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Building customer loyalty in digital banking: A study of bank staff's perspectives on the challenges of digital CRM and loyalty

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Abstract
Purpose – The purpose of this paper is to investigate the perceptions among representatives from various established major Swedish banks in how they experienced the digitalisation process and its impact on customer relations.
Design/methodology/approach – Data were gathered through a series of semi-structured in-depth interviews with managers representing different banks with profound insight in the banks' digitalisation process and its effects on customer relations/satisfaction and digitalisation.
Findings – The results showed that half of the respondents experienced the same area posing the greatest challenge. This was rooted in the perceived insecurity around what the bank assumed to know about its customers' proficiency and experiences, and what the customers appeared to actually know.
Research limitations/implications – This study was conducted as an Interpretative Phenomenological Analysis (IPA) study of various major Swedish banks, which may limit the external validity of its results. Other limitations are also discussed in the paper.
Practical implications – By identifying the aspects of a digital banking that bank managers perceive to be more advantageous or challenging towards cultivating the relationship with its customers, bank managers should garner an awareness of being able to more effectively develop appropriate strategies in addressing the bank's customers.
Originality/value – The area is vastly under-researched. The study contributes to the literature of digital channels and its perceived effects on customer loyalty from a managerial perspective. The results show that some of the present customer loyalty theory needs to be revised in order to accommodate for the era of digitalisation.

Keywords CRM, Banking, Relationship marketing, Customer loyalty, Information asymmetry, Digitalization
Paper type Research paper

1. Introduction

1.1 Background

One of the more prominent effects of the internet's continuing expansion and development is that the companies and customers acquire more ways of communicating with one another, leading to profound impact on the banking industry (Ganguli and Roy, 2011). Customers no longer need to abide by the bank's opening hours or spend time waiting in phone queues in order to get into contact with their bank advisors (Zook and Smith, 2016). A large-scale study revealed that modern bank customers of today desire freedom in where to conduct their business, while also requiring a deeper personal relationship with their bank advisors (Accenture, 2015). If the customers have a good rapport with their retailer, especially one

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that specialises in complex financial products, they tend to feel more secure in conducting business (Buttle and Maklan, 2015). Moreover, the expansion of IT technology and digitalisation has also opened new venues of customer relationships that were not previously available (Barney and Ray, 2012; Xue *et al.*, 2013).

Albeit related, digitalisation should at this point not be confused with digitisation. The latter of which implies the conversion of analogue material (e.g. images, video and/or text) into digital form (Feldman, 1997; Brynjolfsson and McAfee, 2014). Rather, digitalisation refers to a process in which the use of digital/computer technology (also including mobile applications) by an organisation, company or society, etc. is adopted or increased (Wachal, 1971; Castells, 2010). This is often implemented with the intent of establishing a communication infrastructure that links various activities and/or processes of the given actor's processes (Van Dijk, 2005). A bank customer is in this context defined as an individual who possesses a bank account and/or utilises the bank's services regularly or irregularly (Ryder *et al.*, 2012). A "relationship" signifies a mutually shared sentiment between two parties, why it is vital for the banks to understand how a relationship is established and identify the factors that create loyal customers (Sheth, 1995). Customer loyalty is in essence the key to profitability, and the banks' performance invariably affects the customers' trust (Srinivasan *et al.*, 2002; Heffernan *et al.*, 2008). This is in turn affected by the use of internet, with more than 90 per cent of the Swedish population claiming internet access (Weinberg, 2000; Gummesson, 2002; Findahl and Davidsson, 2015). As digitalisation impacts loyalty, it may even necessitate new regulatory implementations (Milkau and Bott, 2015).

The growth of social media networks has aided customers in gaining improved access to comparative information on pricing and terms, while providing interaction/interconnectedness with the customers (Humphreys, 2015; Oberhofer *et al.*, 2014). Thus, engaging customers via social media is vital to improving customer service (Sashi, 2012). This means forming an effective social media customer engagement strategy is essential in order to deliver a swift, relevant and appropriate response to customer inquiries (Nasir, 2015; Odden, 2012). Nevertheless, social media also presents many challenges to the industry (Kaplan and Haenlein, 2012). One example of such is the asymmetrical information flow between the banks and its customers, inasmuch that the banks cannot always accurately estimate the customers' prior expertise about the bank's services (Sharpe, 1990).

The practical problem presented is that the digital channels are expanding rapidly across the market while customers' expectations of the banks to deliver digital solutions have seen an immense increase (Sreejesh *et al.*, 2016; Heffernan, 2005). This runs the risk of the banks' digital solutions as being perceived as negative, or inferior, in the event that they fail to match the customers' expectations.

The relationship between digitalisation and building customer loyalty remain relatively unresolved and contradictory in the extant literature. Some studies show that the perceived quality of service impacts the propensity to seek out a particular bank, while other studies point to managerial strategies as the main proponent (Amin, 2016; Beigi *et al.*, 2016; Khanna and Gupta, 2015; Cronin *et al.*, 2000). This knowledge gap has ramifications on both practitioners and researchers, as it will continue to be unsolved for as long as there is a lack of a clear understanding of how bank managers perceive the impact of digitalisation on customer loyalty (Küng *et al.*, 2008). Furthermore, the area is vastly under-researched, which presents an academic problem/knowledge gap in regards to the available literature in the area (Hoehle *et al.*, 2012). As banks continue to close down traditional bank offices in favour of digital solutions, more research will be needed in regards to how such a development is perceived to affect customer loyalty (Küng *et al.*, 2008; Ryals, 2005).

