Improving customer retention and loyalty through service management: case LocalTapiola Pirkanmaa

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This study is commissioned by Finnish insurance and financial group called LocalTapiola and more precisely by its regional company LocalTapiola Pirkanmaa Mutual Insurance Company. LocalTapiola Group operates on the basis of mutuality and consists of three insurance companies while including also bank, asset management and real estate asset management. The research topic is to find ways to improve customer retention and loyalty towards LocalTapiola Pirkanmaa through service quality.

The theoretical framework of this study was created on the basis of theory related to service quality and customer relationship management focusing especially on customer retention and loyalty. The key concepts in the study were service quality and customer experience as well as customer retention and customer loyalty.

The methodology used in this research was qualitative research and the research method used in the empirical part of the study was semi-structured theme interview, which is quite commonly used research method in qualitative studies. These interviews were carried out as face-to-face interviews at LocalTapiola Pirkanmaa’s office in Nokia during January and February 2014. At first the researcher divided customers into three groups based on her experience: young adults, adults with family and seniors. Interviewees were chosen based on these categories so that there was the same number of interviewees from each age group. Additionally, all customers invited to the interview needed to fulfill the predetermined requirements concerning for example length of the customer relationship and level of centralization. Analysis method used for analyzing the data was theory guided content analysis.

The empirical findings supported yearly EPSI Rating Finland 2013 customer satisfaction survey research results of LocalTapiola’s high level of customer satisfaction and loyalty. Customers having a long-term customer relationship with LocalTapiola were less price orientated and very loyal, given that the service quality remains as good as it has been.

Keywords
customer relationship management, customer retention, customer loyalty, service quality and service experience.
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Tämä opinnäytetyö on tehty suomalaiselle vakuutus- ja finanssialan ryhmättymälle LähiTapiolalle ja tarkennettuna paikalliselle LähiTapiola Pirkanmaan keskinäiselle vakuutusyhtiölle. LähiTapiola ryhmä toimii perustuen keskinäisyteen ja koostuu kolmesta vakuutusyhtiööstä sisältäen myös pankin, sijoitusyhtiön ja kiinteistöyhtiön. Tutkimusaiheen tarkoitus on löytää tapoja parantaa asiakkaiden asiakaspysyvyyttä ja lojaaliutta Pirkanmaan LähiTapiolaa kohtaan tarkasteltuna palvelun laadun kautta.


Avainsanat
asiakkuuden hallinta, asiakaspysyvyys, asiakaslojaalisuus, palvelun laatu ja palvelukokemus.
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Introduction

1.1 Background of the study

The relationship between customer retention and profits has been studied by various researchers lately. Additionally, it has been proved that reducing customer defection rate is a more profitable strategy for a company than increasing market share or cutting costs. Therefore, it is not surprising that during the past decade companies have started to put more focus in retaining their existing customers rather than only engaging in acquisition of new ones. (Jobber 2007, 898; Zeithaml, Berry & Parasuraman 1996, 32.)

The research was commissioned by a Finnish Insurance Company LocalTapiola Pirkanmaa and like so many other companies, especially in services sector, LocalTapiola Pirkanmaa is interested in retaining existing customers by strengthening existing customer relationships. This topic was also interesting for the researcher herself to study as she had worked in customer interface for LocalTapiola for almost two years and during that time gained many experiences and insights to what customers seemed to appreciate by monitoring their behavior and requests. Therefore, it was interesting to study how much and how those different factors in service quality and customer experience affect customer loyalty and retention.

To sum up, the purpose of this research is to find out what affects LocalTapiola Pirkanmaa customers’ loyalty towards LocalTapiola and what should be improved on in order to lower customer defection. Additionally, the aim is to learn how the service quality should be improved in order to better customer retention and strengthen loyalty among the customers.

