

Emilia Haapaniemi

LOCALITY AND APPROACHABILITY IN BANK'S DIGITAL CHANNELS

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Emilia Haapaniemi
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ABSTRACT

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Author: Emilia Haapaniemi

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This thesis was commissioned by OP Kemin Seutu which is a part of OP Financial Group. The purpose of the thesis was to find out how locality is experienced in the commissioner's digital channels, if they are easy to approach and how these factors could be improved in the future. The subject was chosen because of the importance of digitalization in OP and the challenges it brings to emphasizing locality and approachability of services.

In addition to studying the commissioner, their digitalization and digital channels two benchmarking companies are looked into for comparison and development ideas. These companies are HSBC, a multinational financial services organization, and LähiTapiola, a Finnish insurance company that also offers banking services through their cooperative, S-Pankki. Digitalization in the industry was studied to enlighten the subject and to find out any previous studies of it.

To find out the customers' opinions interviews were held in the premises of OP Kemin Seutu. This helped to form a better understanding of the current situation and to get development ideas for the commissioner's digital channels. In the interviews it was found out that customers in general did in fact appreciate locality and hence is worth emphasizing. Though they did not so much experience locality in the digital channels as hoped. The digital channels were mainly found easy to approach and new development ideas for both locality and usability were given.

If changes were to be made in OP Kemin Seutu based on this research a follow-up study could be conducted. In the future the study could be continued by organizing a broader quantitative research of the subject to include a wider range of attendees.

Keywords: digitalization, retail banking, locality, approachability, OP, Osuuspankki, HSBC, LähiTapiola, S-Pankki, digital channels, banking, case study

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1 INTRODUCTION

The purpose of this thesis is to study the digital channels of OP Kemin Seutu and how locality and approachability are experienced in these channels, and how this could be further developed. OP Kemin Seutu is its own individual bank but also a part of a nationwide OP Group. OP Group gives the individual banks its support and guidance but they do have quite a lot of independence as long as they operate within the boundaries set by the group. The main research questions are:

1. “How is locality experienced in OP Kemin Seutu’s digital channels?”
2. “Are OP Kemin Seutu’s digital channels easy to approach?”
3. “How could OP Kemin Seutu’s digital channels be developed in order to better emphasize locality and make them easier to approach?”

Why this direction of the study and these specific research questions were chosen is because of the importance of digitalization in OP Group and OP Kemin Seutu at the moment. OP Kemin Seutu wants to perform well in their digital channels as that is where more and more people seek for service. At the same time OP Kemin Seutu wants to stand out as an individual bank in the nationwide group and emphasize locality. The contradiction between these two goals is a challenge and in this thesis it is studied how a balance can be achieved to create a sense of locality in a digital world. Another challenge OP Kemin Seutu faces is approachability. Even though digital channels grow their popularity all the time there are still some barriers to be taken down and this thesis will study them and how to make the digital channels more approachable.

The study is a case study as OP Kemin Seutu particularly is analyzed and the purpose is to find development ideas specifically for them. A case study looks deep into the specific problem in a certain situation and so get a lot of information of it. (Ojasalo, Moilanen & Ritalahti 2009, 52-53.) This means that instead of studying the subject in general and trying to find universal results that could help several companies, the study and its results are directed to OP Kemin Seutu. Every part of the research aims at answering the research questions for them. To get an answer to the research questions there are several topics that are observed. The research is divided in two parts, primary and secondary. The thesis starts secondary research where OP Kemin Seutu itself, banking industry and two benchmarking companies HSBC and Lähitapiola are looked into. By studying the commissioner itself the current situation and the need for this study is covered. Then

answers for the research questions are looked for in the study of the banking and industry. It is found out how locality and approachability are taken into consideration in the studies concerning the industry and what kinds of success factors and obstacles arise from the booming digitalization. This helps to understand the market area and environment OP Kemin Seutu operates in and what kind of conclusions for them can be drawn from the general knowledge.

In intention to find out whether these issues have been acknowledged in other banks, HSBC, one of the largest banks in the world, is used as a benchmark. Benchmarking means studying a similar company and comparing it to the case company in order to analyze performance, detect what can be improved and finally to utilize this to make improvements (BusinessDictionary 2016, cited 6.10.2016). In this case it means studying HSBC in general to understand their complex organization, their services and what they value. Their digital strategies and channels are studied to find out their efforts on emphasizing locality and approachability and possibly to get some development ideas for OP Kemin Seutu. HSBC is the largest bank in Europe and it has spread also outside of it so it is interesting to find out how they have ensured these matters in their digital channels and to get answers to the research questions. In addition to HSBC a Finnish insurance and banking company LähiTapiola is reviewed for the same purpose. They actually emphasize locality in their advertising making them somewhat similar to OP Group.

By studying the industry and these companies the need for emphasizing locality and improving approachability is clarified. It helps to determine the direction to be taken and it gives development ideas for the commissioner. To finally get as complete answers as possible the customers of OP Kemin Seutu are interviewed in the primary part of the research. The customers in this part of research are in focus as their opinion is ultimately the most important factor. The questions for the interview were selected to reflect the research questions so firstly the customers are asked about locality in OP Kemin Seutu's digital channels. In addition to their perceptions on locality in digital channels it is studied whether or not it is important for the customers in the first hand. Locality and its importance to customers is studied in the interview with questions such as whether the customers feel that they are primarily customers in OP Kemin Seutu or OP Group, about their preferred service channel and which ones they have used and whether they have experienced the service they have gotten in these channels local. Secondly the interview will concentrate on approachability. Approachability is analyzed by questions about usability of OP Kemin Seutu's digital channels and the reasons to why some customers still decide not to use them. The interview also includes an open part where the customers can freely tell about their experiences, give

feedback and possibly even development ideas. This part of the research is carried out by interviewing customers in OP Kemin Seutu's market branch in Keminmaa. In analyzing the interviews there are several steps. First of all the interviews are recorded and transcribed, and the answers are categorized and put into charts and tables. These materials are then further analyzed to draw conclusions from them and to answer the research questions.

OP Kemin Seutu is a part of a nationwide OP Financial Group. OP Group consists of individual banks that all have their own region in which they operate. It is common to be a customer of your local, closest bank so OP banks want to emphasize locality and sense of belonging to your own bank. The customers are given an opportunity to become an owner-customer of their own bank with an investment. As an owner-customer one can have an impact on their own bank and to get other benefits. The bank in focus in this thesis is OP Kemin Seutu. Kemin Seutu means Kemi region which means they are located in a city called Kemi and its surrounding municipalities. OP Kemin Seutu has three locations which are the head branch in Kemi, branch in Simo and a smaller so called service point in Keminmaa in food store K-Citymarket's premises. (OP 2016e, cited 13.10.2016.) Both OP Financial Group and OP Kemin Seutu are familiar to me as I have done my one month practical training along with one month summer job in OP Kemin Seutu in the summer 2015. After that I went to do my student exchange and returned to OP in February 2016 till I started working on my thesis in September. After starting the thesis I have worked in OP Kemin Seutu during holidays as a replacement so all in all I have around two years experience during which I have been working as a customer advisor in varying work assignments. Having worked there I have an insight into OP Kemin Seutu, their customers and digital channels. It has become very clear for me that digitalization is a very current issue in OP and they are really working towards making their digital services approachable. At the same time they concentrate on emphasizing locality in all of their services.

Digitalization is changing the way business is done and companies are organized as services and processes are transformed into a digital form. In order to keep up with the competition and customers' expectations it is vital to get familiar with digitalization and take advantage of it. Digitalization helps companies better reach their customers, offer new ways of customer service and to be more efficient as a whole. Today's customer expects to get immediate high quality service via digital channels and it is companies' responsibility to respond. (Ilmarinen & Koskela 2015, 13-14). Having worked in OP I have experienced that the customers really do expect fast responses and effective service especially in digital channels. People nowadays seem to be used to a much

faster pace than they did before and even as traditional services as banking is expected to keep up with it. This topic too will be looked into in the interviews. According to Ilmarinen and Koskela (2015, 23) digitalization has three levels; digitalization of the company, digitalization of the market and digitalization of the society. It affects all levels of the society and the company and creates new ways of doing business and serving customers. The changes in people's needs and behavior force businesses to adapt in order to maintain competitive. It is important to realize how widely digitalization affects today's world and that it is not just replacing traditional systems with digital ones. (Ilmarinen & Koskela 2015, 13-25). This thesis will look into the digitalization of a company, OP, in digitalization of the market, banking. It is important to see the whole picture and include the whole market to the research instead of just narrowly looking into the one specific company as the market influences the company and vice versa. This is why digitalization in the banking industry will later be looked into more closely. Digitalization of individual companies can change the whole market as they challenge the traditional expectations. As creating new ways of doing business they force other businesses to adapt to the change, therefore in order to create competitive advantage it is vital to be the ones to change first instead of passively following others. Even in a very traditional field such as banking completely new kinds of competitors enter the field and completely change the game. (Ilmarinen & Koskela 2015, 25-27). Done right digitalization is said to improve growth, profitability and competitiveness. Ilmarinen and Koskela (2015, 31) list the ways of developing business by digitalization as follows: moving to digital channels, digitalizing processes, creating new business activities and services and deepening the customer relationships. By following this pattern companies can improve profitability by decreasing costs, increasing revenue and improving customer experience. (Ilmarinen & Koskela 2015, 31-32). Digitalization in OP will be looked more into in chapter two where OP Group and OP Kemin Seutu are further introduced and digitalization in the banking industry is addressed in chapter three. Then OP's current situation and digital channels are explained as well.

Locality and approachability are neither simple terms and can have various kinds of definitions so it is necessary to look more closely into them and what they mean in this specific study. Locality can mean two things and in this case both of them are taken into consideration. As OP Kemin Seutu is a local bank in its specific geographic area locality means locally produced services and local benefits. On the other hand locality also means local influence as in OP Kemin Seutu's influence to its area and people within it through local projects. The concept of locality will of course be studied in the digital channels. Both of these very different definitions of locality are taken into consideration in this thesis and the interview to customers. Emphasizing locality is important

because nowadays digitalization has caused people to look for service more and more in digital channels. Before people used to be more in contact to their own specific bank as in order to take care of their banking they needed to actually visit the bank. Nowadays it is different when most of the service is provided online and you do not necessarily need to physically go to the bank. This thesis will now study how locality is experienced by customers as digital channels have taken root beside traditional channels. In addition to locality, approachability of the services given in these channels is studied. Approachability in this case means easy to approach as in how easy OP Kemin Seutu's services are approached in their digital channels. This means defining the obstacles customers have in the digital channels which include the usability of digital channels, information within customers and availability of the service. In this era of digitalization OP Kemin Seutu wants to ensure that their services are easy to approach and customers experience locality in these channels. Approachability has been acknowledged in OP Financial Group's Annual Report (2012, Yhteiskuntavastuu OP-Pohjola-ryhmässä) along with locality.

2 OP KEMIN SEUTU

In this chapter OP Kemin Seutu and OP Financial Group are further introduced. Even though OP offers their services for companies and associations as well this thesis will concentrate on the retail banking side of OP Kemin Seutu's business. This thesis was written during a rather long period of time so there is information from two annual reports, OP Year 2015 and OP Year 2016.

2.1 OP Financial Group

As seen in figure 1, OP Financial Group is not only a bank but a financial services group, and it offers a wide range of financial services including banking, wealth-management and insurance services. It is the largest one in Finland consisting of 180 member banks owned by 1.5 million owner-customers. (OP Year 2015, 4-5.) OP Groups headquarters is situated in Finland's capital city Helsinki in Vallila. Each member bank of OP has their own specific region which they operate in and all of them have their own customers. Once one becomes a customer in an OP bank none of the other OP banks can make changes to most of their services without contacting the customer's own bank. Everyone's services are traditionally provided by their own bank only but it is possible to switch to another bank if it becomes more convenient to the customer.

