the presumption against the null hypothesis is very strong.

## 6. Discussion

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*The following chapter will discuss and analyse the findings of the questionnaire and the results from it. There will also be a discussion about how well this fits with earlier findings within the field of customer satisfaction.*

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Earlier studies have been focusing on and discussing the fact of adding a service or creating a new one. This thesis instead considered how to deduct parts of a service or it could also be considered as a modification of one. The factors that have been mentioned to affect customer satisfaction in creating services previously in this thesis, have therefore been tested to trial their effect in this scenario.

The theoretical research within the field of customer satisfaction has been wide and it has been presenting different results. Looking at the theories there is a unified front that the focus should be on the customer but there are different ways in which this can be approached. Both the two theories in this thesis need to be adopted in order to reach a higher customer satisfaction. The theories individually show that they are not strong enough to create a higher level of customer satisfaction and studies show that the timing of the service is important. A customer needs to receive good service from the beginning in order to feel highly satisfied, if the customer receives bad service first and is compensated for the bad service the satisfaction does not reach to the previous level. The company also need to take into consideration what kind of effect their choice of service has on the company image and company brand.

### 6.1 The Product

The first hypothesis that was tested was as follows:

*H<sub>1</sub>: Customer satisfaction for a bank is affected both positively and negatively by the element of the service marketing mix component called product.*

When looking at the results of the regression analysis it is shows that product is not a significant component in this study. With a P-value of 0.63 it is way too high to say that it is an affecting component of customer satisfaction. The reason for why the product in a service industry is not proven to be an affecting component can be because of the lack of tangibility of a service. The product itself is a service and, according to Booms and Bitner (1981), it needs support by other more tangible assets. These assets could be nice decor, a good location, great facilities, or expensive looking cards.

Cash management at a bank is only part of the service offered by a bank. The complete service a bank gives its customers is advice and services about their money, through loans, investments, and management. In this case, part of the complete service of banking was taken away from the customer. The part that was taken away did not affect the complete product enough for it to show in the questionnaire.

As discussed by Edvardsson (1997), there is a line of visibility of what the customer should see and not see of the production of the service. A lot of the production and tangibility of the product is located behind the scenes for the customer, especially when it is automated through

the ATM. Due to this line of visibility the customer misses a lot of the tangibility of the product being produced. The customer therefore, is left experiencing the result and never experiences the bigger parts of the creation of the product, the part that can be looked at as the most tangible part of the service.

## 6.2 The Price

The second hypothesis was as follows:

*H<sub>2</sub>: Customer satisfaction for a bank is affected both positively and negatively by the element of the service marketing mix component called price.*

The price is a component that affects the customer satisfaction according to the regression analysis. The P-value is smaller than 1% and has a coefficient of 5.25. The price is therefore the strongest affecting component in this study on customer satisfaction. Looking at Anderson's (1996) finding, the price is an extremely important component when working in a competitive industry. The reason for this can derive from the price working as an indicator of what level of quality of service the customer will get from the company. If the service experienced differs too much when compared to the service the price should reflect or if the price sensitivity is low, the customers will be highly affected by a change in the price.

The higher the customer satisfaction is because of surrounding components excluding the price, the lower the price sensitivity will be. In order to lower the effect on customer satisfaction because of a change in price, Nordea could increase the customer satisfaction in other aspects. In this study the most natural would be to increase the satisfaction through promoting cash rescindment better. The promotion has one of the strongest effects on satisfaction after price and an increase in satisfaction of promotion has a larger effect on the overall satisfaction. Another aspect to focus on could be increasing the interaction between customers and personnel in other forms instead of meeting during the withdrawal or deposit of money.

In order to have a smaller gap in the price relative to customer satisfaction it is important to have the customers' input when setting the price. In this case Nordea reduce the service but maintain the same price. The customers have experienced a decrease in output of service but not a decrease in price. To get rid of this gap a possible solution is to change the price for those who were using cash management.