The premise of this study was to investigate the perception of ten bank managers representing different Swedish major banks of what the greatest challenges are in securing customer loyalty through their banks' digitalisation processes. Previous studies of bank staffs' understanding of customers have been well established in the academic tradition (Chan and Ma, 1990; Zineldin, 1995). However, much of the previous research conducted bank digitalisation has focussed on the customer's perception (Khanna and Gupta, 2015). Hence, this study opted to focus on the bank managers' perception rather than the customers as the study required respondents with intrinsic knowledge of bank-specific events and circumstances occurring within the banks as well as in their external environments (Ballaine and Pellegrin, 1965; Kelly, 1989). Thus, the research question posed is as follows:

RQ1. Which are the most important challenges to Swedish banks in using digital channels as a means of increasing customer loyalty?

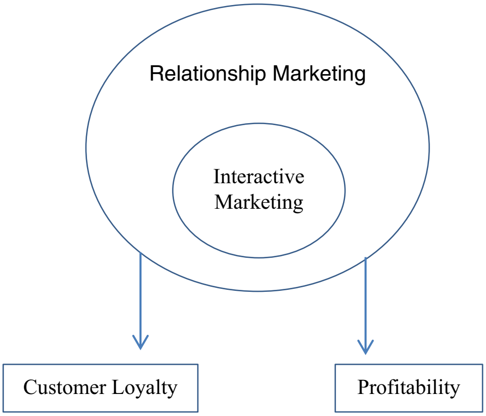
2. Theoretical framework

2.1 Relationship marketing

Relationship marketing places the business/customer relationship in the centre of attention as it acknowledges long-term value of building relationships with one's customers (Bruhn, 2003). A consequence of successful relationship marketing is increased customer loyalty (Gummesson, 2002). A "relationship" may be defined as at least two parties being in contact with one another (Forsyth, 2014). Essentially, relationship marketing is built up on four interrelated approaches: first, the behavioural perspective of relationships. This seeks to promote the relational constructs, i.e. trust, satisfaction, conceptualisation, financial evaluation of customer retention and most work done on internal relationships (Hennig-Thurau and Hansen, 2013). Second, the network approach, which focusses on the interactive character of relationships in business-to-business marketing. Firms are perceived as actors in several multifaceted "systems", referred to as "networks of relationships" (Glynn and Brodie, 2016; Håkansson and Snehota, 1995). Third, the new institutional economics approach, which regards relationship marketing as a matter of matching a particular demand with a particular supply as well as seeking to minimise the costs of upholding/managing the relationship in question (Backhaus *et al.*, 1996; Hennig-Thurau and Hansen, 2013). Fourth, interactive marketing, which are processes facilitated via internet technology, such as omni-channels (an umbrella term used to include all types of digital/electronic/online channels of communication). To this point, interactive marketing refers to the evolution from strictly transaction-based enterprises towards relationship-building businesses stemming from ongoing conversation and dialogue (Hupp, 2013). The interactive marketing within relationship marketing endeavours to increase the customer loyalty, which in turn seeks to increase profitability. This process is represented in Figure 1.

2.2 Customer relationship

A database that stores customer data is generally referred to as Customer Relationship Management (CRM), and allows modern large-scale banks to use customer information (often numbered by the thousands) in order customise services, messages and choice of communication forum for each and every individual customer (Payne, 2005; Kotler and Keller, 2014). However, CRM in its modern form would not have been possible without the use of internet (Bahri-Ammari and Mraidi, 2016). For optimal interaction, it is essential that the customers are proficient and knowledgeable in IT and that the banks are able to convince them of using the digital services offered (Flower *et al.*, 2012). However, one of the main criticisms against CRM is that customers do not always have clearly formulated expectations in regards to what they hope to get out of the relationship with their retailer. Instead, they tend to rely on initial perceptions of what they see, hear and experience from their contact with the retailer (Buttle and Maklan, 2015). This, in turn, can have negative



Source: Blomqvist *et al*. (2000, p. 17)

Figure 1. Relationship marketing model

consequences for the customers, who may mistake their subjective, initial perception for a well-informed expectation. Customers then base their assumptions on what they perceive as "fact", rather than what they think they should expect. This may in turn lead to information asymmetry as the customers may erroneously believe they possess more information about the retailer than they actually do (Wein, 2001).

2.3 Information asymmetry

Information asymmetry entails a situation in which relevant information is known by one party but not the other (Stiglitz, 2000; Spence, 1973). Information asymmetry is a cause of market inefficiency since not all participants at a given market are privy to the information needed in order to make an optimal decision. Ultimately, it may lead to two detrimental consequences (Chiappori and Salanié, 2003). These are:

- adverse selection – inferior goods are selected due to poor information availability; and
- moral hazard – a party alters their behaviour to the detriment of another subsequently to entering an agreement because the other party bears the cost of risk.