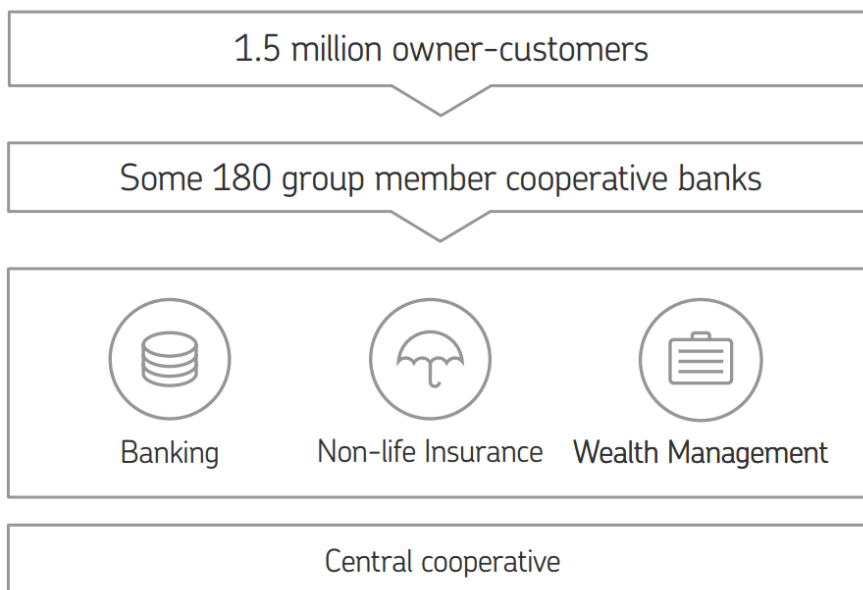


FIGURE 1. OP Group structure (OP Year 2015, cited 13.10.2016)

As seen in the picture the member banks all offer the same field of services to their customers. At the same time OP banks want to emphasize their belonging to OP Group and being individual banks.

It is possible to become an owner-customer in your own bank. In OP Kemin Seutu's case customers can make one hundred euro investment into their own bank to become an owner-customer. These owner-customers are offered a variety of loyalty benefits that depend on the level of use of OP Financial Group's services in all of their business segments. Owner-customers get both direct discounts and progressive OP bonuses. (OP 2016a, cited 13.10.2016.) OP bonuses accumulate according to almost all of their transactions including loans, savings and investments and insurance payments (OP 2016b, cited 10.10.2016). These OP bonuses can then be used to pay insurance payments and bank's own fees (OP 2016c, cited 13.10.2016). Banks have the opportunity with their cooperatives also to offer owner-customers local benefits. This means that local businesses can offer discounts for OP's customers and these benefits are available through the bank's Pivo app. OP also wants to offer their owner-customers an opportunity to affect the development of their services and are also regularly asked for feedback. (OP Year 2015, 11.)

2.2 Locality and approachability in OP

As mentioned earlier there are two definitions for the term locality, locally produced services and local benefits for their customers, and banks local influence. The local benefits are best concretized in owner-customer benefits explained before. As in for the latter definition, OP values locality and they want to be socially responsible. OP works with the community by organizing events and arranging different kinds of projects. (OP 2016d, cited 16.10.2016.) OP has a social responsibility program where locality and society is one of five sectors. In 2015 they invested 2.8 million euros into local projects. As OP consists of independent member banks, which all have their own owner-customers, they can affect the decisions made in their own bank. (OP Year 2015, 35-37.) OP banks want to emphasize their customers' sense of belonging to their own bank which is why locality plays a big role in the OP Group. OP banks aim at being a part of its community and taking care of it by ensuring its well-being and vitality. They are a part in the local culture and sports and in 2016 offered summer jobs for 110 of 15 to 17 year olds by giving the employees a 360 euro assistance per summer worker. OP has also given money to Finnish universities and many other charities and projects. (OP Year 2017b, cited 24.4.2017.)

Approachability in the case of this thesis means approachability and usability of OP's digital channels. In OP Group's materials this is referred to as customer-focused products and they aim at improving customer experience through digital investments that conform users' needs. OP wants their services to be as easy to use as possible in all of their channels. (OP Year 2015, 39.) OP's product and service development's goal is to create products that are user-friendly with the use of and in spite of fast paced digitalization. Because of the new competition arisen as a result of digitalization, approachability of services is important for success. The investments in this area of business have been risen and new employees have been recruited especially for this development. (OP Year 2016c, cited 24.4.2017.)

OP Group constantly develops itself according to regularly gathered customer feedback. Customer orientation can be seen in every aspect of their business and their new customer promise "We exist to serve our customer" emphasizes it. OP invests in customer experience and wants to ensure customer satisfaction with three success factors, which are customer benefits, customer service with the right attitude, and smoothly running customer service. As one of their problem they state reachability in telephone services and online meetings. (OP Year 2015, 11.) It is important that the services are easy to approach to ensure that these success factors are met and customer experience is as good as possible. OP's feedback gathering method emphasizes locality as with it is ensured that the banks own customers are listened to. It can also improve approachability if the right questions are asked and practices adapted accordingly.

The current values of OP Group in OP Year 2016 are people-first approach, responsibility and prospering together. All of these values have common factors with locality and approachability. People-first approach includes both of them. This value is described as OP being for people and caring for their customers and workers and wanting to be easy to approach. Responsibility means ensuring quality, expertise and reliability and prospering together is succeeding together with customers and as a one solid group. (OP Year 2016a, cited 24.4.2017.)

2.3 Digitalization in OP

OP recognizes that digitalization is a huge trend which must be addressed. Nowadays customers mainly use the digital channels instead of the traditional ones. This does not mean that the traditional face-to-face ways would be completely left unused because there are still people that

want to use them and situations where they can be more convenient for the customers. The possibility to have an online negotiation pulls the people even more to the digital channels. In addition to concentrating on already more traditional digital channels as op.fi OP now has to develop their mobile channels as well as they have become a new and popular digital channel. They have also noticed that it is important to be where the customers are and social media is a place where the customers nowadays can be found. OP has widely utilized the different social media sites and for example was the first financial services provider in Snapchat and Periscope. In addition to OP Group's social media sites the individual member banks can and do have their own sites. (OP Year 2015, 12-13.) OP can be found on Facebook, Twitter, LinkedIn, YouTube, Instagram, Periscope and Snapchat (OP Year 2015, 68). As I myself have worked in OP I have witnessed in firsthand the growing need for digital services. The customers expect to be able to handle more and more of their banking online and some find it very disappointing if they need to actually come to the bank. Even though digital channels are growing their popularity the traditional services have not lost their importance as some customers depend on them. Digitalization is strongly present in OP Group's strategy. Their new long-term strategy is to transform into a diverse digital services company. By digitalization OP wants to ensure the best possible customer experience. (OP Year 2016a, cited 24.4.2017.)

2.4 Digital channels in OP Kemin Seutu

The digital channels used in OP Kemin Seutu are more or less the same as OP Group's. The channels and their differences between OP Group's and OP Kemin Seutu's ones are discussed in this subchapter.

OP offers their services both on the spot in the banks and through various other channels including digital and telephone. OP's website www.op.fi is the same for all of OP banks' customers. There they can manage their daily banking including accounts, payments and cards, savings and investments, loans and insurances. They can also make appointments or send a message to one's own bank via the website. There is also a chat customers can use to contact their bank and they also have an opportunity to send messages and power of attorneys. Op.fi has own pages for every OP bank on which there are their contact information and opening hours. (OP 2016f, cited 13.10.2016)

Almost anything that one can do on the website can also be done on an OP-mobile app, which front page is seen in figure 2 below. OP-mobile is available for smart phones and tablets and can be downloaded from App Store, Google play and Windows Phone Store. One big difference to op.fi is that on the mobile app by enabling extended mobile services customers can login and make small transactions between their own accounts without having to use key codes. Also customers can login with their fingerprint with devices that have a fingerprint scan. With OP mobile it is possible to transfer money to someone with their phone number only. This function is called Siirto. So far op.fi has been more popular than the mobile version but this has been predicted to change in the near future as the usage rates of OP mobile have been catching up rapidly. (OP 2016g, cited 13.10.2016.)

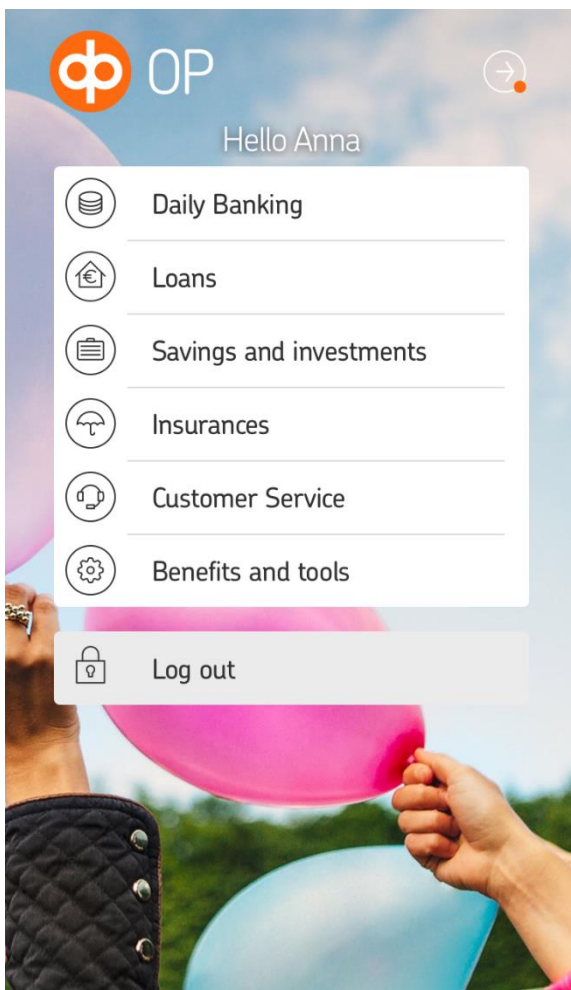


FIGURE 2. OP mobile –app (iTunes 2016, cited 13.10.2016)

Pivo is OP's mobile other app which OP's customers can use to follow and plan their spending as one can sync the app with their online bank. After that the app records and categorizes one's card payments. (Pivo 2016a, cited 13.10.2016) Android users can also order a mobile card that works

with the app. This is a completely different card from customers' previous cards and only works with Pivo. This allows OP's customers to make payments without having their cards with them, with their phone and the app only. (Pivo 2016b, cited 13.10.2016.) Pivo's menu view can be seen in figure 3.

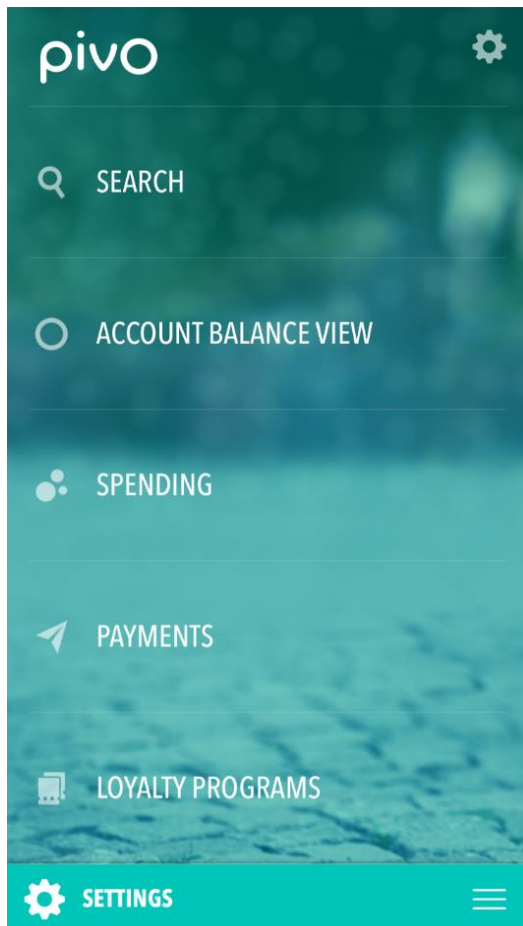


FIGURE 3. Pivo menu view (Pivo 2016c, cited 13.10.2016)

On Pivo app OP owner-customers can see their earned OP bonuses and discounts on insurances. On the app OP's cooperators' discount vouchers can be seen and used by owner-customers. With Pivo it is also possible to make payments with only using the receiver's phone number if only they have downloaded the app as well (Pivo 2016d, cited 16.10.2016). In Pivo on account balance view one can see a review of their account balance where the daily spending is seen on a graph. It shows the current balance of ones cards and each day's spending. The categorized budget view is shown in figure 4.