1.2 Research problem and investigative questions

This study is about service quality and its effect on customer retention and loyalty. The main research problem is how to improve LocalTapiola Pirkanmaa’s customer relationships through service experience in order to strengthen its customers’ loyalty towards LocalTapiola and therefore improve customer retention.
The research questions creating better understanding were following:

- What are the factors affecting customers’ service experience and how to improve the quality?
- What are the factors affecting the length of the customer relationship and what do the LocalTapiola Pirkanmaa’s customers value in their customer relationship with LocalTapiola?
- What are the reasons ruin the customer relationship and making the customers to change their service company?
- What service channels the customers prefer to use when they are in contact with LocalTapiola in different situations and why?

It is valuable to discover what the customers of LocalTapiola Pirkanmaa value in their customer relationship with their insurance company. Additionally, what kind of service channels do the customers prefer to use when contacting their insurance company in different situations. Also, getting understanding on what are customers’ expectations towards the service offered to them by LocalTapiola helps with managing services and service quality. Finally, it is also very useful to find out whether there are any specific cases in the service situation that can strengthen, retain or even ruin the relationship between the customer and the service provider.

1.3 Company Introduction

This research is commissioned by Finnish insurance and financial group called LocalTapiola and more precisely by its regional company LocalTapiola Pirkanmaa Mutual Insurance Company, later in the research referred only as LocalTapiola Pirkanmaa. LocalTapiola Group was formed through the merger of Tapiola Group and Local Insurance. Officially LocalTapiola Group began functioning in the beginning of 2013 and formed one of the largest insurance companies in Finland. LocalTapiola General Mutual Insurance Company has a long history and its roots go back more than 150 years. (LocalTapiola Group A; LocalTapiola Group C.)

LocalTapiola Group functions on the bases of mutuality, which means that customers of LocalTapiola own the mutual companies who then possess the rest of the group
companies. The core of LocalTapiola’s operations is 20 regional mutual insurance companies, having together around 300 offices around Finland. This extensive office network accommodates offering personal service to the customers around the country. Additionally, LocalTapiola offers comprehensive phone services and diverse Internet services. This can be explained by LocalTapiola's vision “to be the leading insurance, well-being and finance partner in Finland, close to its customers” (LocalTapiola Group’s annual brochure 2012). (LocalTapiola Group A; LocalTapiola Group B.)

LocalTapiola, as well as many service companies, conduct satisfaction surveys of their own or take part in large scale studies measuring customer satisfaction. Therefore, LocalTapiola has taken part in the EPSI Rating survey on yearly bases and according to LocalTapiola’s annual brochure 2012; “LocalTapiola Group was included for the first time as a single entity in the EPSI Rating survey.” To sum up, EPSI Rating studies customers’ satisfaction towards insurance companies yearly. In addition to customer satisfaction, EPSI Rating also measures “image, expectations, product – and service quality, price and quality relationship and customer loyalty” (EPSI Rating Finland 2013). Among the household customers LocalTapiola was ranked second in customer satisfaction, company image and customer loyalty and first in service quality in 2013 EPSI Rating survey. (EPSI Rating Finland 2013.)

1.4 Key concepts

The main idea in this thesis is to look into maintaining and improving existing customer relationships through service quality, especially customer experience in terms of service businesses where there is no tangible items offered. In this thesis customer experience and service experience are used as synonyms, also having the same definition.

Service experience means how the customer feels about the service received.

Perceived service quality means the way the customer experiences the quality of the service received based the extrinsic cues used to evaluate the received service as well as the previous experiences. (Schiffman, Kanuk & Wisenblit 2010,196.)
Customer retention means sustaining profitable customer relationships by using customer retention strategies.

1.5 Structure of the study

This thesis is formed based on zipped structure, meaning that there is no special empirical section but the empirical research findings go hand in hand with the theoretical findings, forming the results and conclusions offered in the end. Continuing, this thesis is divided into six sections. In the first section, background information of the study is introduced as well as the research problem and investigative questions. Also, introduction of the commissioning company, the key concepts and the structure of the thesis are presented in this first chapter.

The second section deals with customer relationship issues, including importance of customer retention and customer loyalty from company point of view.

The third section covers service quality and its significance for customer in creating loyalty or causing defection.