Information asymmetry is a vast problem as it may eventually lead to market failures with increased costs (Akerlof, 1970; Bamberg and Spremann, 1987). However, it is important to emphasise that information asymmetry is not always prompted by under-informed consumers, but may in equal measures be caused by misinformed consumers, who believe they possess more information than they actually do (Kumar *et al.*, 2009).

2.4 Customer loyalty

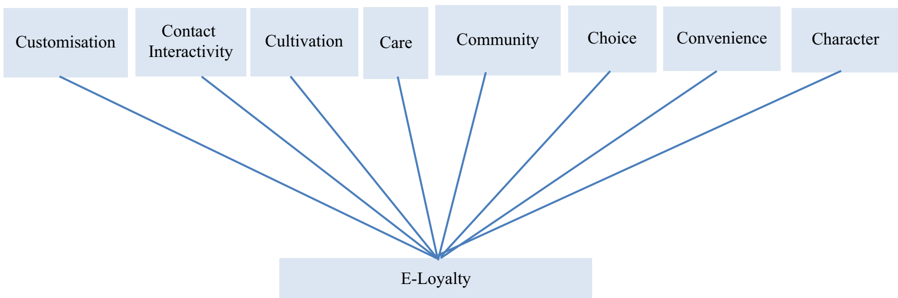
Bloemer *et al.* (1998) have defined bank loyalty as a biased, non-random, behavioural response expressed over a period of time by some decision-making unit with respect to one bank out of a set of banks. In the scope of this study, customer loyalty refers to bank customers holding favourable attitudes towards their bank of choice, manifested through repeated purchase intentions and/or behaviours at the same bank. This includes placing investments, savings, buying/selling/trading stocks and bonds, making transactions, etc. (Chen, 2012). Research has illustrated that the longer companies are able to sustain good customer relations, the larger the profit the customer will generate for the company (Tsai *et al.*, 2010).

According to Thakur (2016), customer engagement has significant impact on customer loyalty as well as customer satisfaction, which emphasises the need of securing customer involvement. To this end, Srinivasan *et al.* (2002) lists eight areas, called the "8Cs" depicted in Figure 2. As seen in Figure 2, these are defined as follows.

2.4.1 Customisation. Srinivasan *et al.* (2002) contend that if it is possible to customise an offer, customers are more likely to find something they desire, thus making a transaction easier. This is largely rooted in how well a website/digital channel is able to identify the customers and adapt the company's products and/or services to the customer's specific needs. "Customisation" affects loyalty as it can signal high quality and contribute towards making a better match between customer and product (Coelho and Henseler, 2012). "Customisation" also creates the sensation of increased choice by directing focus towards what the customer wants (King *et al.*, 2016). However, too vast a selection is likely to frustrate the customers and prompt them to only look for the simplest solution available (Kahn, 1998).

2.4.2 Contact interactivity. "Contact Interactivity" refers to the dynamic component of an engagement that arises between an e-retailer and its customers via its website. Interactivity is best described as a factor between accessibility, efficient customer support tools on a website and the degree of which two-way communication with the customers is facilitated (Chung *et al.*, 2016). This area is expected to have a profound impact on customer loyalty for various reasons (Jeon and Jeong, 2016). A customer perceiving a website as user-friendly and intuitive is more likely to appreciate the value of the website than a customer with opposite experiences. However, website interactivity is often something of a weak link for most companies (Jiang *et al.*, 2010; Salvati, 1999). This is due to the fact that websites *per se* are static and not inherently designed to serve as a communication channel between customer and adviser. Irrelevant ads/information also serves as an irksome factor to many customers (Li *et al.*, 2015). Product information may also be perceived as limited and there may be delayed response time when sending e-mail requests. Customised, easily accessible information on an easily navigated website thus provide customers with an incentive to return (Jeon and Jeong, 2016).

2.4.3 Cultivation. This area denotes the extent to which a company presents relevant information and incentives to persuade the customer to purchase more (King *et al.*, 2016). Chiefly, the purpose is not so much to recognise the customers as it is to reach out to them and increase the chances of cross-selling, i.e. selling additional products/services to existing customers (Schmitz *et al.*, 2014). By proactively providing the customers with information they may find useful, the retailer may entice the customer into returning in the future to seek additional information and/or services (Srinivasan *et al.*, 2002). In a longer run, this area serves to increase the company's understanding of the customer's needs on a deeper and a



Source: Srinivasan *et al*. (2002)

Figure 2.
E-customer loyalty model

broader plain. The information collected is processed by databases, with the ultimate intent of being able to meet the customers' information requests proactively and thus create an incentive for future purchases (Khodakarami and Chan, 2014; Berger, 1998).

2.4.4 Care. "Care" concerns how well a company handles a customer's purchasing process before and after a transaction, as well as its ability to sustain a long-term customer relation. This includes ensuring no mistakes are made anywhere during the process, from when the customer places the order to when it is ultimately delivered. It also includes factors such as how swiftly and efficiently potential problems are resolved (Jiang and Rosenbloom, 2005). The better a retailer is able to provide service and ensure customer satisfaction, the more likely it is that the customers will return and stay loyal to the company (Saurav, 2016; Küster *et al.*, 2016). As Yun and Good (2007) opine, loyal customers visit their favourite websites twice as often as non-loyal customers, and loyal customers spend more money.