Understand your spending

Pivo categorises your purchases automatically.

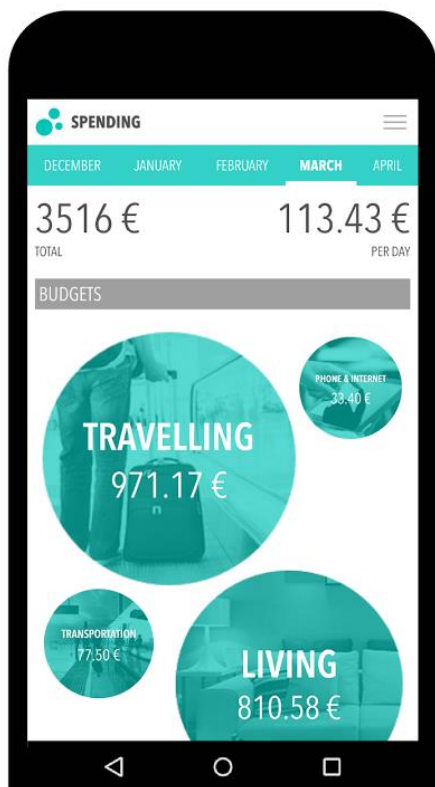


FIGURE 4. Pivo budgeting view (Google Play 2016, cited 16.10.2016)

On spending tab daily spending is categorized into different budgets such as living, health, entertainment and restaurants for example. The newest addition is the payments tab. There one can see the payments they have made with the app using the receiver's phone number. The last tab, loyalty programs, has both the benefits associated with Pivo –app and the benefits earned by being an owner-customer.

A new digital way of getting service OP offers to their customers is having an online meeting with a bank clerk. For the online meeting you need to have the proper equipment to transfer picture and sound as well as the online meeting application which is available for both computer and mobile devices. This way OP's customers can have meetings wherever it suits them best. (OP 2016h, cited 16.10.2016.) As online meetings make it possible to be in contact with your own bank almost like face to face it can be a very good way to enhance the feeling of locality in the digital channels as well.

OP Kemin Seutu is present in social media on Facebook. On their Facebook page they inform of upcoming events and for example temporary service breaks. You can also contact the bank via their Facebook page and they will answer during their business hours. OP Kemin Seutu occasionally arranges small competitions and lotteries on their Facebook page. (Facebook 2016, cited 16.10.2016.) The Facebook page can be used to emphasize locality as customers get updates from their own bank and can themselves comment and have conversations with both their own bank and other customers. This can be used to strengthen the sense of belonging and locality.

OP has created a service model, shown in figure 5, where they have combined personal, digital and online and mobile customer service. This way their customers can choose the most suitable one for themselves. In the picture all of OP's channels are introduced. It can be seen that all categories include digital options so in any kind of need there is a digital channel for customers to use. In personal service category there are online meeting, telephone service and face-to-face service. In this kind of personal service the customer is able to speak directly with a specific bank clerk hence it is personal. Digital customer service allows customers to get service through digital channels as they can contact their own bank through op.fi's chat or social media sites. They can also manage their banking themselves through online and mobile services op.fi, Pivo and OP mobile.

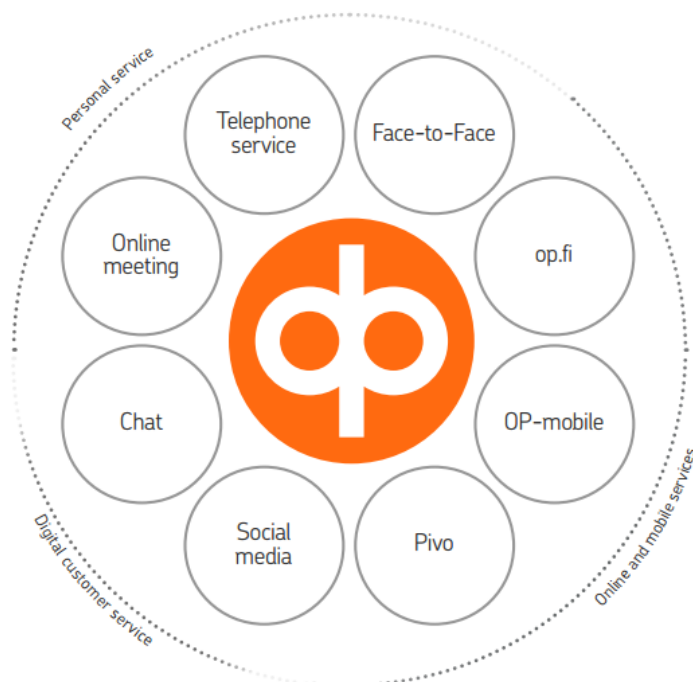


FIGURE 5. OP's multichannel services (OP Year 2015, cited 13.10.2016)

2.5 OP's projects in digitalization

In 2016 OP launched a project called Kiitorata. Kiitorata concentrates on OP's digital services and its goal is to even further digitalize OP as a whole and take advantage of the opportunities brought by digitalization. In Kiitorata project new positions were created and recruitment for trainees for jobs in two categories was started. The first one is product and service development and it includes digitalizing OP's processes and turning paperwork into digital. In addition to general digitalizing the job is also about creating and developing whole new digital products. (TRAL 2017a, cited 1.3.2017.) The second category is technology services which is similar to the first one as they too work on digitalization. For this category there were created three trainee positions in three units which are common services, testing services and mobile services and new businesses. (TRAL 2017b, cited 1.3.2017.) This is again another good example of OP's devotion to benefit from digitalization and it shows that they are ready to invest in it.

In 2017 OP opened a new customer media called op.media. It will replace OP's current blog site taloudessa.fi and OP's monthly paper for online banking customers. Op.media publishes money, living, health, exercising and security related content daily. Its aim is to be a platform for interaction with customers as they can share there as well. Locality has been taken into consideration in op.media as well as there is also published local content by individual banks. In March 2017 14 banks had joined content production and the number is on a rise. Op.media is open for everyone and free of charge so it is approachable to customers. (OP 2017, cited 24.4.2017.)

Vallila headquarters in Helsinki works as a test laboratory for OP's new innovations and customers can see and test new and upcoming products and services. This way customer feedback can be collected at an early stage of development. OP has a similar service online, OP Lab, where customers can familiarize themselves with OP's future digital services and their feedback can be gathered. (OP Year 2016c, cited 24.4.2017.)

OP Kemin Seutu has taken part in DigimpiLappi in cooperation with Lapland's Osuuspankki's, Kemi area's and Lapland's local health care district, Sonera and Lapin Kansa which is a newspaper in Lapland. DigimpiLappi is a tour going through Lapland teaching mainly the elderly how to use bank's and the cooperative's digital channels. Every year there is some kind of incentive such as a lottery where you can win a tablet or discount of one to encourage people to get their own devices to use the banks' and cooperative's services with. (Twitter 2017, cited 29.7.2017.)

In addition to regularly organizing training and setting up online courses for their employees Osuuspankki also arranges so called webinars for their customers on the current topics in banking. For some of the webinars it is organized so that customers can come into OP Kemin Seutu's premises to together watch them but all of them are available to be watched online.

3 DIGITALIZATION IN THE BANKING INDUSTRY

Along other companies banks have been forced to move to digital channels and digitalize themselves in order to fulfill customers' needs. It has completely changed the whole field of financial services. (Finanssiala 2016, cited 16.10.2016.)

3.1 Banking's transformation into digitalization

As digitalization has become more and more current, some companies have noticed this and started to offer banks services to help them benefit from it. There is a concept called Smart Banking that aims at doing exactly this. Their goal is to help banks and insurance companies to offer services faster and more efficiently with at the same time spending less money. According to Smart Banking this can be achieved by five steps that they help reach by consulting, planning and creating personalized solutions. By creating personalized financial applications customer experience can be enhanced and by providing services through other than the traditional channels such as digital and mobile channels, customers can be reached whenever and they can get service more flexibly. In addition to these factors, according to Smart Banking it is important to know your customers in order to provide each customer the best kind of service. To make sure that this happens customers need to be heard and provided tools for giving feedback. (Tieto 2016, cited 6.4.2017.) This is what is now done with this research and the interviews. Customers of OP Kemin Seutu are offered an opportunity to speak out their minds and their opinions are heard.

One example of a research about banks digitalization is a study made by A.T. Kearney in cooperation with Efma about the factors separating pioneers in digitalization from the ones that get left behind. Three factors were found to be important. First of all the leaders need to understand the importance of mobile and digital strategy, secondly developing more agile operating models and finally changes internal culture of the company. Nowadays in addition to digital channels the mobile ones are generalizing. According to the study it is vital to see things from customers' point of view and make channels as easy to use as possible. It is not enough to just offer them service in digital channels but to change bank's own organizational culture and to encourage to more innovative thinking. (ATKearney & Efma 2014, 1.) Banks have offered their services through their digital channels for almost twenty years now and mobile channels are rapidly passing them by

regarding popularity. As mobile devices are usually first at hand, customers are reported to contact their bank 11 times more through them compared to computers. Smartphones are predicted to take up to 80% of the whole digital banking market by 2020. The factors that make mobile channels so popular are simplicity, emotional relationship through social media, generating traffic to draw attention and developing new innovations and features. Many banks have now made digitalization their core value instead of it just being a project or one sector of the business. The most dedicated banks aim at offering fully digital products with no paper used at all and as little direct and phone interaction with customers as possible. (AT Kearney & Efma 2014, 2-4.)

3.2 Advantages and success factors

According to a study by Suomen Yrittäjät there are five specific factors that have an influence on the success of a business' digital strategy. Even though this study was made with small and medium sized enterprises the results can be beneficial for the commissioner as well. The most important factor was the entrepreneur's own interest towards digitalization. This gives an advantage compared to competition as it pushes the entrepreneur forward and motivates to stay ahead and keep track of the development in the field. The second factor is the necessary know-how. In order to really take advantage of digitalization it is vital to understand it and be able to use the necessary tools. Digitalization is something that moves forward quite rapidly so constant development and learning is important. The third factor is understanding customers' digital needs. To make sure the business' digitalization is going to the right direction customers need to be asked for feedback. The fourth factor is marketing services in digital channels as well. A sufficient know-how in digital marketing's possibilities with regular follow-ups can be a great asset. The fifth and the final factor is digitalization of business' processes based on the company's operational environment. (Suomen Yrittäjät 2016, 19-22.) OP already has taken interest in digitalization and started to find out new ways to gather necessary information about digitalization to stay ahead. This study is a part of pursuing for understanding customer's digital needs. It does seem that OP is on the right track in their digital strategy.

Banks can take advantage of digitalization by embracing it and developing their services. Digitalization can be used to solve existing problems and improve customer experience. By also training bank's employees properly they will be competent to pass on valuable information to their customers and so stand out from their competition. In the new digital era customers expect faster

service than ever so banks need to be able answer to this. A strong digital strategy and staying ahead of the competition will help to maintain profitability even in the time of digitalization. (Pohjola, M 2015, 19). As mentioned in this thesis before OP has started to recruit new employees for positions in digitalization and also otherwise concentrates on digitalization by education their current staff. They also have a specific digital strategy and have strongly taken digitalization into consideration in their overall strategy and operations.

According to a study of small and medium sized businesses by Suomen Yrittäjät digitalization's advantages include increased profitability and new business opportunities. Digitalization has allowed product development that was not possible before. By utilizing digitalization companies can enhance their businesses' image, customer service and relationship with associates. Digitalization can also make internationalization possible. It can bring the business a whole new customer segment that earlier did not find the business or for some other reason could not utilize its services. (Suomen Yrittäjät 2016, 12-13.)