In the fourth section research methodology and methods are covered. Additionally, conduction of the research including thorough explanation of the data collection process, as well as, clarification of the data analysis is presented here in this chapter.

The fifth section reveals how the analysis was done and tells about the findings made during the research. Additionally, the final section reveals the key results of the study complemented with the improvement suggestions for the company as well as recommendations for the further research.
2 Managing customer relationships

2.1 Different service stages during the customer relationship

According to Lovelock, Wirtz and Chew (2009, 34-50), there are three stages in service consumption: pre-purchase stage, service encounter stage and finally post-purchase stage. All of the stages are important from the company’s perspective in order to gain new customers and keep old customers pursuing their customer relationship with the company.

2.1.1 Pre-purchase stage

The customer relationship normally begins with a customer’s need awareness, which can be triggered by life events such as, in case of insurances, a young person moving away from his/her parents’ house and needs their own home insurance. Additionally, need awareness can be also evoked by a commercial or salesperson calling. After searching for information the final step before the purchase decision is the evaluation of alternatives, which consists of weighing the service attributes, service expectations as well as perceived risk of the purchase. Services are often harder for the customer to evaluate before buying than products because they include more experience and credibility aspects, this uncertainty makes customers’ perceived risk higher. The risk awareness is also boost by the escalating likelihood of negative consequences. Therefore, from the point of view of retaining an existing customer, the service aspect can be seen as an important element with retaining customers. The likelihood of customer defection rises when the customer needs to purchase something more and service has not meet the expectations or one receives an offer from another supplier. Thus, the risk of purchasing elsewhere can feel greater when service quality with the current supplier has met or even exceeded the expectations, and conversely. Also grapevine can be a valuable source of information before making the buying decision although it’s very uncertain information. In many situations the purchase decision process is not very straightforward and involve some trade-offs, however, quite often the key factor behind purchase decisions is price. (Lovelock, Wirtz & Chew 2009, 34-43.)
According to the empirical material, price affects the purchase decision and many of the interviewed persons said that it could also affect their willingness to change their insurance partner especially if the service quality dropped at the same time. However, most interviewed said that little price differences would not make them change the insurance company. (Interviewee 1, 15 Jan 2014; interviewee 2, 16 Jan 2014; interviewee 3, 30 Jan 2014; interviewee 4, 30 Jan 2014; interviewee 5, 5 Feb 2014; interviewee 7, 7 Feb 2014; interviewee 8, 14 Feb 2014; interviewee 9, 17 Feb 2014.) Like interviewee 7 (7 Feb 2014) said that as long as the service quality is good, then the price is also in place, thus the price doesn’t matter so much. Additionally, some felt that insurances are difficult to compare and changing them is such a big hassle. (Interviewee 3, 30 Jan 2014; interviewee 5, 5 Feb 2014; interviewee 6, 6 Feb 2014.) When asked about the price difference they tolerate without causing defection the answers varied from tens of euro to hundreds of euro, probably depending on the total amount of insurance payments in a year. At least couple interviewees stated that in their total annual insurance payments hundred euro or two hundred euro price difference one way or another does not yet matter as long as the service is good. (Interviewee 1, 15 Jan 2014; interviewee 5, 5 Feb 2014; interviewee 7, 7 Feb 2014.)

Additionally, all interviewees (2014) mentioned that with insurances the service quality can truly be weighted only after the accident has happened and the application for insurance compensation has been processed. However, some noted that mainly the evaluation about the quality of insurance services needs to be made by the cues received from the company and heard through grapevine. (Interviewee 5, 5 Feb 2014; interviewee 6, 6 Feb 2014; interviewee 8, 14 Feb 2014; interviewee 9, 17 Feb 2014.) Interviewee 5 (5 Feb 2014) said that he would immediately move his insurances into that company which would compensate the best when the accident happens but unfortunately that is very difficult to predict beforehand. When asked about the price, he said that he is ready to pay more if the compensation is guaranteed in case of accident without the insurance company invoking to some clause about why they won’t compensate that. He also brought up the common belief that insurance companies cannot be trusted. (Interviewee 5, 5 Feb 2014.)
2.1.2 Service Encounter Stage

A service encounter stage includes the period of time that the customer is interacting with the service provider. Thus, this stage holds the important “moment of truth” contact points with customers, where the customer experiences the service and forms opinions about the service and the firm in general. The service experience the customer gets when visiting a company can be added negatively or positively by the settings like interior of the building, furnishing and even by the appearance and behavior of service personnel. In low-context services where the customer encounters are rare, like bank and insurance services, the customer can also request the services by initiating service through internet banking. (Lovelock, Wirtz & Chew 2009, 43-45.)