2.4.5 Community. This area concerns the virtual surrounding in which existing and potential customers can converge in order to exchange experiences and opinions. The company may share information regarding offers, products and services. The virtual surrounding has been propelled much in thanks to the modern-day IT society, as customers may acquire information easily and readily through the use of internet and websites, which may in turn expedite the customer's decision-making process (Wen *et al.*, 2014; Balasubramanian and Mahajan, 2001). Essentially, "Community" acts as an incentive to activate customers into providing feedback and spreading "word-of-mouth" promotion to other prospective future customers by sharing information and experiences (Furner *et al.*, 2016). "Community" is a long-term endeavour as it also seeks to sustain customer loyalty by creating a brand identity the customers can relate to, thus securing long-term loyalty (Srinivasan *et al.*, 2002).

2.4.6 Choice. "Choice" is about what an e-retailer can offer in terms of broad selections and varied assortments compared to a traditional, non-digitalised retailer (Yu *et al.*, 2015). Compared to a conventional retailer, an e-retailer has a greater possibility of offering a wider array of services in any and every category, as an e-retailer does not suffer from the same constraints in regards to storage space and costs, etc. This in turn, simplifies the customer experience and provides the e-retailer with a competitive advantage, inasmuch as granting them a "top-of-mind" position among the consumers, meaning that the consumers are more likely to think of these retailers first before considering the competitors when looking to acquire something from that particular retailer's commodities (Karlan *et al.*, 2016; Srinivasan *et al.*, 2002). Hence, it is easier for an e-retailer to take on the role of a "one-stop shop", which in turn would increase customer loyalty, as most customers try to avoid going to too many different vendors when shopping (Toufaily *et al.*, 2013; Bergen *et al.*, 1996).

2.4.7 Convenience. This area refers to what extent a customer considers the website to be simple, intuitive and user-friendly. The accessibility to information and simplicity in conducting the business are vital components for a successful transaction (Joshi and Achuthan, 2016). The quality of the website is especially important to e-retailers, as the website represents the most central (and sometimes the only) market interface the customers use (Chuang *et al.*, 2016). Should a customer find that a website is illogical and uncomfortable to use, he/she may not return. Customers will tend to expect omni-channels to deliver swift and effective service. In the event that such is not provided, they will tend to become frustrated, reducing the likelihood that they will return in the future (Johnson and Verdegaal, 2016). A website that is user-friendly will also decrease the likelihood of customers making mistakes, thus enhancing their experience (Srinivasan *et al.*, 2002). However, Srinivasan *et al.* (2002) posit that this is the only area of the 8Cs that does not significantly increase the customer loyalty.

2.4.8 Character. "Character" concerns how a creative and appealing website can help a company build up a solid renown and awareness amongst its customers. A characteristic website is defined as the overall impression it gives, such as layout, colours, logotypes, slogans, themes, etc. (Henderson and Cote, 1998). These characteristics are what the customers are able to relate to and wish to support. Essentially, "Character" is what gives a website its uniqueness and personality. Beyond a general presentation of the retailer, the use of "Character" can promote the image of the company (Srinivasan *et al.*, 2002). That is to say that the customers may gain positive associations of the company. This may in turn lead to positive effects on the customers' attitude towards the company on a broader scale, opening up the possibility of cross-selling (Levy and Hino, 2016; Hershenson and Haber, 1965).

3. Method

3.1 Research design

This study conducted a qualitative, phenomenological study (Hesse-Biber and Leavy, 2011; Moustakas, 1994; Pietkiewicz and Smith, 2014). An exploratory study approach was elected as the intention was to elucidate the causal mechanisms of how bank managers from different major banks perceived the impact of digitalisation on customer loyalty. In order to determine the availability of research in the area, a systematic literature review was carried out using the PRISMA guidelines (Moher *et al.*, 2009). The selection process ultimately yielded two relevant articles (Salim and Keramati, 2014; Wongsansukcharoen *et al.*, 2015). Neither of the two discussed the concept of loyalty as perceived by bank managers. This emphasises the need of further research.

3.2 Study participants

Interviewees were chosen using purposive sampling (Oliver, 2006). Ten subjects were contacted via e-mail, or similar electronic channel, with a request to participate in an interview upon which all of the individuals accepted. The interviewees were granted full anonymity and were provided with information regarding the purpose of the study, which was communicated as investigating what challenges (if any) the banks' digitalisation processes had on customer loyalty. The selection criteria were that the interviewees had a managerial role in the bank, had deep insight in the bank's digitalisation process and had significant direct or indirect interaction with the bank's customers (Chatman, 1991). Table I presents a view of the respondents interviewed in this study.