3.3 Disadvantages and obstacles

Digitalization has changed the way banks do business and it has created new competitors that traditional banks did not have to worry about. In the future the new competition might even replace traditional banks as they make them unnecessary. (Pohjola, M 2015, 10). For example paying bills is not only possible in banks but for example in R-Kioski's (R-Kioski 2016, cited 16.10.2016). A company called iZettle offers their customers a new cheaper way to receive card payments which can take money transactions and banking fees from traditional banks (iZettle 2015, cited 16.10.2016).

In the study made by Suomen Yrittäjät of small and medium sized enterprises the disadvantages and of digitalization were examined. The obstacles companies face in digitalization were put into three categories that were resource related, associate related and customer related obstacles. Resource related obstacles included lack of time, equipment or money as in too expensive programs. Associates can become an obstacle if they do not have the right equipment or their procedures are not favorable. Lastly customers can become a hindrance if they do not adapt to the change because of their old-fashioned way of thinking and doing and lack of skills. (Suomen Yrittäjät 2016, 23.)

Lähteenmäki and Nätti (2013, 340-344) have also studied value creation as a competitive advantage in retail banking as a case study. In their study they came up with organizational hindrances in retail banking and they were somewhat similar to the findings so far. The first obstacle according to them is understanding customer value and finding it within the organization to actually delivering that. What comes in the way of utilizing it are lack of employee commitment, a restrictive network, taking up the new mindset and lack of actually interpreting it. On the other hand if a bank could overcome these obstacles they could be turned into valuable competitive advantage. According to the study this could be done by interpreting reward systems to improve employee commitment, by better transferring knowledge throughout the organization and capacitating the employees that are in contact with the customers. In doing all this it is important to remember to critically evaluate the situation and not to go too far but to remembering one's resources and keeping the balance. The bank needs to keep the customers in mind in all the time as their experience and needs is what matters.

These obstacles are very realistic in OP Kemin Seutu as well as in addition to operating in a very restricted financial environment they also have to operate within the boundaries set by OP Group. According to the study by Lähteenmäki and Nätti (2013, 344) this can be changed in the future due to the changes in regulation, competition and customer behavior. These changes will make it obligatory for the banks to change as well in order to keep up with the competition. Of course lack of resources can be a current problem to any organization at least in distributing them to all business areas. It is also true that customers themselves can become a barrier as their needs might be different to what the bank thinks they are. For this reason it is important to not only study the industry and the competitors but also the customers themselves.

3.4 Locality in digitalization

An example of locality in digitalization is a paper gathered in Oulu University of Applied Sciences of a project called Digisilta. Digisilta studied local newspapers' digitalization. The project concentrated on the challenges brought to local newspapers by digitalization and how they could benefit of it. It seems that they have faced the same threats as the banking industry as for them, too, the competition has tightened due to the increased amount of rival services available. The local newspapers' editors and locals were interviewed for development ideas. In these interviews especially the young people gave new ideas as they were the majority using digital papers and not

so much traditional ones. They mentioned that digital papers should be more than just copies of the physical ones giving more vibrant, entertaining and versatile content. The main idea would be doing something that cannot be done in traditional newspapers and to give additional value. The importance of social media and interaction between the editors and readers was emphasized. In their opinion the readers should be given an opportunity to influence on the content of the newspaper and be a part of it through conversation and commenting online. (Karukka, Laine & Ålander 2014, 3-9.) This is something that can be taken into consideration in OP Kemin Seutu as well and in their bank's own digital channels and social media sites. In the study it is mentioned that locality is highly important and the readers need to feel that it is "their" newspaper. (Karukka, Laine & Ålander 2014, 11). This kind of sense of belonging is something that is pursued in OP Kemin Seutu as well. In OP Group a similar service that the customers in Digisilta surveys suggested has already started with op.media that was mentioned before.

The paper gives tips for local newspapers' digital channels which can be adapted to the banking world as well. First of all they say it is important to learn how to use the digital tools. The more one understands the digital world and learns new ways of doing things the more can be gotten out of it. Secondly one must be genuinely local and concentrate on one's own strengths instead of trying to compete with bigger players. Especially if one's resources are not big it can be more fruitful to concentrate on one thing instead of trying to do everything. Also bringing people into decision making and making them feel that they can truly influence is important. Marketing the digital channels is also vital as if people do not know about your services they cannot use them. Finally the paper states that is important to try new things and develop according to customer feedback. (Karukka, Laine & Ålander 2014, 19-20.) Compared to banks it might be easier for local newspapers to emphasize locality as they cover local news whereas competing banks often offer very similar services.

3.5 Approachability in digitalization

In a study made in Osuuspankki in Salo in 2012 it became clear that people wanted a possibility to use an online meetings instead of coming to a bank. This was suggested as a solution for those who cannot come to the bank during its opening hours or live further away. (Akkanen, L & Heinonen, T 2012, 49.) This problem has already been solved in OP by now as they now offer a possibility for an online meeting for their customers. Another problem that Salo's Osuuspankki's

customers had was that there is no digital version for key code lists used in online banking. This was suggested as a development idea for the bank. (Akkanen, L. & Heinonen, T. 2012, 49.) A key code app is already available for Nordea's customers but in OP Group it is still only under planning (YleUutiset 2016, cited 10.5.2017). In another study made in OP Kymenlaakso in 2016 the main hindrances to why customers did not use digital or mobile channels was lack of skills (Eskola, E. 2016, 33). In the same study online meetings were covered and it was unfamiliar for most, nine out of 14, people. One of the surveyed people described online meeting as more unreliable than a face-to-face meeting. The people that did find it useful praised it for the time it saved them. (Eskola, E. 2016, 37-38.)

4 HSBC

In this chapter HSBC and its digital channels are studied in order to compare the findings to OP Kemin Seutu and in an ideal situation to get some development ideas. HSBC is a very complex multinational organization so this thesis will concentrate on the retail banking side of their business. After shortly introducing HSBC this chapter will look into digitalization in HSBC, their digital channels and whether they have acknowledged locality and approachability.

4.1 HSBC as a financial organization

As mentioned, HSBC is a very large organization spread almost all over the world as it operates in 71 countries and territories and has more than 47 million customers (HSBC Holdings plc Strategic report 2015, 5). The regions HSBC operates in are Europe, Asia, Middle East and North Africa, North America and Latin America (HSBC Holdings plc Strategic report 2015, 32-33). HSBC has divided its operating model into four different categories which are Retail Banking and Wealth Management (RBWM), Commercial Banking (CMB), Global Banking and Markets (GB&M) and Global Private Banking (GPB). The one this thesis will concentrate on is Retail Banking and Wealth Management, later referred to as RBWM. (HSBC Holdings plc Strategic Report 2015, 2.) RBWM is targeted especially to individual customers and offers basic banking services. It includes Retail Banking, Wealth Management, Asset Management and Insurance so it considering business areas it offers same kind of services to its customers as OP Kemin Seutu only in a much wider area. (HSBC Holdings plc Strategic Report 2015, 30.)

4.2 Digitalization in HSBC

Digitalization is clearly acknowledged by HSBC. In the chosen business area, RBWM, HSBC aims at enhancing customer experience by investing in digitalization. (HSBC Holdings plc Strategic report 2015, 30.) Also the fact that HSBC hires people to 'digital careers' to work in just developing their internet and mobile banking channels tells that they really invested in digitalization and realize its importance. HSBC understands that customers' needs are changing and they need to adapt and keep evolving. These digital experts are working in different parts of the organization

concentrating on specific areas. They work for example in making HSBC's websites and mobile and tablet services better and also in digital marketing. (HSBC 2016a, cited 19.10.2016.)

In HSBC digitalization is also used as a tool for cost savings. With it, it is possible to optimize processes and improve the service given to customers especially via digital channels. HSBC has for example decreased the time needed to approve personal loans and became more productive in online customer support and appointment booking. (HSBC Holdings plc Strategic report 2015, 21.)

4.3 HSBC's digital channels

HSBC's digital channels are quite similar to OP Group's ones. They have a website where their customers can log into their online bank, and for the same purpose they also have a mobile version available for smart phones and tablets. They are also active on multiple different social media sites such as Facebook, Twitter, Instagram, LinkedIn, Google+ and YouTube.

As mentioned earlier HSBC invests in digitalization and according to their strategic report (2015, 36) HSBC has recently launched new digital channels. HSBC's customers can now use Apple Pay to make mobile payments and they also have an opportunity to live-chat online customer service. HSBC is a very widely spread organization so these services are launched gradually first to smaller markets so they are not available for all of their customers yet. In addition to traditional physical secure keys HSBC now provides their customers digital secure keys which are a part of their Mobile Banking app. With devices that support fingerprint scanning HSBC customers do not need to type secure keys to log as long as they have enabled the digital secure keys. (HSBC 2016b, cited 19.10.2016.)

4.4 Locality and approachability in HSBC

Neither locality nor approachability as words do not appear on HSBC's website or their strategic report though some similar themes can be found. In their strategic report (2015, 4) HSBC mentions their values which are being open, connected and dependable. With being connected they mean their connection with their customers and communities, and also with regulators. They want to be connected with the people they work with and they care about them.

HSBC provides their RBWM customers a variety of services regarding everyday banking. These services are adapted to the needs of their customers locally. (HSBC Holdings plc Strategic report 2015, 30.) Their business is divided regionally and they have different strategies for each of them (HSBC Holdings plc Strategic report 2015, 32-33). HSBC aims at creating products that will satisfy the diverse needs of their customers throughout their whole business and so create a competitive advantage (HSBC Holdings plc Strategic report 2015, 41).

Quite like OP Financial Group HSBC also mentions same kind of values regarding locality. The same term is not used but they want to be socially responsible and have a positive impact on the society and communities (HSBC Holdings plc Strategic report 2015, 34-35). A difference to OP Group is that HSBC decides these projects by surveying their employees instead of their customers but they do have an impact on local communities nevertheless (HSBC Holdings plc Strategic report 2015, 39).

HSBC used to emphasize locality by its well-known slogan: "World's local bank". In 2013 they dropped the slogan and instead started to refer to themselves as the world's leading international bank. The reason to abandoning the slogan was that it no longer was true. Due to cost cutting HSBC has exited the smaller markets and locality is no longer their core value. HSBC has shifted their emphasis to providing products and services they think customers will need in the future instead on locality. (Gibbs 2016, 1.)

Even though digitalization creates new opportunities for traditional financial organizations it also creates new threats. In their strategic report (2015, 18) HSBC mentions that new kind of competition is rising due to digitalization as financial services are now provided by businesses that earlier did not even exist. (HSBC Holdings plc Strategic report 2015, 18.) This will create a threat related to locality as banking and financial services do not necessary have to be local anymore but customers can choose a more convenient or affordable service even though it does not physically operate in the same area.

5 LÄHITAPIOLA

In this chapter another benchmarking company LähiTapiola, translated LocalTapiola, is introduced. LähiTapiola Group not only offers same kind of services as OP but also emphasizes locality in their services.

5.1 About LähiTapiola

LähiTapiola is an insurance company with almost 1,6 million owner-customers. The difference to OP Group is that in LähiTapiola every customer is an owner-customer as owner-customer ship only requires having one insurance in the company. Otherwise the concept is similar as owner-customers get discounts and can affect by voting in annual general meetings. (LähiTapiola 2017a, cited 5.5.2017.) LähiTapiola consists of 20 regional and four national insurance companies. The national ones are called LocalTapiola General, LocalTapiola Life, LocalTapiola Asset Management and LocalTapiola Real Estate Asset Management. LähiTapiola also offers their customers banking services through a cooperative bank, S-Pankki, of which they own 23,5 percent. (LähiTapiola 2016, 1.) Even though LähiTapiola primarily is an insurance company they do offer almost exactly the same services as OP Financial Group themselves or via their cooperatives. They also operate in the same area, Finland, which makes them direct competition to each other. In addition to offering the same services in the same area both of the companies have a similar owner-customer ship model and they both emphasize locality. LähiTapiola's customers accumulate S-bonuses for S Groups owner-customers.