Therefore, the way how the service staff behaves and dresses around customers is not all the same, also service attitude and voice affects customer perception of the received service. This is especially meaningful when the service channel used is phone and the customer can only hear the voice of the customer service person. For example, interviewee 7 (7 Feb 2014) said that it’s a lot nicer to call to the insurance company when you get a cheerful sounding service person to discuss about the insurance claim you have instead of getting someone sounding world-weary.

2.1.3 Post-encounter Stage

According to Lovelock, Wirtz & Chew (2009, 50), during this post-encounter stage customers assess received service by comparing it with their earlier expectations. The way the customer feels about service quality afterwards and whether his or her expectations were met or even exceeded in a service encounter is likely to affect his/her future intentions positively, including for example repurchases. On the other hand, if expectations were not met, the customer is more likely to be dissatisfied, causing her or him to either suffer in silence or switch the service provider. (Lovelock et al. 2009, 50.) In any case, customers are likely to tell about extraordinary service they have received and depending on whether they are satisfied the positive word-of-mouth can be a free advertisement for the service provider. However, if they are dissatisfied, the bad word-of-mouth can work quite the opposite. (Lovelock et al. 2009, 50.) For example interviewee 9 (17 Feb 2014) told that he had received an offer from the competing company of
his insurance package couple years ago and it had been cheaper than what he had, but he didn’t change because he had heard bad things about how that company had handled someone else’s insurance claim.

2.2 Benefits of developing long-term customer relationships

Storbacka and Lehtinen (2002, 30-31), state that when evaluating profitability of a customer account all the investments required for the generation of the customer relationship should be considered. Improving the profitability of a customer account means increasing customer revenues and decreasing costs related to maintaining this customer account. Thus, duration of a customer relationship affects positively on the profitability of the customer account as it forms together with the profitability of the customer account the starting point for calculating the lifetime value of the customer account. Also, the customer relationship that has lasted a long time is quite often also stronger than a new one. (Storbacka & Lehtinen 2002, 30-31.)

The idea of a company obtaining customer loyalty is ancient, but especially during the last decade it has been recognized that there are many benefits for the companies in maintaining long-term relationships with existing customers. Therefore, managing customer relationships has become an important part of the services marketing as many service companies have shift their focus from attracting new customers into retaining current customers. Relationship marketing is particularly important with businesses in a highly competitive field where there is an ongoing desire for the service offered by the customer e.g. insurance service. (Jobber 2007, 898.)

According to Jobber (2007, 899), there are at least six benefits for service companies in establishing and retaining strong customer relationships. First, based on the research made by Reichheld and Sasser (1990) customers normally spend more money each year with a relationship partner than the year before, which is understandable as the satisfied customers focus more business on that service provider whose service quality they like. According to Cook (2011, 2), excellent service also minimizes price sensitivity and that could be other reason especially in sectors like insurance where the purchase continues automatically unless the customer changes the insurance partner.
Second, retaining existing customers is cheaper than attracting new ones, when considering all the start-up costs affiliated with customer acquisition. The third benefit is the lifetime value of a customer, which means the profit made on a customer’s investments over the lifetime of that customer. Also stated by Storbacka and Lehtinen (2002, 30), often the value of the customer relationship increases as the investments required from the company normally decrease during the years. Reversed, defection caused by dissatisfaction early in the relationship can be very costly for the firms as the profit gained from the relationship is quite low in the beginning due to all costs related to customer attraction. If considering also the costs of possible bad word of mouth, the detection in the beginning of the relationship can be very harmful for the firm. (Jobber 2007, 899.)