3.3 Data collection

Data were gathered through a series of interviews with respondents representing different banks. The interviews were semi-structured using open-ended questions, in which the

Respondent	Gender	Age	Educational background	Title/Position	Number of years in the bank
1	F	34	Economics and finance	Bank branch manager	9
2	F	26	Economics	Manager – customer advisor	6
3	F	44	Political science	Manager – customer advisor (and business developer)	3
4	M	33	Economics	Relationship manager	6
5	F	45	Economics	Manager/Business advisor	17
6	M	32	Business administration	Product and placement manager	1
7	M	28	Business administration	Manager/Adviser	5
8	F	45	Jurist	Relationship manager	15
9	F	36	Certified marketing education	Manager/Product specialist	8
10	F	31	Engineer	Business area manager	8

Table I.
List of respondents representing different Swedish major banks

respondents could elucidate on the topics and events as they perceived them. A pilot interview using an interview guide was set up between one of the authors and an independent senior researcher unaffiliated to the study, in order to ensure the clarity of the interview questions as well as to estimate the length to the interview. An interview guide was developed on the basis of this pilot interview. The guide thus sought to list the relevant topics and questions intended for the interviewees. The interview questions were extrapolated from the "8Cs" (Srinivasan *et al.*, 2002). That is to say that the questions sought to probe the respondents with different questions based on each and every one of these areas about the bank's digitalisation process and what possibilities and challenges the respondents perceived this had in regards to securing customer loyalty.

The interviews were conducted over the phone by one of the authors between the period of 6 April 2016 to 29 April 2016. The interviewees were asked to provide their views of actual events as they had experienced them in regards to the banks' digitalisation processes and its impact on customer relations. Follow-up questions were asked whenever necessary in order to provide for a deeper testimony. The interviews ranged between 24-52 minutes in length, totalling approximately 5 hours and 54 minutes. All interviews were digitally recorded and transcribed using software Audacity (Version 2.0.0). Additional field notes were taken during the course of the interviews in order for the interviewer to ask follow-up questions.

3.4 Data analysis

The study engaged a hermeneutic, inductive, Interpretative Phenomenological Analysis (IPA) (Smith, 2007; Pietkiewicz and Smith, 2014). This was because the intent was to scrutinise patterns across data sets in order to describe the phenomenon emanating from the study's research question, i.e. the challenges of digitalisation towards customer loyalty (Guest, 2012). IPA's hermeneutic stance is sense making and "bottom-up", as the analysis was generated from data extracted from the interviewees rather than matching the data to patterns from a pre-existing theory (Larkin *et al.*, 2006).

The homogeneous nature of the respondents (bank managers) and their limited sample size makes IPA an appropriate approach as it probes deeper into the meanings and perceptions of the respondents (Reid *et al.*, 2005). Following IPA, the data extrapolated from the interviews have subsequently been categorised into various "groups"; in this case the "8C" model (Srinivasan *et al.*, 2002). Common, overarching themes shared by the respondents have been presented throughout the "Results" section as well as specific points brought up by the individual respondents. As the research was focussed on the interviewees' perceptions, the potential limitation in scope was deemed minimal. Official designations and translations of abbreviations have been used wherever possible. One of the authors, a native English speaker, has made all pertinent translations.

3.5 Ethical considerations

Before commencing the interviews, the respondents were made aware as to the research purpose and the interview's conditions. Informed consent was obtained from all respondents and all interviewees had the possibility to discontinue the interview and/or withdraw participation at any given time (Watts, 2008; Hesse-Biber and Leavy, 2011). In no instance were the interviewees' actions and/or decisions evaluated.

4. Results

4.1 Case description

The respondents were asked which area of the "8Cs" they perceived as the most important challenge towards ensuring customer loyalty in regards to their respective bank's digitalisation process (Srinivasan *et al.*, 2002). The following section aggregates a summary of the main recurring points expressed by the respondents in respect to each given area.

In terms of "Customisation", the respondents claimed it helped streamline customer solutions as well as opening up possibilities for more in-depth forms of interaction with the customers as well as with other financial institutes offering optimised customer solutions. Respondents 1, 2, 3, 6 and 10 claimed that digitalisation allowed for greater flexibility and had made it easier to present customers with tailored solutions. Respondent 4 was somewhat apprehensive of the digitalisation process, arguing that the wide assortment of products might confuse the customers and oversaturate the market. Respondent 5 considered digitalisation to be a "business optimiser" inasmuch that it enabled the banks to perform a viable customer analysis in order to understand their needs. Respondents 7 and 8 conceded there were positive aspects to digitalisation but maintained there were also many challenges in customising solutions via omni-channels, citing the many legal restrictions in effect. Respondent 9 believed the greatest challenge was that customers often overestimated their own knowledge.

"Contact Interactivity" was generally understood in terms of digital channels offering advantages in terms of resulting in shorter lead times, improved feedback and offering customers greater opportunities of gathering information. The negative aspects were by and large seen in the complexity of the legal framework that places boundaries on the banks' ability to contact and interacting with its customers. Respondents 1 and 4 elaborated that the legal restrictions impeded on how the bank could contact its customers. This meant that the physical "offline" interaction with the customer would continue to be important, even in the future. Respondent 2 believed customer interaction had become easier due to digitalisation. Respondent 3 saw potential in "Contact Interactivity" but also a danger as the customer risked becoming too dependent on the individual relationship he/she would build up with a specific given bank employee. Respondents 5, 6, 7, 8 and 10 welcomed the digitalisation and preferred using the digital channels as these were perceived to enhance the interaction with the customers while keeping the bank "relevant" to the customer. Respondent 9 had mixed emotions, stating that digitalisation made customer interaction conceptually easier on the one hand. On the other hand, it also added complexity to the practical matters when having to address the sheer number of customers, as the customers tended to be very diverse and heterogeneous.