5.2 Digitalization in LähiTapiola

LähiTapiola acknowledges in their annual report (2016, 15) the growing demand for digital and mobile services and wish to fulfill their customers' changing needs. In LähiTapiola's annual report (2016, 6) the company's chief executive officer Erkki Moisander mentions the accelerating pace of technological development and states that a key to success is offering better services than the competition both digitally and face-to-face. For this reason they have aimed at reforming themselves and their strategy to prepare for the change. LähiTapiola also improves effectivity via

digital solutions and applications. In the future they will concentrate even more on expanding the possibilities for digital services for their customers. (LähiTapiola 2016, 10.)

5.3 LähiTapiola's digital channels

LähiTapiola's digital channels include their website, S-Pankki's mobile app and LähiTapiola's own travel insurance app. On their website it is possible to find LähiTapiola's contact information, find out information and calculate prices for insurances, declare a damage and learn about their investment and asset management options. Customers can log in with their own banks online banking accounts to see their own insurances. (LähiTapiola 2017b, cited 5.5.2017.)

LähiTapiola is present in two apps. Their main app, in figure 6, is a joined app with their cooperative bank S-Pankki. The app is called S-mobiili and in it S-Pankki's customers can handle their banking and LähiTapiola's customers their insurances. S-Pankki's online banking account is required to also fully use the insurances part of the app. (S-Pankki 2017, cited 5.5.2017.) The app is only available in Finnish and in Swedish hence the pictures are in Finnish (iTunes 2016b, cited 5.5.2017).



FIGURE 6. LähiTapiola in S-mobiili. (iTunes 2016b, cited 5.5.2017)

In S-mobiili app LähiTapiola customers can find their own insurance information, contact information of LähiTapiola branches, the possibility to make declaration of damage, buy insurances and follow the accumulation of S-bonuses (LähiTapiola 2017c, cited 5.5.2017).

LähiTapiola also have their own LähiTapiola Matkahätäpalvelu application. It's menu view can be seen in figure 7 below. This app is used in case of an accident or damage during travel. With the app it is possible to see ones travel insurance, declare damage and find services such as police stations and hospital in ones travel destination. (iTunes 2016c, cited 5.5.2017.)

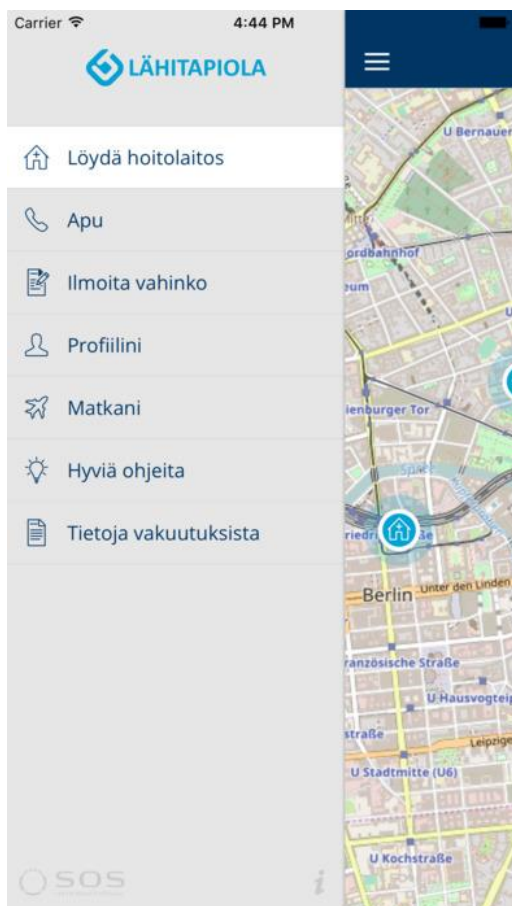


FIGURE 7. Lähitapiola travel insurance app (iTunes 2016c, cited 5.5.2017)

On social media LähiTapiola appears on Facebook, Twitter, Instagram, LinkedIn and YouTube. Both LähiTapiola Group and the regional companies have their own Facebook sites where they advertise their new services and events. From there customers can also find branch's contact information and regional news. (LähiTapiola 2017b, cited 5.5.2017.)

5.4 Locality and approachability in LähiTapiola

Locality is highly emphasized in LähiTapiola quite like in OP Group. The company is owned by owner-customers and they have influence by having the right to make decisions and get benefits. (LähiTapiola 2016, 30). LähiTapiola's services are based on locality and communication with their customers for which reason the customers are taken into decision making and their satisfaction is regularly surveyed. (LähiTapiola 2016, 31). With their 250 branches all over Finland LähiTapiola ensures local services. Their 20 regional insurance companies have strong knowledge of their own designated areas and customers and are free to adapt their operations and services. Another aspect to locality is supporting the communities' local culture, sports and environment. (LähiTapiola 2016, 25.)

LähiTapiola, like OP, values responsibility which includes working for the community by being part in different projects and charities (LähiTapiola 2016, 11). A well-known project that LähiTapiola organizes is Sankarikoulutus, translated Hero training, which was a fire safety and fire extinguishing training. 27 000 Finnish people took part in the training which was free of charge for customers and the ones interested to become a customer. (LähiTapiola 2016, 31.)

Like OP, LähiTapiola also emphasizes not forgetting the customers who still want to use other than digital channels but to offer customers the kind of service they need. They constantly work towards making their services simpler and easier to use to ensure the best possible understanding among customers. Their goal is to make customer service smoother and developing their services (LähiTapiola 2016, 34.) The chief executive officer of LähiTapiola, Erkki Moisander, states that they want to offer personal service close to the customer (LähiTapiola 2016, 7). Even in digitalization the focus is primarily on customers (LähiTapiola 2016, 15).

6 RESEARCH IN OP KEMIN SEUTU

In this chapter the actual research in OP Kemin Seutu is introduced. As locality and approachability in their digital channels is such a specific topic studying the customers will give the most relevant results.

6.1 Methods

To get a better idea of the current situation in OP Kemin Seutu and to get an answer to the research questions OP Kemin Seutu's customers were interviewed. I myself went to the premises of OP Kemin Seutu in Keminmaa to invite customers randomly for an interview. The purpose was to make the interview situation conversation like and only have the interview questions for guidance and to lead the conversation to a purposeful direction. The interviews were theme interviews as the specific themes were set beforehand. The main themes of the interviews were locality and approachability. Because there were questions for guidance the interview was also a half structured one. This way it will be made possible to get the most out of the interviews. The interviewees are given a chance to tell about their opinions outside of the before set questions and there is an open questions at the end of the interview so the interview also has open interview parts. (Ojasalo, Moilanen & Ritalahti 2009, 41-42.)

The customers were asked questions regarding the digital channels and their perceptions about locality and approachability. As the subject can be a bit challenging to comprehend interviewing the customers instead of surveying was chosen so it could be ensured that the questions were understood properly hence the results are most beneficial. In addition to these interviews being useful for this specific research I hope they brought awareness among the customers about OP's newest digital channels. Some of these channels are not yet so familiar to everyone so in best case scenario the survey will be beneficial already at this point of the research. It was decided that the interviews lasted one to two days depending on the number of answers gathered during the first day. The ideal amount of interview was set to around ten, as in this kind of study the emphasis is on the quality and not the quantity of the answers. All of the customers answering the interview naturally were people that had at least this day decided to run errands in the branch instead of digital channels. This means that they were people that at least in some situation choose branch

services over digital or mobile ones. This does not necessarily mean that they do not use digital channels at all or even more than branch services.

Before starting the interviews some hypotheses were made. The first hypothesis was that the Finnish people, the people answering to the interview in this case, value locality hence it makes sense to emphasize it in a Finnish bank. The second hypothesis was that the customers value approachability, usability, in banks digital channels hence it is sensible to work towards making them easier to approach. Whether or not these hypotheses were proven to be correct will get solved in the results part of this chapter. According to the results development ideas will be made.

6.2 Interviews

In the beginning of each interview the thesis and the writer were introduced with the purpose of the interview. The interviewees were told that the interview is part of a thesis that handles OP Kemin Seutu's digital channels and that the purpose is to find out how locality and approachability come true in them. The customers were prepared for the questions by telling them that the primary purpose of the interview is to arouse conversation about the subject and asked their permission for recording the conversations for later analyzing of the results. The recordings were transcribed to for support in the analyzing process but they will not be published with this thesis to protect the privacy of the interviewees.

The first interview questions were basic questions about age and residence to get an understanding about the people answering the questionnaire. These questions will help in specifying how the answers vary between different age groups for example. There is also a question about customer-ownership as in whether they are OP Kemin Seutu's owner-customers. The actual interview questions will now be introduced. The first four questions are about locality and next two about approachability. The last question is an open, general one.

The first question is "Do you feel that you are primarily a customer in OP Kemin Seutu or OP Group?" A part of locality is the sense of belonging to one's own bank. An important factor in whether the customers feel attached to their own local bank is whether they actually feel like they are a part of that specific bank or just the group in general. This question sets the first step in finding out the importance of locality to customers. An ideal result of course would be that customers feel

the sense of belonging and value locality that OP Kemin Seutu aims at emphasizing. The second question is “Do you prefer digital channels or branch services?” The customers were also asked about the main reasons to why they prefer one of these. Daily, personal banking was highlighted as the focus of this thesis is on retail banking. Although this question is about locality as it is naturally more present in branch services it also has to do with approachability. Customers were asked to specify based on what kind of factors they make their decisions. This covered some of the obstacles customers might have had with the digital or branch service. At this point the usage of social media as in Facebook was covered. The third question is “What does locality mean to you?” This question goes right into the customers’ perceptions about locality and whether or not it is important to them. They were also asked if they thought it is important that the service they get through banks’ digital channels is in fact locally produced. Again the ideal situation would be that customers indeed valued locality. The fourth question is “Do you feel that locality comes true in the digital channels?” Customers were asked about whether they have noticed that local services, benefits and influence in the digital channels. In this question it will be found out whether or not OP Kemin Seutu’s attempts to emphasize locality so far have succeeded.

The fifth question is “Are the following OP Kemin Seutu’s digital channels easy to use?” All of the digital channels were listed in this part and were went through separately. The purpose is to find out the current level of approachability of these channels. The customers were also asked about reasons for their answers and further explanations. The sixth question is “Do you easily get service through digital channels?” goes straight into approachability by figuring out the current state of it. The optimal return time to customers’ service enquiries was covered in this section. The seventh question is “Open feedback about OP Kemin Seutu’s digital channels” which concludes the interviews, gives the interviewees an opportunity to speak their minds and possibly to give some development ideas for both locality and approachability.

7 RESULTS OF THE INTERVIEW

There were a total of ten interviews conducted during one day in OP Kemin Seutu's market branch in Keminmaa. The goal of the amount of interviews to be conducted was met. The answers will now be analyzed question by question.

The interviewees varied in all sex, age, residence and owner-customer ship. There were a same amount of men and females interviewed, a total of five each. Ages also varied nicely from age 18 to age 70 and there were people from all of the localities, two from Kemi, three from Simo, four from Keminmaa and one from outside OP Kemin Seutu's main region, Tornio. Most of the interviewees, seven out of ten people, were owner-customers of OP Kemin Seutu. This data is seen in figure 8 where female are first arranged by age, from youngest to oldest and male then similarly.

Sex	Age	Residence	Owner-customer
Female	21	Kemi	yes
Female	45	Simo	yes
Female	50	Keminmaa	yes
Female	55	Keminmaa	yes
Female	70	Simo	yes
Male	18	Kemi	no
Male	21	Tornio	no
Male	26	Keminmaa	no
Male	49	Simo	yes
Male	67	Keminmaa	yes

FIGURE 8. Interviewees' basic information

Ages varied from 18 to 70 and there were interviewees from most of the age groups. Answers from people in different ages were gathered so that will make the interview more reliable and general. The interviewees are arranged by age group in figure 9.