The fourth advantage of a strong customer relationship includes the sustainable competitive advantage as the intangible factors of the relationships cannot be easily copied by the competitors. (Jobber 2007, 899.) Factors affecting customer retention and relationships are explained more carefully on the next chapter.

Fifth benefit of maintaining strong relationships with customers is word of mouth, which is especially important in services sector due to the nature of not having any tangible objects, which could be evaluated before the purchase. (Jobber 2007, 901-902.) Existing customers are important references for other customers and especially for new potential customers from the company’s point of view. Additionally, this reference value of existing customers can be utilized and developed in many ways by the company. This can be done by bringing up the good and well-known customers in right contexts and supplying them with information about the company in such a form that can be told forward. All this should be planned in a way that the customer relationship creates added value for the customer himself/herself, so that she or he is motivated to work as a reference for the company and does not feel like being used. Sometimes customers can also act as a reference unknowingly just by sharing their experiences with friends. Generally the same information told by another customer is perceived more credible than the same message told in a commercial, additionally, it is also cheaper for the company. (Storbacka & Lehtinen 2002, 49, 82-83.)
The last benefit is the employee satisfaction and retention. Long-term employees have already formed relationships with loyal customers, which cause less hassle and increased job satisfaction and thus decreases job turnover. All these six benefits of investing into strong customer relationships create high profits, according to a study made for different service industries the profits were raised steeply after the firms were decreased their defection rates. (Jobber 2007, 899.)

2.3 Retaining Customer Relationships

Due to the benefits of having long-term customer relationships many companies either have or they are developing their customer retention strategies in order to keep their good customers. According to Jobber (2007, 901), factors affecting customer retention are “targeting customers for retention, bonding, internal marketing, promise fulfillment, building on trust and service recovery”.

2.3.1 Targeting customers for retention

Firstly, the company needs to acknowledge which customers should be targeted for retention, because not all customers are good customers. There are several examples of customers not to target for retention, for example habitual switchers who go after the lowest deal offered, customers who do not provide sufficient revenue for the company in order to maintain the relationship, or troublesome customers who create too much hassle and work for the service provider compared to the revenue they bring to the company. This part requires some analysis about who are loyal and who are defection prone customers and what the reasons are behind why customers stay or leave. This is in order to understand which type of customer defections the company wants to decrease and try to save, because essentially there is no point in trying to keep habitual switchers who go after the best deal, because eventually they become expensive for the company. (Jobber 2007, 901.)

2.3.2 Bonding strategies

After the targeted customers have been chosen, the company should create some bonding strategies in order to create retention. According to Jobber there can be dif-
Differentiation made between three levels of bonding strategies according to the degree that they bond customers to the company. At the level 1 this bonding happens normally through financial incentives like higher discounts on prices for larger-volume purchases or receiving some loyalty points to be used for future buying to lower the prices. The issue with this level bonding strategies is that customers can quite often belong or join into more than just one program, thus contradicting the wanted effect. (Jobber 2007, 900-902.)

Level 2 of bonding is higher including social bonds in addition to just financial bonds, thus creating opportunity for higher sustainable competitive advantage. At this level customers are recognized clients, the relationship is personalized and the service offered to customers is customized, additionally each service encounter is considered as a chance for social meeting. At this level of bonding, customers are contacted frequently and normally and the service is offered through the same person or people working in the service company. There can also be some additional activities offered to customers like seminars or visits to sport games in addition to core service offered. (Jobber 2007, 900-902.)

Level 3 goes even further creating the bonding with financial, social as well as structural bonds. This structural aspect offers quick fix for customers’ problems that are constructed into the service delivery system, for logistics companies this can mean offering their clients with equipment that links them into their systems. (Jobber 2007, 901-902.)