## 6.3 The Place

The third hypothesis that was tested stated:

*H<sub>3</sub>: Customer satisfaction for a bank is affected both positively and negatively by the element of the service marketing mix component called place.*

Nordea are moving cash management from their manual offices to the ATMs and are therefore moving the location of withdrawal and deposit spots for the customers. The importance of how place affects customer satisfaction, had a coefficient of 2.87 and a P-value of 7%. This component is the second lowest affecting component and has the highest P-value of the five remaining Ps. The low effect could come from the fact that there are so many ways to withdraw money that the customers do not experience the withdrawal as a problem and once the reduction was made, it did not affect the overall satisfaction as much. The effect can be linked to the problem to deposit money. Since almost every ATM is built just for withdrawing money, the place of depositing it is limited and this is a problem for cash intensive customers.

The effect however, of having the ATMs as a withdrawal and deposit spot compared to the manual tellers at the bank has two effects. The first one is that the process goes from manual and dynamic to automated and static (Edvardsson, 1997). Due to this the customers do not get to experience the interaction with the employee. The fact is ATMs are usually located outdoors, could also affect the feeling of safety for the customers. With the ATMs being outdoors' and no personnel in sight, the risk of robbery is higher, so even though the location is the same, the environment around it is affecting the feeling of the place. In order to solve this problem there needs to be co-operations with other banks to create a built in deposit and withdrawal ATM that is put inside of a building, or an ATM put inside of a store wick could lower the feeling of the risk whilst still removing the personal contact to employees.

## 6.4 The Promotion

The fourth hypothesis that was tested was:

*H<sub>4</sub>: Customer satisfaction for a bank is affected both positively and negatively by the element of the service marketing mix component called promotion.*

The promotion is mainly how well the customer experienced the information and promotion of the changes when the cash management was removed from branches. The P-value was 1% and had a coefficient of 3.4. Promotion was the third strongest affecting component and had the second highest mean. When cash management was handled inside the office the customer had a more hands on experience and got to meet the personnel. Now the customers need to change their habits and in order to do this properly and to feel safe with it, they need enough information. The information should be given to the customer as early as possible and the focus should be on doing so proactively.

According to Campell and Cunningham (1983) the goal should be to fulfill the customers' expectations and needs. When doing so, Nordea needs to inform the customers so that the customers can update their expectations, otherwise the expectations of the customers do not match what they receive. Promotion had the second highest mean but it was still just above average, which indicates that there is room for improvements.

The promotion during the rescindment of cash needs to focus on having fixed pieces of information and fixed routine for the customers. If the customer comes to the bank and gets informed on the spot that the cash management has been taken away, the travel there has taken them time and might have cost money. If they instead were given the information earlier by mail or something similar, they would have saved time and money. By being proactive the risk of losing customer satisfaction is lower. In this case mediating the information to the customer as early as possible would also correlate with Fu and Mounts (2007) findings, that customer satisfaction is hard to recover. Their study showed that it is possible to recover parts of it through working with complaints and dissatisfaction but it is hard to get it back to the same level as before the event.

## 6.5 The Participants

The fifth hypothesis that was tested was:

*H<sub>5</sub>: Customer satisfaction for a bank is affected both positively and negatively by the element of the service marketing mix component called participants.*

The participants had the highest mean of 5.26 and the second highest coefficient at 4.40. The reason why the participants have such a large effect on customer satisfaction is, according to Booms and Bitner (1987), because a big part of the process is the interaction between the personnel, the customer, and other customers surrounding the interaction. Since a service is simply made up by an interaction between the customer and the personnel it should be of the highest importance that this interaction goes smoothly. In order to gain smooth interaction there needs to be prerequisites for how to manage the customers from a queuing system, seating system, to participation in the process and so on.

The importance of the personnel is shown in the study by George (1990), which correlates with the findings in this study. In order to get an overall high service quality from the beginning of the process, the employees need to believe in the new system or service. Therefore, Nordea needs to put their focus on not just telling the idea into the customers but also on implementing it in the bank through the employees.

The high mean indicates that Nordea is having a good structure on how they implement the participants and how the customers experience the employees. This also indicates that having a focus on good relationship with the customer leads to high customer satisfaction, and the interaction between the customer and the employee in the service industry is one of the most important components (Booms and Bitner, 1981).