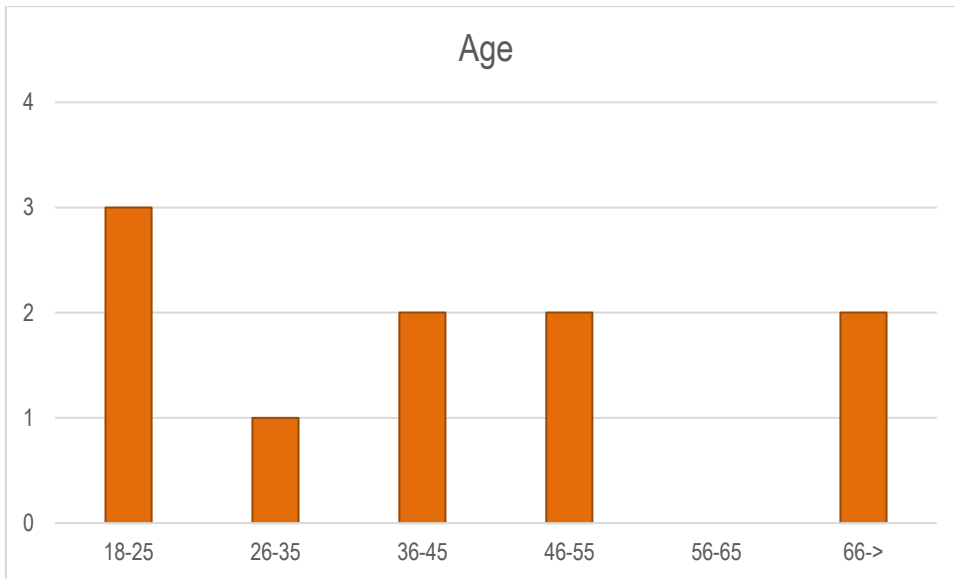


FIGURE 9. Interviewees' ages

7.1 Locality

The first four questions dealt with locality in the digital channels, its importance and actualization. To question one "Do you feel that you are primarily a customer in OP Kemin Seutu or OP Group?" half of the ten people replied they feel they are a customer precisely in OP Kemin Seutu and half that they just generally feel a customer in OP Group. This is shown in figure 10 below.

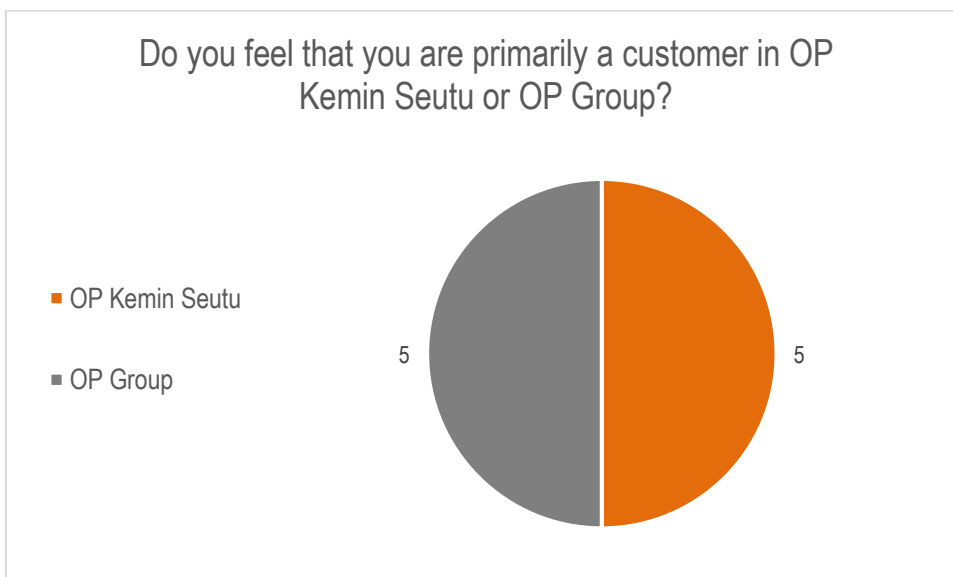


FIGURE 10. Interviewees sense of customership

The younger people of those who chose OP Group in general explained that because they never have to come to the branch they do not see why they would feel specifically their customer (Female 21, Male 22 & Male 18) and on the other hand those who felt a connection to OP Kemin Seutu specifically had visited the branch and been in contact with the local bank clerks (Female 45, Male 49 & Female 50). It seems that the younger people are less appreciative of locality but some of them even though they felt they are a customer in OP Group in general one mentioned it would still be an upside if the services were produced locally (Female 21) and they would rather manage their banking in OP Kemin Seutu if given the opportunity (Female 21, Female 70, Male 22). Only one of the interviewees, the youngest one, did not value locality in any sense (Male 18). Based on this question's results customers truly valuation of locality is divided. On the other hand mainly all of the customers valued it in some sense. A conclusion about these answers only would be that it does make sense to enhance locality. Some actions should though be made to highlight it even more and improve the customers' sense of belonging to their own bank.

In question two "Do you prefer digital channels or branch services?" the interviewees' answers were very similar. Out of ten people nine chose the digital channels as their main channel, which is shown in figure 11.

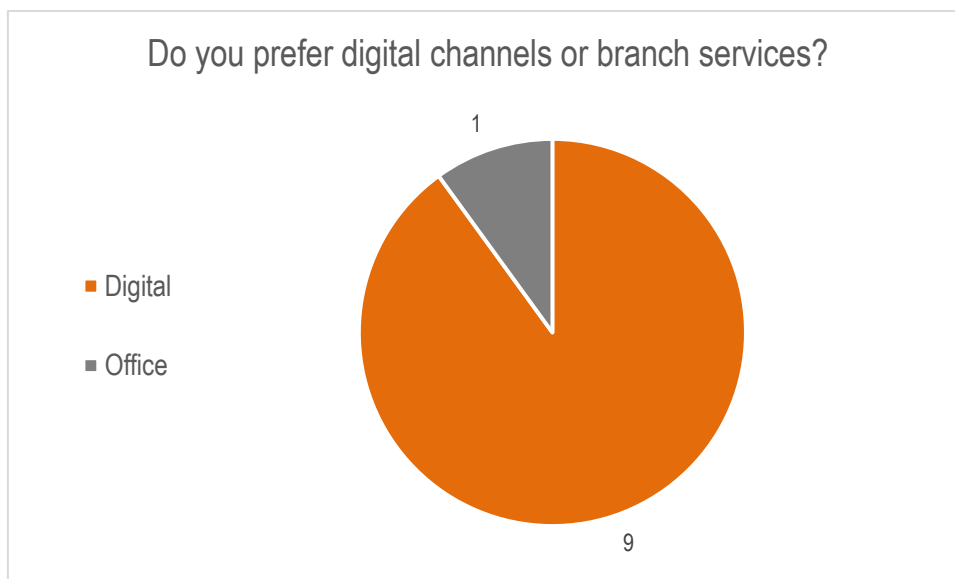


FIGURE 11. Preference of channels

The main reasons to choosing the digital channels were the accessibility, effectivity, not having to wait in line in the bank and it being cheaper for the customer. Almost everyone, nine of the interviewees, said they choose digital channels over branch services because it is easier. The

customers appreciated it being flexible, being able to take care of their banking anywhere and anytime they wanted. When asked about what kind of matters they would anyhow conduct in the branch withdrawing big amounts of cash (Female 21), loans (Male 22, Female 25, Male 49), investments (Male 22), and insurances (Female 70) were mentioned. One of the interviewees said that she conducts her daily banking and insurances in digital channels up until the point she encounters a problem and after that she would want to move on to the branch services instead of trying to solve the problem through the digital channels (Female 45). Another similar answer was from one interviewee who said he goes to the branch whenever he has an issue that he cannot handle through the digital channels (Male 67). He did also appreciate the fact that also in digital channels it is possible to get help if problems were to show up. Only one out of ten interviewees followed OP Kemin Seutu on Facebook (Female 21), and one followed OP Group (Female 45). The rest did not use Facebook or follow OP on Facebook at all. People interviewed were mostly users of digital channels because the ones that did not use digital channels at all chose not to attend at all.

In question three the interview went straight into locality by asking people “What does locality mean to you?” The question needed to be defined so it was formatted a little differently by asking people if they felt that it is important that they can get local service through bank’s digital channels. Figure 12 shows how the answers were divided. Six people out of nine that used digital channels at all said locality is important to them.

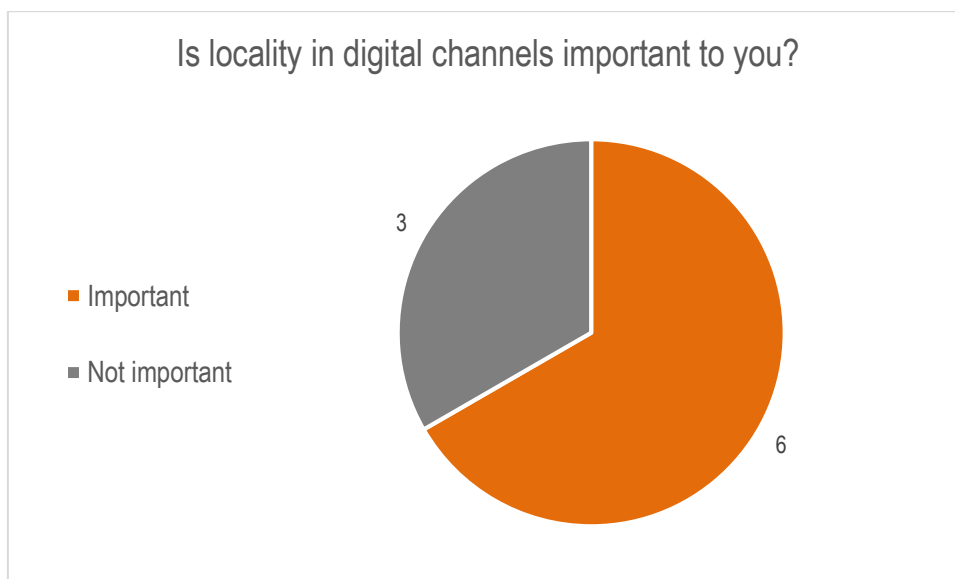


FIGURE 12. Importance of locality

Reasons for choosing locality were that it would feel more personal, having the opportunity to do business with the same person in digital and branch services (Female 45) and the easiness of talking with a familiar person (Female 70). For example even though one of the interviewees first said that he would choose local services in digital channels if possible but he does not feel that it is a possibility nowadays (Male 49y). The reasons he mentioned were that he thinks that someone in a local bank would better know his business and would prefer a familiar person he has dealt with before. The younger people seemed to be less attached to their own bank and less appreciative of locality. One of them said that even though locality was not important to her personally, she would be an upside and if she could she would choose that her enquiries through digital channels were answered in Kemi (Female 21).

Question 4, “Do you feel that locality comes true in the digital channels?”, dealt with the actualizing of locality in the digital channels in three categories that were services, benefits and influence.

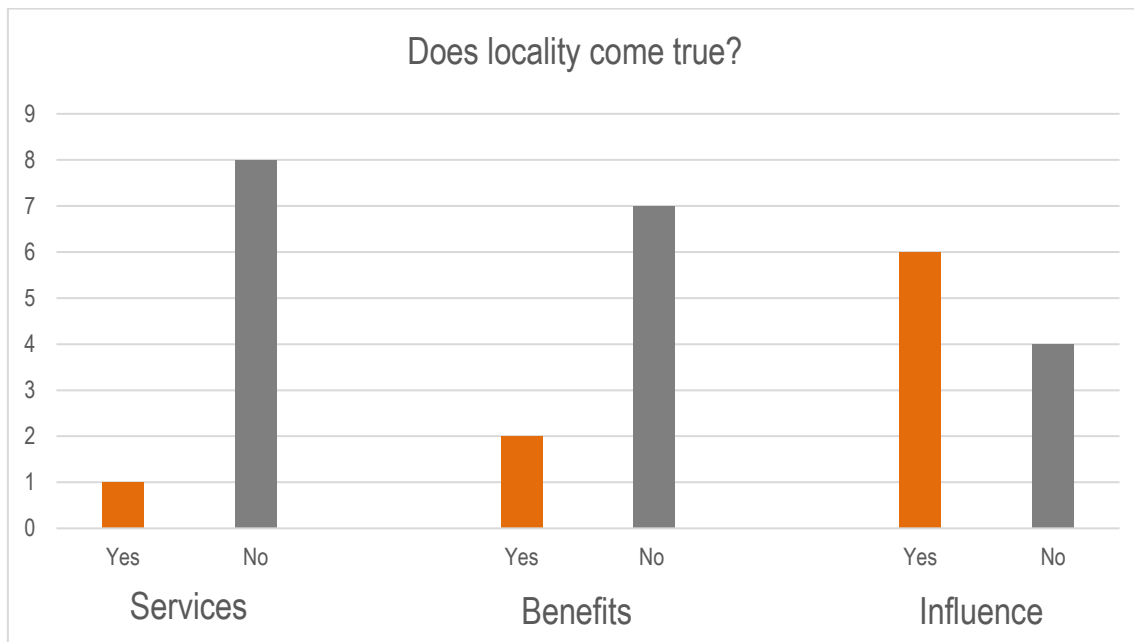


FIGURE 13. Actualizing of locality

Even though most of the customers appreciated locality only a few of them felt that it came true in bank’s digital channels. Local influence such as advertising Osuuspankki’s Hippon skiing events was the only one that more people had noticed. The interviewees did not feel that the service they get through digital channels is at all local.