These bonding strategies quite often include customer benefit schemes like LocalTapiola’s Omaetu-system, similar to competing Finnish insurance companies, where the customer earns more price discounts through the volume of centralization. Based on the different levels of bonding strategies described in the previous paragraph this omaetu-program can be categorized to be level 1 strategy. However, based on interviews, customers seemed to appreciate this kind of incentive programs and discount offers highly. According to interviewee 6 (6 Feb 2014) omaetu-program and discounts offered by LocalTapiola bring competitive advantage to the company, not to mention s-bonuses that can be received from LocalTapiola’s insurances in the future.
2.3.3 Internal marketing

High-quality service distribution is a vital part of customer retention and is dependent on the staff members of the service company. This is because the quality of employees providing the service for the customers play very important role as they are the link between the customer and the service company. Therefore, internal marketing including training, motivating and communicating to internal employees is very important in order to make employees perform their best when serving the customers, also in the critical “moments of truth”. (Jobber 2007, 902.)

2.3.4 Promise fulfillment

According to Jobber (2007, 902), keeping the promises given to the customer is a vital element for maintaining the service relationship. Thus, this means that promises given to the customer should be initially realistic and those promises should be kept by enabling staff to deliver the service on promises made. These promises can be given to the customers through normal marketing communication channels like advertising, promotion and selling or stated in the company values. Therefore, Jobber (2007, 903) states that “it is important not to over-promise with marketing communications or the result will be disappointment, and consequently customer dissatisfaction and defection.” “The moment of truth” of keeping promises happens in the interaction between the company and the company, especially in the critical situations. The way how these moments of truth are handled effect a great deal to the strength of the customer relationship and therefore to the length of the relationship like shown in the figure 1 below. (Jobber 2007, 902- 903; Storbacka & Lehtinen 2002, 31, 107.)
2.3.5 Building trust

According to Jobber (2007, 903), “customer retention relies heavily on building trust.” This is the case especially with service companies due to the difficulty of comparing and assessing services before buying. Therefore, purchasing the service for the first time can make the customer to feel vulnerable and doubtful, especially when talking about service that is personally important, complex or variable in quality. (Jobber 2007, 903.) During the interviews it became clear that insurances for example are quite often perceived complicated by the customers, which confirmed earlier observations that the researcher had made about the issue. Interviewee 5 (5 Feb 2014) pointed out that comparing insurances between different companies is almost impossible because one company has certain advantages in their insurances and another company has other advantages. Thus, in his opinion comparing insurance companies and their insurances to each other should be made easier for the customers (interviewee 5, 5 Feb 2014).

According to Storbacka and Lehtinen (2002, 39), feeling is an important resource of the customer relationship and the stronger the mutual feeling is the more durable the relationship will be. Additionally, feelings are quite long-lasting and change slowly. Therefore, feelings guide us in commitment toward things like customer relationship. See figure 2. (Storbacka & Lehtinen 2002, 39-42.) Storbacka and Lehtinen (2002, 39-
42) have created “proportion of the customer’s heart” figure (figure 2), which explains well how the core values of the company create customer a feeling of reliability, which makes the customer to trust the company and commit to the company. This feeling that the company can be trusted is vital especially in insurance sector, because as a customer you want to know for sure that if something bad happens, you and your properties are covered and you will get the compensation. Interviewee 9 (17 Feb 2014) said that he believes in LocalTapiola’s quality and that is why he has not invited insurance tenders. Therefore, it can be said that this customer’s commitment to the company can be destroyed by betraying the customer’s trust to the company.

Figure 2. This “proportion of the customer’s heart” explains how company values create reliability, which makes customer to trust and commit to the company. (Storbacka & Lehtinen 2002, 42.)