"Cultivation" was seen in terms of the digitalisation process aiding the customers' purchasing process. Essentially all respondents thought favourably of the digitalisation process as they argued it freed up resources and promoted additional sales since the bank could use customer data to provide the customers with more relevant offers. Respondent 1 argued that the restrictive legal framework presented a problem while "Cultivation" also contributed to an easier and faster selling process. Respondents 2 and 7 contended that a problematic aspect of "Cultivation" was the difficulty in meeting the customers' daily needs, while admitting that present-day customers tended to be more versed in the assortment of products and what they desired from their interaction with their bank. Respondent 3 did not see any noticeable effect from the digitalisation as her bank was already processing its existing customer relations. She argued that her bank already pursued long-term relations with its customers and therefore did not feel rushed into selling more products quickly. Respondent 4 conceded that the traditional, "offline" bank activities were rapidly losing ground and that an increasing number of customers elected to conduct their business online. Respondents 5, 6 and 8 believed digitalisation impacted positively on this area as it helped customers educate themselves more about the banks' products while enabling the banks to develop new, innovative ways of communicating with their customers. Respondent 9 believed that digital channels presented a challenge in the sense that it was not possible to physically meet the customers and read their body language, etc. Respondent 10 admitted that digitalisation was an advantage but added that it was challenging to ensure that the IT structure was equipped to meet the customers' demands.

"Care" was perceived as positive in the sense that it fostered autonomy and self-reliance amongst the customers while also reducing time-consuming administration for the banks. The challenges were mainly considered to be the difficulties in handling potential "grey areas" as the digitalisation platform is essentially an automated construct that does not interpret data the same way a human does. Respondent 1 believed the greatest challenge to be the limitations in not being able to deliver the same message throughout the omni-channels with the IT-infrastructure the bank was presently using, but hoped that this would change in the future. Respondents 2, 4, 7, 8 and 9 argued that digitalisation made it easier and swifter to reach out to customers. Respondent 3 contended that while digitalisation made it easier to reach out to the customers, a major challenge was old, worked-in routines, with employees harbouring different approaches towards using (or not using) the omni-channels. Respondent 5 believed a weakness was the inability to see and "read" the customer the same way as during a physical meeting. Respondent 6 thought the greatest challenge was the threat of redundancy as the traditional functions of bank employees were becoming automatised to a much greater extent than before. Respondent 10 believed the greatest challenge was developing new digitalised systems and getting the employees to excel at them while matching the customers' level of expectation with the new systems.

"Community" was believed to harbour great potential in the sense that it could help the banks guide the customers towards learning more about the bank and getting more involved. A perceived drawback, however, was that customers were often perceived as being "one step ahead" in the social media platforms, making it difficult for the banks to establish effective presence in the right digital channels. Respondents 1 and 4 cited unfounded, "frivolous" complaints issued dissolutely by some customers seeking to provoke rather than presenting a legitimate claim, which in turn risked receiving unbalanced attention through the various social media channels. Respondents 2, 7 and 9 argued that negative information often had "snowball effect", meaning that customers would likely spread reports of negative experiences to other customers. Respondents 3 and 5 contended that the strict bank secrecy regulations made it difficult for the bank to build a community in which information could be shared more openly. This was perceived to be a problem especially in cases when a customer posed a specific question via an open social media channel, upon which the bank staff then could only answer in very general terms. Respondent 6 perceived a risk of astroturfing/consumer empowerment as some customers may resort to "sockpuppeting", i.e. use multiple accounts addressing the same issue with the intent of making a matter seem more pressing than it is. Respondents 8 and 10 saw only positive aspects with social media and argued that the bank should encourage the customer to use them more as customers would then become "ambassadors" for the bank and can in turn help market the bank even further.

Choice was seen as positive in the sense that allowed the customers to choose between different solutions and options, thus seeking to reach a broader customer base. The negative aspect was the risk of too much choice confusing the customers (Respondents 1, 2, 3, 4, 6, 9 and 10). Respondent 5 stated that the use of "big data" enabled the bank to understand the customer and made it possible to adapt to the customers' interests. The challenge was the increased awareness amongst the customers, which served to increase their propensity of switching to another bank. Respondent 7 thought it was positive that the bank was able to offer a multitude of services and saw no challenges in this area. Respondent 8 believed the greatest challenge was maintaining a balance between providing a wide assortment of services while maintaining a level of specialisation to remind the customers of why they chose that bank in particular.

Convenience was considered an opportunity in the sense that it offered customers accessibility, which in turn encouraged them to become more self-sufficient and autonomous. The most pressing risk was the fear of the website/portal being perceived as too complicated or inferior, which would prompt customers to leave the bank for another bank offering better digital solutions. Virtually all respondents wished for the customers to be more autonomous. Respondent 1 argued that the wording used in omni-channels was important and that a challenge was to reduce the usage of the bank's industry jargon/technical language. Respondent 2 thought the difficulty in navigating through the websites along with substandard content presented the greatest challenge to "Convenience". Respondent 3 contended that the ability to deliver services fast enough to the customers presented the most important challenge. Respondents 4 and 5 cited security concerns as the main challenge. Respondent 6 posited that it was a challenge to provide "general" solutions that cater to a broader public due to the dissimilarity amongst the customer stock. Respondent 7 believed the greatest difficulty was to instil enough confidence to make the customers remain loyal once the digital transitioning begins throughout the bank's various sectors. Respondent 8 perceived the interaction flow as the most prominent challenge, as customers may prefer to interact with human bank staff rather than an automated bot generating answers to the most commonly asked types of questions. Respondent 9 argued complexity in navigating websites was a challenge, adding that she did not perceive her bank's website as user-friendly but conceded that her customers appeared to think so notwithstanding. Respondent 10 argued the main challenge was securing accessibility to all types of customers and providing an omni-channel interface and product selection that catered to everyone.