Only two people had noticed that OP Kemin Seutu offers local benefits and even they had not utilized them. For example one of the interviewees (Female, 45) had noticed the local benefits but had not used them. Based on the interviews OP Kemin Seutu's attempts to emphasize locality seem to have been unsuccessful. There is clearly room for improvement, and the bank could better differentiate themselves from OP Group.

7.2 Approachability

In question 5 "Are the following OP Kemin Seutu's digital channels easy to use?" the usability of the bank's digital channels was covered.

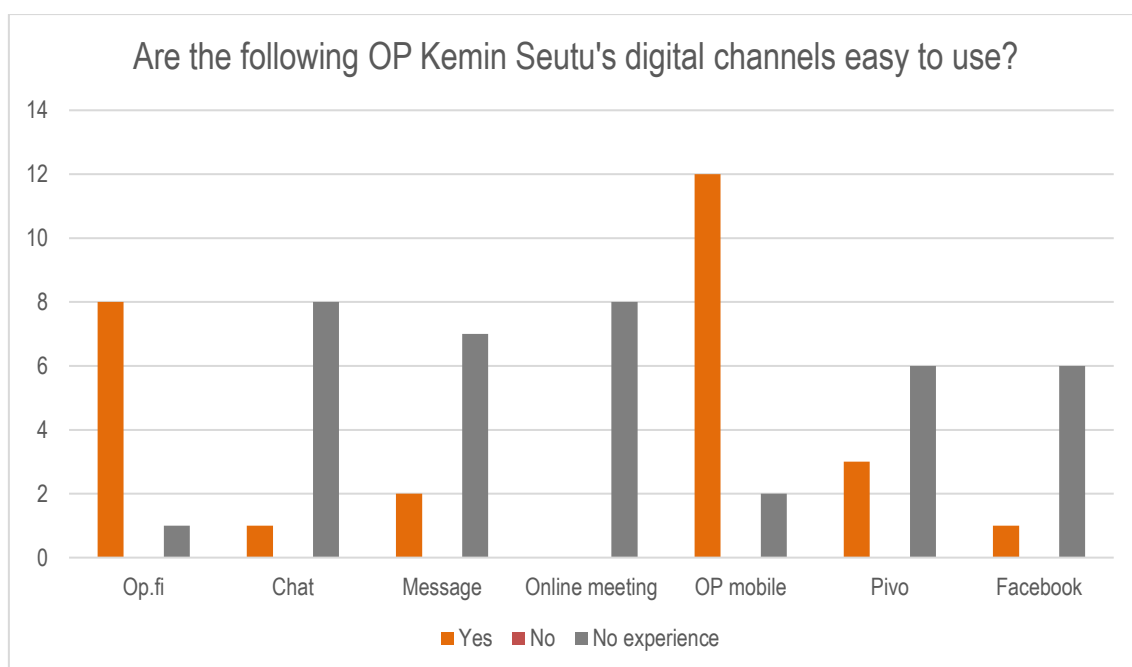


FIGURE 14. The usability of the digital channels

Based on the answers customers find all of OP Kemin Seutu's digital channels they have experience with easy to use. None of the interviewees found the bank's digital channels hard to use. Many of the mentioned channels and features were yet unfamiliar to many of them. For example only one out of ten interviewees had experience with the chat feature in op.fi and only two had sent a message to their bank via op.fi. None of them had experience with online meeting. It seems that the main hindrance is the lack of knowledge about the digital channels. As suggested in the interviews (Female, 70) the bank should better inform their customers about the new possibilities such as Pivo so that they would know if they would be useful to them. Also many

mentioned that it was a significant deficiency that nowadays it is almost impossible to get a hold of anyone in their local bank and they did not know that it is in fact possible to contact your own bank through op.fi in messages. This confirms that if the bank wants their customers to better exploit the digital channels they should better inform about the existing possibilities. There is not necessary need for new ways, only better utilization of existing ones. The interviewees (Female, 45) even literally mentioned that they would want to be able to contact their own bank through op.fi.

In question 6 “Do you easily get service through digital channels?” it is again seen that many people do not have experience in contacting their own bank through the digital channels. This question was further explained by asking people if they had gotten service through the digital channels fast enough. Two out of three people that had experience with contacting the bank through the digital channels thought the service was fast enough and one thought it was not.

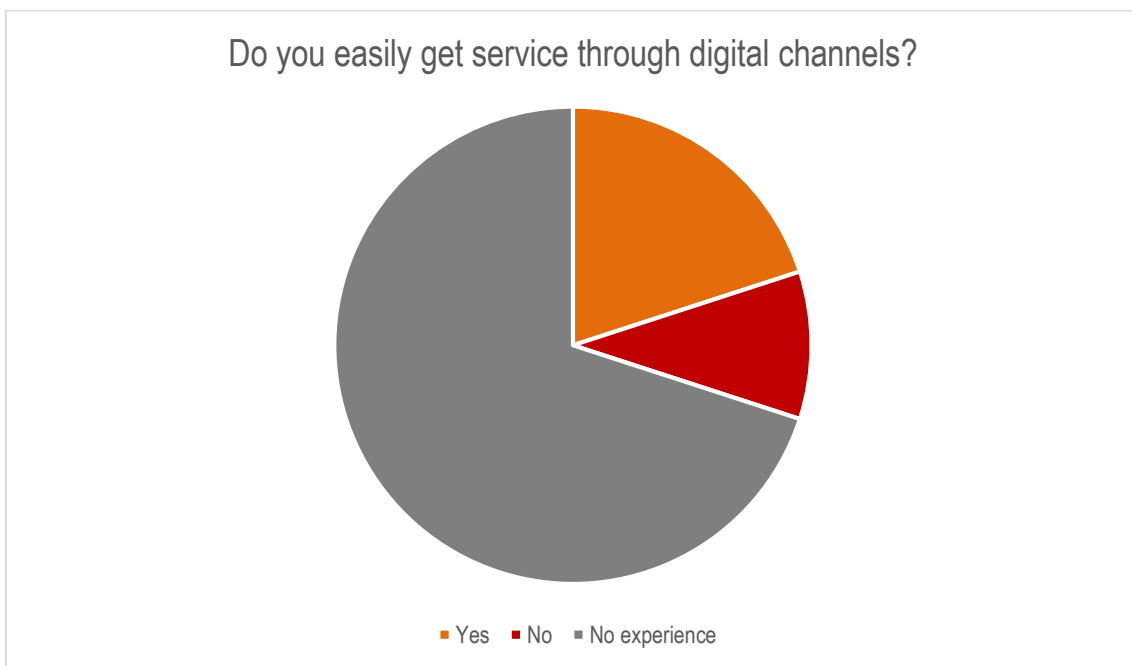
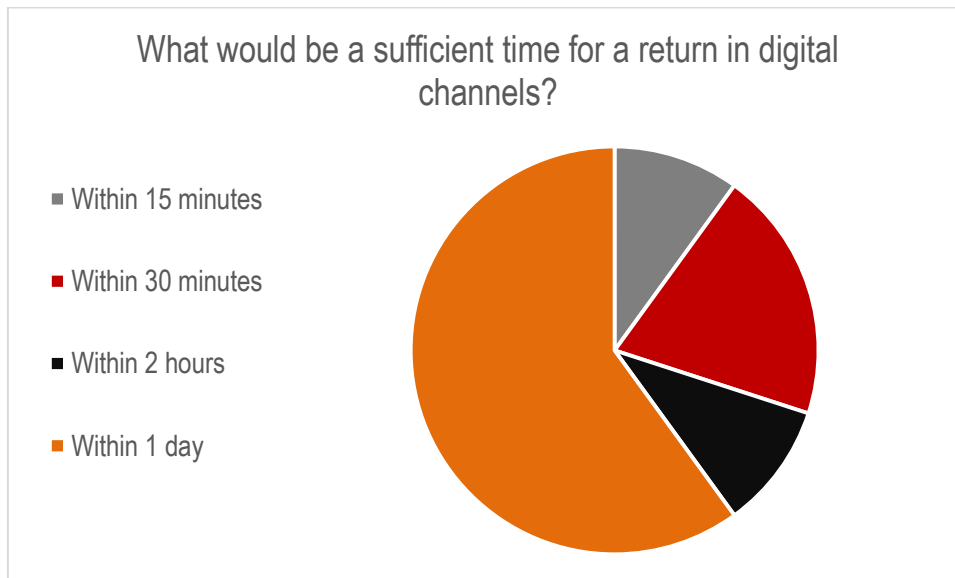


FIGURE 15. Approachability of the service through the digital channels

Again it is proved that the digital contact possibilities should be better made known among the customers. In the next and seventh question the ideal time of response in the digital channels was examined. Most of the people, six out of ten, thought that it is fast enough if they get a response within 24 hours. The rest wanted the reply even faster, even in 15 minutes. To make the digital contacting channels more appealing to customers, the service times should be reduced to maximum one day's delay. This way the customer experience would be better and the customers

would be better encouraged to use the digital channels instead of having to visit the bank or call the phone services.



Online meeting was a whole new thing for most of the recipients. Only two of them had heard of its existence but they had not tried it either. Even though they had not heard of it before many of them would be willing to try it out under favorable conditions or if they for some reason could not go to the branch themselves. The reasons to why some of the interviewees would not try it were lack of skills (Female, 70) and doubt of safety (Male, 22). These suspicions could be fixed with better informing about new possibilities and by organizing education for customers.

7.3 Open feedback and development ideas

The last question, "Open feedback about OP Kemin Seutu's digital channels", gave the interviewees a chance to speak up their minds about issues they did not yet have a chance to speak of. Both complaints and improvement ideas came up. All of the ideas and complaints did not completely stick to the subject but are introduced anyway as even though the problems were not in the digital channels, the digital channels could help to solve them. For example one of the interviewees (Female, 45) mentioned that she would prefer talking to local bank clerks and that is why she does not use bank's phone numbers that connect to the call center. This could be solved by providing clearer digital contact information and enhancing the possibilities in digital channels like messages to own bank or email. This way more customers would be directed to channels that were earlier unknown to them that could be more convenient for them.

Even though most of the recipients had not had any major problems with the digital channels and found them easy to approach, there were some obstacles to using the digital channels that were mentioned during the interviews. One of the interviewees mentioned occasional outages as an only option he had had (Male, 49). The harshness of the digital channels had been unpleasant for one of the interviewees, as in his opinion the digital channels not merciful as they give no room for mistakes (Male, 67). One of the other recipients had a similar thought, as she said that the digital channels feel inhumane and harsh (Female, 55). For that reason she had decided only to use them if she absolutely had to. They together found as a downside that the digital channels do not consider customers' history. For example if a bill is late only one day the customer has to pay extra for it even though all of the bills before had been paid right on time or even early.

There were some concrete development suggestions among the open feedbacks. A concrete development suggestion for emphasizing locality came forth during an interview. The interviewee (Female 21) thought that OP's website op.fi lacked a clear page for one's own bank. She thought that there should be a link on op.fi which would lead to a page with information about one's own bank such as services and prices. She even suggested that there could be an own mobile app for OP Kemin Seutu. Another interviewee suggested a similar thing as she (Female, 45) said she would want that in op.fi one's own bank would be better emphasized and there would be contact links to the bank and bank clerks. She would want to be able to contact familiar bank clerks through the digital channels. Another interviewee (Male, 49) mentioned that he would want to contact his own bank directly.