2.3.6 Service recovery

Service recovery quite often determines the future of the relationship, therefore service recovery strategies should be designed in every company. When service recovery in
critical situations is handled very well and the customer is pleased with how the situation was taken care of then this can make the relationship even stronger and affect positively on the length of the relationship. See figure 1 about the effect of critical situations on customer relationship length. However, if the company fails with service recovery in a critical situation then the relationship is normally over, causing customer deflection, unless the customer is negatively committed to the company, which means this no other options and therefore the customer cannot change the service provider even when wanted to do so. For example in the case of bank or insurance services if the customer is over-indebted and his or her credit rating is bad, he or she cannot change the company because other banks would not grant him or her a new mortgage neither will other insurance companies grant new insurances. Thus, these bonds make the customer stay with the same company and continue the customer relationship when she or he might not be satisfied with the customer relationship. See figure 3. To sum up, company's inability to recover service failures and mistakes can cause company to lose customers both directly as well as indirectly, because normally people tell others about their negative experiences and that can cause other existing customers to change the company as well as prevent potential customers becoming customers. (Storbacka & Lehtinen, 2002, 103-104; Jobber 2007, 904.)

2.3.7 Strength of the customer relationship affecting on the length

It is believed that customer satisfaction is the first factor affecting the length of the customer relationship. However, in customer relationship thinking this is only partially true as the duration depends on the strength of the customer relationship. Customer relationship strength then again is influenced by customer satisfaction and customer commitment, in addition to different kinds of bonds tying customer to the company, see figure 3. (Storbacka & Lehtinen 2002, 30-31, 103.)

This formation of the strength of the customer relationship shown in figure 3 is supported by the empirical research. Many interviewees stated that having ties like all insurances centralized to LocalTapiola and some having also bank services in LocalTapiola said that it is too difficult and time-consuming to even invite tenders for insurances, let alone to change the company. Also, the quality of services was seen as a
very important factor affecting on customer retention but mainly hand in hand with the insurance expenses. For example interviewee 2 (16 Jan 2014) said that increasing prices at the same time with the deteriorating insurance terms and conditions would make him change the company or at least to think about it. Most interviewees also saw the customer benefit program (Omaetu) as an important factor for staying as a customer, thus creating customer’s commitment towards the company. (Interviewee 1, 15 Jan 2014; interviewee 3, 30 Jan 2014; interviewee 4, 30 Jan 2014; interviewee 6, 6 Feb 2014; interviewee 7, 7 Feb 2014; interviewee 9, 17 Feb 2014.)

Figure 3. Formation of strength of the customer relationship, there are many other factors also than only satisfaction. (Storbacka et al. 1994, in Storbacka & Lehtinen, 2002, 103.)
3 Managing Service Quality

3.1 Factors affecting on service quality

According to Parasuraman’s SERVQUAL approach, dimensions used measuring service quality are reliability, responsiveness, assurance, empathy and tangibles. Based on SERVQUAL item battery these can be evaluated by characteristics described in following paragraphs. (Bruhn & Georgi 2006, 54-55.)

3.1.1 Reliability

Reliability meaning that the company provides the services as promised. This reliability dimension affects through trust to customer’s commitment to the company as shown in the figure 2. Additionally, this reliability aspect affects also to building trust as explained more deeply in 2.3.5. (Bruhn & Georgi 2006, 54-55.)

3.1.2 Responsiveness

Responsiveness can be evaluated by the promptness of the service to customers and company’s willingness to help customers. (Bruhn & Georgi 2006, 54-55.) Generally, responsiveness is a major part of customer service quality and especially affects how customer experiences received service.

3.1.3 Assurance

Assurance can be understood by making customers feel safe in their transactions. This including employees being polite to the customers, combined with them being skilled and professional in order for them to be able to answer customer’s questions. This assurance aspect has an important role especially in insurance sector, because the quality and level of chosen insurances can have a major impact on the compensation the customer gets in case of insurance event. (Bruhn & Georgi 2006, 54-55.) Many interviewees found this assurance aspect to be very important when talking about the service quality. According to interviewee 9 (17 Feb 2014), professionalism is important so that the insurance agent or customer service person knows what she or he is talking
about and if she or he does not know the answer to the question immediately then she/he should find out the answer.

### 3.1.4 Empathy

Empathy can be understood by employees giving clients personal attention and serving them in a caring fashion having customer’s best interests at heart. Flexible office hours can also be categorized under the empathy dimension. (Bruhn & Georgi 2006, 54-55.) In the insurance sector this means listening to customer and offering the best solution for the customer based on the customer’s needs.