Character was considered important in the sense the banks wished to establish a clear online/digital presence. The digitalisation process was in many cases perceived to enhance the bank's image. However, some banks contended that creating a uniform image for the whole bank made it difficult to profile its uniqueness in various local settings. Respondent 1 reasoned that the bank's image was under constant scrutiny and that it was important to deal with customer complaints in a clear and transparent manner so that they did not fester. Respondent 2 believed the bank would conduct most business online in the future. Respondent 3 stressed the importance to keep physical bank offices even in the future in order to communicate accessibility towards the customers. Respondent 4 admitted his bank was not known for being digital pioneers and thus stressed the need to implement further digitalisation. Respondent 5 said her bank had a "positive brand name and a leading technical role among the customers", which enabled the customers to gain a positive perception of the bank. Respondent 6 cautioned that digitalisation could lead to further segmentation as more senior customers would be less willing to acclimatise themselves to the new digital developments. Respondent 7 believed digitalisation to be mostly positive but regretted to see that a several year old scandal was still being talked about on the bank's digital channel, causing much negative publicity. Respondent 8 affirmed that the bank's image had improved due to the digitalisation process. Respondent 9 found it challenging to develop an overarching image for the bank, as it risked adversely affecting the distinct image and characteristics of the bank's local offices spread throughout the country. Respondent 10 contended that cross-sales had become easier through digitalisation, while simultaneously requiring huge investment costs in IT infrastructure.

The results from respondents regarding the greatest challenges towards ensuring customer loyalty through digitalisation according to the "8Cs" are illustrated in Table II.

Table II can be summarised in the following manner (with the number of respondents in parenthesis): convenience = 50 per cent (5/10), community = 20 per cent (2/10), contact interactivity = 10 per cent (1/10), choice = 10 per cent (1/10), customisation = 10 per cent (1/10), cultivation = 0 per cent (0/10), care = 0 per cent (0/10), and character = 0 per cent (0/10).

4.2 Methodological considerations

A possible limitation of this study is that it has interviewed solely ten respondents as well as exclusively focussing on the major Swedish banks while simultaneously not including all contenders on the Swedish banking market, such as the smaller-scale banks. However, the selected respondents represent a homogenous category from which a clear pattern is discernible as they all operate in the same environment under comparable premises, conforming to the tradition of IPA research (Hsieh *et al.*, 2009).

Indubitably, interviews always incur a risk of "recall bias" (Kopec and Esdaile, 1990; Martin, 2005). This has been addressed by a clear description and articulation of the research question. In addition, a standardised mode of data collection has been applied through the use of an interview guide. Furthermore, each respondent was given ample time before replying in order to reflect through the situation as they perceived it (Hassan, 2005).

There is also an innate risk of "social desirability bias", meaning that the interviewees may over-report "positive behaviour" while under-reporting "negative behaviour". This was addressed by safeguarding that the interviewees were presented with as neutrally worded questions as possible, while being granted full anonymity (Rubin and Babbie, 2009).

It may also be argued that respondents are able to change their opinions should a different study pose the interviewees with the same questions at a later stage, thus impeding on the validity of the research. For this reason, this study has enforced participant control, meaning the respondents have been able to vet and validate their responses after these were submitted to the interviewer. This was achieved by reiterating the responses registered by the interviewer to the respondents in order to permit them to validate their responses. This ensures an accurate account of the responses at the given time of this study, and coupled with the fact that multiple respondents were interviewed, provides for the necessary verification of research data (Merriam, 1991). All interviews were conducted using the exact same method and arrangement throughout the study. This and the fact that all of the respondents have been interviewed by phone, mitigates the potential risk of the "interviewer effect" (David and Sutton, 2011; Groves and Magilavy, 1986).

5. Concluding discussion

5.1 Analytical discussion

This phenomenological IPA study sought to investigate the most important challenges to Swedish banks in using digital channels as a means of increasing customer loyalty. The specific research question was:

RQ1. Which are the most important challenges to Swedish banks in using digital channels as a means of increasing customer loyalty?

The framework used was Srinivasan *et al.*'s (2002) "8Cs", namely: customisation, contact interactivity, cultivation, care, community, choice, convenience and character. The respondents

Respondent	Primary challenge
1	Contact interactivity
2	*Convenience*
3	Community
4	Choice
5	Community
6	*Convenience*
7	Customisation
8	*Convenience*
9	*Convenience*
10	*Convenience*

Source: Srinivasan *et al.* (2002)

Table II. Summary of the different bank's perceived customer loyalty types according to the "8Cs" saw several challenges, but half of the respondents (50 per cent) considered "Convenience" to be the most important challenge.