## 6.6 The Physical evidence

The sixth hypothesis states as follows:

*H<sub>6</sub>: Customer satisfaction for a bank is affected both positively and negatively by the element of the service marketing mix component called physical evidence.*

The physical evidence was a hypothesis where the null hypothesis could not be rejected. It had a P-value of 0.37 and therefore is considered far too high for the component to be a significant variable. The reason for why this variable was not possible to prove, could be because of the difficulty of capturing the physical evidence component. When moving cash management from the branches to the ATMs the deduction of a lot of the physical evidence was clear and it did not affect the customer satisfaction.

The reason for why physical evidence was not an affecting component in customer satisfaction, could be because it is used to portray firm legitimacy, something a bank like Nordea already has. For smaller banks or countries that have systems built mainly upon small banks, an impressive interior could be a strong affecting component. The interior is supposed to make the bank trustworthy and even if the bank may disliked in Sweden, it could still be trusted.

## 6.7 The Process

The last hypothesis was as follows:

*H<sub>7</sub>: Customer satisfaction for a bank is affected both positively and negatively by the element of the service marketing mix component called process.*

The process had the lowest coefficient of the five Ps that belonged to the final model of affecting components in customer satisfaction. The P-value was the second highest of these and had a value of 0.04. With a mean of 3.95 there is room for improvement.

Edvardsson (1997) states that the most important approach is to focus on having a good underlying quality in the service being offered to the customer. This is something that should lead to high customer satisfaction and good profits for the company. When completing the process analysis and improving the process a lot of the other components are being taken into consideration. The process therefore covers other components as well by having good pre-requisites and set ups. Because of this, it can be hard to see the effect in the process since a lot of what makes up the process is there to improve other components. The process for the customers has to have a focus on having a good, working flow.

In the questionnaire the process had a safety approach to its questions and even though it is one of the highest ranked components by the customer when asked in the ranking section, it is one of the components with the lowest effect. This can indicate that the process is “a component” that has to work, from the customers’ point of view only. It therefore only effects the satisfaction in a way that it keeps the customers from being dissatisfied; a working process does not affect strongly enough, and does not have a large effect on the overall satisfaction.



The weakness of this study can be seen from the measurement of each P that is only described by two statements in the questionnaire. The statements could have been ordered differently to cover more aspects of each component. The fact that the questionnaires were delivered by teller personnel that helped or was going to help the customers could also have effected the outcome of the questionnaire. The anonymity was lowered and because of that, the customers could mark a higher rate of satisfaction than they may otherwise would have.

There could also be a weakness in the theory section by having theories that only focus on the adding of a service or creating a new one. With a theory that is formed after deducting a service, the approach to be proactive could have a higher focus in different components. Here however, the focus was instead on how to create a new service.

## 7 Conclusions

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*This chapter will draw the conclusions of the study's result to answer the main question of this paper.*

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This study was made in order to identify the key components of customer satisfaction and to answer the main question:

*How does a bank keep their customer satisfaction while removing cash management?*

The conclusions of this study are that five components affect the customer satisfaction when removing cash management. The five components are Price, Place, Promotion, Participants, and Process. The earlier identified 7 Ps that are used in the service marketing mix also has Product and Physical Evidence except the five components identified above. When removing cash management a service is deducted instead of added and therefore the service marketing mix is not applicable in all of its aspects. These five applicable components have different levels of effect, which gives the bank different options of what to focus on.

The strongest affecting component is the price, which the bank needs to keep in mind when setting various prices. In order to make sure that the customers experience the expected level of service suggested by the price equal to the service the customer receives, the bank needs to bring the customer into the decision making process. The bank can increase the customer satisfaction in other aspects to make the old price acceptable because the sensitivity to the price is lower with higher customer satisfaction rates. By doing so, the price will reflect the service that the customers experience and will therefore not make the customer dissatisfied.

Participants are the second strongest affecting component when removing cash management. The importance of the participants is strengthened by earlier research and its importance in the service industry is of highest value. In order to maximize the employees' input to the customer satisfaction, they need to believe in the concept and service. By doing so, the employees will work harder and deliver a better service. Prerequisites should be set up for this so there is training for the new employees and adoption of current employees, to fit the company's profile. The prerequisites should also be set up so there are clear rules of how to take care of and manage the customers for an optimal experience.