Another development idea was better education for customers on bank's digital channels (Female, 70). The interviewee would want to better know about all of the possibilities and what can be done through the digital channels. She would want to have better information and announcements about new possibilities and applications such as Pivo with its local benefits, so that she would be able to determine whether or not they would be useful for her. She was not satisfied with OP's digital education tour DigimpiLappi, as she would want the teaching to happen in bank's premises rather than in some public place. When talking about the optimal time of response in the digital channels, one the interviewees (Female, 45) said she did not mind waiting for an answer if it would be possible to see the status of one's enquiry. For example in insurances she would want to know that if the matter is being handled and in what schedule.

8 CONCLUSIONS

The purpose of this thesis was to find out how locality is experienced in OP Kemin Seutu, whether their digital channels are easy to approach and how both of these matters could be improved. To reflect OP Kemin Seutu's situation to the banking world in general, digitalization, locality and approachability in the banking industry were studied. When banking is digitalized and with the new technologies customers can reach their bank wherever they are it creates new challenges for banks. Banks need to learn how to emphasize locality and stay easy to approach in a completely new kind of environment and way of offering financial services. Competition increases as completely new kinds of innovations arise and challenge traditional banks. The success factors need to be understood and the advantages of digitalization appreciated in order to stay ahead. Because of the advantages and challenges described this thesis and research is important and the subject is worth studying. For example gathering feedback and listening to customers came up in multiple researches went through in this chapter. This is why this kind of interviewing of customer is justified.

After doing research on HSBC it is clear that they take digitalization seriously. They utilize it to enhance customer experience and to create new innovative ways to serve them better. The main focus of this study in addition to their digital channels was locality and approachability. HSBC has not directly concentrated on these issues in their digital channels but they do have some similar focal points. HSBC is a large organization but they aim at adapting into each geographical and business area to ensure providing ideal services for each. Their customers and employees are regularly surveyed in order to make sure that they are on the right track and focusing on the right local issues. Any other specific development ideas or conclusions are hard to be drawn based on HSBC but it is clear that digitalization is something to be alert of. It is obviously important to keep active on digital channels to ensure that new rising competition will not conquer the customers. These results were very much similar to those found out in digitalization of the banking industry in general. Even though HSBC has decided to abandon their smallest markets and move forward from locality, it does not necessarily mean that the same should be done in OP. HSBC is a much larger organization wide-spread internationally whereas OP's focus is in Finland which is a much smaller market. Taking that into consideration it is more justifiable for OP to carry on with their current approach.

The insurance company LähiTapiola was chosen as another benchmarking company. Compared to the benchmarking with HSBC, LähiTapiola was more successful considering similarities. They operate in the same markets as OP and there were more similarities than with HSBC. LähiTapiola offers to a very large extent same services and also strongly emphasizes locality. On the other hand they are so similar that there is not that much to learn from. LähiTapiola is present in similar digital channels and locality is strongly taken into consideration in their strategy. Approachability came forth mainly in the development of digitalization. Based on this locality works in Finnish banking and insurance companies but not in multinational ones. This strengthens the assumption that the Finnish people value locality and banking and insurance companies can benefit from it. The options seem to be either spreading further or concentrating on current market.

In the interviews the goal amount was met and a lot of ideas were presented. The interviewees varied in all age, sex and residence, which improves the validity of the results. On the other hand even though the goal amount of interviews was met, the opinions of ten people may not reflect the opinions of all of the customers sufficiently. The amount of people is rather small compared to a survey research but quality of the replies compensates that. The interviewees mainly turned out to use digital channels so the research did not cover those who do not use digital channels at all. Those did not want to take part in an interview handling digital matters and thinking about it afterwards there were not many questions they could have answered to anyway. In the interviews there were many new ideas presented and overall all of the questions were answered satisfactorily. The interview frame reformed somewhat during the interviews so the quality of the answers slightly improved towards the latter interviews. Because the interviews were conversation like some of the questions were harder to put into charts and tables but on the other hand gave a better insight due to diversity of the answers.

There were more people that felt that locality is important to them and who value locality. Nonetheless even those who at first said they do not find it important said they would want to take their business to the local branch and it was mentioned (Male. 22) that even though one handles their daily banking as much as they can online, they would still want to retain the branch in Kemi or Simo for the future when there are things that they would want to handle there personally. This would indicate that locality really should be emphasized. Many also appreciated the fact that they could meet with the same person every time regardless of the channel. Based on the interviews enhancing sense of belonging to one's own bank and keeping the customers connected OP Kemin

Seutu should better emphasize locality in their digital channels. Making changes to op.fi is more of a Group decision rather than OP Kemin Seutu's but they could still try to make an effort towards it. OP Kemin Seutu's presence in op.fi would be a daily reminder about the local bank and customers would appreciate the providing of means of contacting one's own bank. To some of the problems that customers have solutions already exist but for some reason customers do not know it. For example some complained about not having an opportunity to contact one's own bank directly through digital channels even though it is possible in the 'messages' section of one's online bank. The starting point would be informing and educating the customers about existing ways of contact and the local benefits.

Overall the study was successful, the research questions were answered sufficiently and development ideas were arisen. There are many ways this study could be continued in the future. First of all OP Kemin Seutu could make changes to their and redo follow-up interviews with the same people to find out whether they have noticed the changes and if they were implemented the way they meant them to. These interviews could be of course carried out with a different group of people to at the same time get new and fresh ideas. On the other hand to include a bigger sampling of customers and a survey could be drafted and sent out to customers. This way a very much larger amount of quantitative data could be gathered and wider group of customers included.

9 DISCUSSION

Writing this thesis turned out to be both challenging and rewarding. The subject seemed a bit challenging first as the terms locality and approachability which are the core of the subject seemed abstract. Even though defining the terms satisfactorily was challenging it turned out to be one of the most important ones. After thoroughly looking into them defining the terms light started to shed on the whole project. Another challenge was to decide on the structure of the thesis and find out the best way of doing it to avoid repetition and dullness. The third challenge I encountered was drafting the interviews. As mentioned the terms locality and approachability were not easy ones to define which I met again in this stage. The interview questions needed to generate useful answers and conversation and to do this I had to find a way to make them simple and easy to understand while covering all of the research questions. The work I did earlier defining the terms did help at this stage but did not make it too easy. To make the research simpler only one of the topics, locality and approachability, could have been studied or they both could have had their own studies.

In the future the research could be followed up with a similar interview type of research or extended to a quantitative broader study that was already considered for this stage. To reach more people that do not conduct their banking in the branches, a study could be done in the digital channels or by mailing the survey questions. Also as the study shows, younger people feel less attached to their own bank. Another study could be done about how to make young people feel attached to their own bank and to appreciate locality. As the whole research goes, this being a case study, the results are mainly of use specifically for the commissioning company. Also because of that the results we got through the interviews will probably be more useful than the ones gotten through secondary research.

I myself have learned self-discipline, time management and ways of doing academic research from this experience. At the beginning the seminars only seemed like extra work but they turned out to be very useful. The seminars along with feedback from my opponent and my teacher helped me through my worst hindrances and motivated me when I needed it the most. I worked on my thesis for a long period of time so I got familiar with the problems of having long periods of time not working on my thesis at all. After starting my thesis I worked as a substitute at OP Kemin Seutu so I took a break from writing the thesis whenever I went back to work. Because the timeframe to complete

the thesis was rather long some of the material like OP Financial Group's annual report had been republished and I also needed to get familiar to my own work to recall everything.

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Interview

THEME: BASIC INFORMATION

- Age?
- Residence?
- Are you an owner-customer of OP Kemin Seutu?

THEME : LOCALITY

1. Do you consider yourself primarily a customer of OP Kemin Seutu or OP Group in general?
2. Do you prefer digital channels or branch services for taking care of your daily banking?
 - Why?
 - In what kind of situation would you use the alternative?
 - Is OP Kemin Seutu's or OP Group's Facebook page familiar to you?
3. The meaning of locality to you: Do you consider important that the service you get through digital channels is specifically locally produced?
 - Why do you consider it important?
4. Do you feel that locality in digital channels comes true?
 - Local services: Have you experienced the service you have gotten through digital channels local? op.fi, op-mobile, Facebook
 - Local benefits: Have you noticed for example owner-customers' benefits in Pivo or for instance local benefits posted on Facebook?
 - Local influence: Have you noticed OP Kemin Seutu being a part in for example sports events?

THEME : **APPROACHABILITY**

5. Are the following digital channels of OP Kemin Seutu familiar to you? Are they easy to use? If not, why?
- Op.fi
 - The chat in op.fi
 - Op.fi messages
 - Is it important to you that the messages are answered to in your local OP?
 - Is this a sufficient way of contact?
 - Online meeting
 - Would you consider having an online meeting?
 - In what kind of situation could you use it or what kind of thing would you take care of?
 - OP mobile
 - Pivo
 - Facebook
6. Have you gotten service or answer to your question fast enough through digital channels? What would be a sufficient time for a return?
7. Open feedback about the digital channels of OP Kemin Seutu
- Did something come to your mind that you did not yet have a chance to talk about?
 - Do you have any suggestions about how the digital channels could be developed?
 - To be more local, if important
 - To be easier to approach, if was hard

Haastattelu

TEEMA: **PERUSTIEDOT**

- Ikä?
- Asuinpaikka?
- Oletko OP Kemin Seudun asiakasomistaja?

TEEMA : **PAIKALLISUUS**

8. Koetko olevasi ensisijaisesti OP Kemin Seudun vai OP Ryhmän asiakas?
9. Käytätkö mielummin digitaalisia kanavia vai konttoripalveluita (päivittäisten) pankkiasoiden hoitamiseen?
 - Miksi?
 - Missä tilanteessa käyttäisit toista vaihtoehtoa?
 - Onko OP Kemin Seudun tai OP Ryhmän Facebook –sivu tuttu?
10. Paikallisuuden merkitys sinulle: Koetko tärkeäksi, että digitaalisissa kanavissa saamasi palvelu on nimenomaan paikallisesti tuotettua?
 - Minkä takia koet paikallisuuden tärkeäksi?
11. Koetko, että digitaalisissa kanavissa paikallisuus toteutuu?
 - Paikalliset palvelut: Oletko kokenut digitaalisten kanavien kautta saamasi palvelut paikallisiksi? op.fi, op-mobiili, facebook
 - Paikalliset edut: Oletko huomannut esimerkiksi omistaja-asiakkaiden edut Pivossa tai Facebookissa ym julkaistut tarjoukset
 - Paikallinen vaikutus: Oletko huomannu OP Kemin Seudun olleen mukana esimerkiksi urheilutapahtumissa?

TEEMA : HELPOSTILÄHESTYTTÄVYYS

12. Ovatko seuraavat OP Kemin Seudun digitaaliset kanavat sinulle tuttuja, helppoja käyttää?

Jos ei, niin miksi?

- OP verkkopalvelu
- OP verkkopalvelun chat –ominaisuus
- OP verkkopalvelun viesti –osio
 - Onko tärkeää, että viestiin vastataan paikallisessa Osuuspankissa?
 - Onko riittävä yhteydenottotapa?
- Verkkoneuvottelu
 - Voisitko kuvitella käyväsi verkkoneuvottelun?
 - Millaisessa tilanteessa käyttäisit tai mitä asiaa voisit hoitaa?
- OP mobiili
- Pivo
- Facebook

13. Oletko digitaalisten kanavien kautta saanut riittävän nopeaa palvelua / nopeasti vastauksen? Mikä olisi sopiva aika yhteydenotolle?

14. Avoin palaute OP Kemin Seudun digitaalisista kanavista

- Tuliko mieleen jotain mitä tässä ei vielä käsitelty / et päässyt kertomaan?
- Onko ehdotuksia miten digitaalisia kanavia voitaisiin mielestäsi kehittää?
 - Paikallisemmiksi, jos oli tärkeää
 - Helpostilähestyttävämmiksi, jos oli vaikeaa