The specific reason "Convenience" was perceived as the greatest challenge varied somewhat. Several respondents claimed the customers considered the website to be cumbersome or inferior, which is in turn indicative of a perceived customer access problem. Some respondents believed the information asymmetry created a rift between the banks' and their customers as it made it difficult to estimate the appropriate products for each respective customer. Several respondents perceived this to adversely affect the expectation gap the customers had towards the bank. The reason appeared rooted in a sentiment of information asymmetry towards the customer, where the bank staff had failed to understand the customers' feelings towards the digital transformation and how much prior knowledge they have before contacting the bank. This can be seen in response to the contention presented by Bloemer *et al.* (1998), stating that loyalty is contingent on a decision-making unit. However, a salient risk from a customer perspective was that if they purport to know more than they actually do, the risk of "adverse selection" increases considerably, as the customers risk selecting an inferior product they would not otherwise have selected. This also relates to the Buttle and Maklan's (2015) notion of customers not always having clearly formulated sets of expectations. The managers' perception was, by and large, that the customers often do have an idea of what they want, albeit sometimes a misinformed one. From the bank managers' perspective, the most pressing problem with this information asymmetry was instead "moral hazard". That is, customers had the possibility of altering their behaviour and become more risk-prone in selecting the different portfolios and solutions offered by the banks (Kvalnes, 2011).

The respondents were all in agreement that the legal regulatory systems complicated matters for the banks in further developing their customer relations. This was in particular aimed at the confidentiality context. This restricted the bank managers from reaching out to their customers directly on social media, or wherever the customers may have vented frustration and/or confusion regarding something they perceived the bank had done (or not done).

The results indicate that the banks need to garner a better understanding of their customers. The respondents perceive the customers to seek simple and swift solutions who will turn to whatever actor who can best supply such a service. Given the fact that Sweden, and Europe by and large, is becoming increasingly more digitalised, the ease of changing banks will increase the customers' expectation of their respective bank (Heffernan, 2005). The banks' desire to maintain a satisfied customer stock is found in their wish to consolidate customer loyalty, as it ultimately leads to increased profitability (Blomqvist *et al.*, 2004).

The respondents would indeed often reiterate that a deep and loyal relationship with the customer could only be generated through providing good service and availability. Paradoxically, however, the respondents also claimed that the banks aspired to make the customers more autonomous and independent in order to reduce their need of keeping frequent contact with the banks. In regards to the four approaches of relationship marketing, this partially contradicts the behavioural perspective, which focusses promoting the relational constructs, which was something the managers wished to limit (Hennig-Thurau and Hansen, 2013). The network approach appeared absent in most respondents' perception as neither espoused any interaction with other businesses in terms of increasing customer relations (Glynn and Brodie, 2016). The managers' responses did follow the new institutional economics approach, as it seeks to minimise costs of handling customer relations, which is indubitably the case, the more autonomous the customers become (Backhaus *et al.*, 1996). Finally, the respondents' responses also appeared to follow an awareness of the interactive marketing process. That is to say, all respondents appeared to appreciate the necessity of omni-channels and the need to use them for communication, even though the legal framework restricted their ability to utilise them in an optimal manner (Hupp, 2013).

5.2 Concluding remarks

An original aspect of this study has been the investigation of customer loyalty through the bank managers' perception rather than through the perception of the bank customers. This provides for more insight in the strategic thought and understanding behind the choice of interaction between the bank staff and their customers. Adding to this originality was the application IPA when researching the discernible phenomena uncovered in this study. The implications of this study suggest that the respondents have felt stymied in their digitalisation endeavours by the complex regulatory system to which the banks must adhere. Hence, the bank staff cannot generate a clear enough profile of their customers, making it difficult to meet the customers' expectations. A possible way forward is to generate co-creation processes together with the customers, such as thought workshops, etc. The banks can possibly also seek to take on a societal role of a "one-stop-shop" in which the banks can offer a more extensive format of different financial services through various forms of collaborations with other financial technology (FinTech) companies.

The broader scope of managerial implications of this study is that the banks risk drawing up a bad reputation for their products, seeing as customer discontent will likely rise as a result of "moral hazard" (Kvalnes, 2011). Further implications of this study suggest that "Convenience" plays a much larger role in the contemporary discourse than it did in older literature on customer loyalty. In contrast, Srinivasan *et al.* (2002) argued "Convenience" to be the only one of the "8Cs" to not carry a significant impact towards customer loyalty, which means the theory should be re-evaluated to better fit the era of omni-channels and digitalisation.

6. Future research

A recommendation for future research is to investigate challenges towards ensuring customer loyalty from a bank customer perspective in order to disseminate how they perceive the digitalisation process affecting their loyalty. Another possible area for future research is to study the bank situation in other European Union countries in order to determine if the perception on customer loyalty and digitalisation is shared across the European Union. The implications of this study suggest that Srinivasan *et al.*'s (2002) contention on the lesser significance of "Convenience" is no longer valid. An area for future research would be to investigate the impact of "Convenience" on customer loyalty in other businesses engaged in digitalisation processes. A final area for possible future research is to investigate the elasticity of customer loyalty in banking as opposed to other financial service industries.

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