The Promotion, Place and Process are the three other components that were proven to have an effect on customer satisfaction, even though the effect was not as big as the stated above. The components are not identified to be the prime affecting components in earlier studies but are still a part of the complete service offer. The promotion helps the customer to adapt their expectations so that they match what they receive. If they don't match in a negative way, the customer will be dissatisfied with the service they receive.

The Place aspect had its effect when removing cash management from the branches so that the customers had to withdraw and deposit money at an ATM. Due to this change, the possibility of exposing the customers to the second strongest affecting component (participants) decreased. This could result in difficulty for the bank to use the participant component to gain a higher customer satisfaction rate, but could also strengthen the idea that the customer appreciates the interaction with the employees.

Process was indicated to be the weakest affecting component. The effect could partially be explained because of the working processes, which embraces the other components and it could partially be explained by its tendency to be a component that prevents dissatisfaction instead of increasing satisfaction. A working process in handling cash is of prime importance but will only be a component that keeps the customers from being dissatisfied.

The product and the physical appearance were not identified as significant variables, which could be explained because of the difficulty in measuring the tangibility of an intangible service. The fact that both of them are used to give the service legitimacy can also be one of the reasons, since banks usually already have a high position in society.

This study opens up the issue for various possible paths of future research. With the participants largely affecting a service, is it the interaction between the customer and the employee or the interaction between customers themselves that add to the increasing customer satisfaction? Are these five components relevant in other fields of the service industry when removing part of a service? Would the results be the same in other countries outside of Sweden?

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## Personal Messages

Karin Östman

Branch Manager, Nordea

Personal meeting 2012-12-15





# Appendix 1 – Questionnaire



Frågeformulär:

Nordea strävar alltid efter att öka kundnöjdheten och en bättre service. Det här frågeformuläret kommer att hjälpa Nordea i processen att ta bort kontanthantering på andra kontor och med dina svar kommer detta leda till en bättre process.

Alla kunder kommer vara anonyma och de individuella svaren kommer vara konfidentiella.

Vi skulle uppskatta om du kunde svara på följande frågor och lämna in i kassan.

**Kön:**

Man            Kvinna

**Jag har tagit ut eller satt in pengar på kontor inom det senaste året**

Ja

Nej

**Om den perfekta banken, enligt dig, skulle ha 100 poäng, hur många poäng skulle du då ge Nordea av 0-100?**

\_\_\_\_\_

**Av följande 7 alternativ ska du dela ut fyra siffror. 1 till det du tycker är absolut viktigast och 2 till det som är näst viktigast, att en bank erbjuder dig som kund. Sedan ska du sätta 6 på den som är näst oviktigast och 7 på den som är MINST viktigt. Resterande 3 ska lämnas blanka.**

Pris

Säkerhet

Personlig kontakt

Utbud på tjänster

Tillgänglighet

Inbjudande kontor

Information

Var god svara så noggrant som möjligt på följande frågor, saknas kunskap välj då "vet ej".

	Instämmer inte alls 1	2	3	4	5	6	Instämmer helt 7	Vet ej
1. Att ha kontanter är viktigt								
2. Jag upplever att jag får betala en avgift för att ta ut mina pengar genom kortavgiften								
3. Nordea skulle informerat mig tidigare om när Nordea tog bort kontanthantering								
4. Nordea erbjuder mig INTE tillräckligt med andra möjligheter att ta ut pengar								
5. Jag känner mig osäker att ta ut pengar om det inte är från en kassör på banken								
6. Personalen har ett bra och vänligt bemötande mot mig och andra kunder								
7. Jag upplever INTE Nordeas tjänster (t.ex kort) som användarvänliga								
8. Jag har sämre kontroll på min ekonomi när jag inte kan ta ut pengar på kontor								
9. Nordea har bra priser på sina tjänster								
10. Negativa nyheter om Nordea påverkar min åsikt om Nordea negativt								
11. Det finns tillräckligt med bankomater för att jag ska kunna ta ut pengar när jag vill								
12. Jag känner mig säker med Nordeas kort								
13. Jag har bra personlig kontakt med min personliga bankman								
14. Nordeas kontor känns välkomnande och moderna								

Om du har någon övrig åsikt eller förslag till en åtgärd kan följande skrivas nedan:

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