### 3.1.5 Tangibles

Tangibles category in services means company’s outward appearance including condition of equipment used providing services as well as exterior of the facilities and the look of the marketing materials connected with the offered service. Also the professional look of the employees is considered as tangibles in service sector, therefore it is not all the same how the employees of the company dresses as it influences to the image customers get from the company. (Bruhn & Georgi 2006, 54-55.)

### 3.1.6 Customer Expectations

To begin with, today’s customers are well educated and informed causing them to have high expectations about the service quality they want to receive. (Cook 2011, 3.) Generally customer expectations affect a great deal on perceived service quality, because “according to the so-called ‘disconfirmation paradigm’, customers perceive a high service quality when their expectations are met by the provider and perceive a low service quality when the provider did not meet the customer’s expectations.” (Bruhn & Georgi 2006, 54.) In addition to normative expectations, which are demanded from all the service providers by the customer there are also predictive expectations, which include the customer’s in advance evaluation about the quality that is likely to be received by the specific service provider. Especially these predictive expectations can be raised by previous outstanding customer experiences, thus the same level of service quality as earlier by the same provider can lead to dissatisfaction as the gap between the customer’s ex-
pectations of the service quality and customer’s perceived service quality has increased. Additionally, marketing information of the firm can affect to the predictive expectations that the customer has about the company. (Bruhn & Georgi 2006, 54-55.)

3.2 Barriers for service quality

According to Jobber (2007, 906) there are four barriers preventing the matching of expected and perceived service levels: misconceptions, inadequate resources, inadequate delivery and exaggerated promises. Misconceptions barrier means that the management of the company doesn’t understand what the customers want and therefore make changes that are not supported by the customers’ needs and wishes. This barrier can be minimized by conducting market researches about the planned or needed changes. Inadequate resources barrier then again includes that management of the company is aware of the customers’ expectations but is not willing to arrange the needed resources for the implementation. For example management may be aware that customers appreciate short lining times when calling to the company’s customer service but due to cost-reductions there is no possibility to hire new staff. At the inadequate delivery barrier first two barriers are under control meaning that the management is aware of the customers’ expectations and providing the needed resources for the implementation but they are unsuccessful with the selection of staff and providing the necessary training and rewarding system needed for offering consistent and good service quality. Finally, there is the exaggerated promises barrier, which can be caused by advertising and selling messages putting the customer’s expectations so high that they cannot be fulfilled and leaving the customer disappointed. These exaggerated promises can create a huge gap between the customer’s expectations and perceptions although the other barriers would have been defeated. (Jobber 2007, 906.)

3.3 Customer Experience

According to Lovelock, Wirtz and Chew (2009, 254), “for high-contact services, the design of the physical environment and the way in which tasks are performed by customer contact personnel jointly play a central role in shaping customers’ experiences.” The customer experience can also be affected by the customer expectations talked about earlier in 3.1.6.
3.4 Service distribution through different channels

Nowadays there are many channels for delivering services to customer including customers visiting the service site, service providers going to visit the customer and offering service transactions conducted remotely. This is also the case in the insurance sector, for example with LocalTapiola Pirkanmaa the customer has the possibility to visit the company office, contact the company by phone, email or through internet banking and even get an insurance agent to visit him or her at home. (Lovelock et al. 2009, 111-126.)

These service channel preferences vary among customers as one likes to visit the company and other prefers to handle everything online or by calling to the company. Nowadays the technology allows 24-hour delivery in cyberspace saving time and effort of going into the service site. Also intermediaries play role in service distribution for example franchising channel can bring both advantages and disadvantages to the company. Disadvantages include the loss of control over the service delivery and therefore, over how customers experience the actual service. (Lovelock et al. 2009, 116.)

According Lovelock et al. (2009, 116) recent research noticed some central factors resulting the customer choosing between personal, impersonal and self-service channel. For example personal channels were trusted especially with complex and high perceived risk services. According to the empirical research of this study, insurances are seen as this kind of service and for example eight out of nine interviewees mentioned that in the case of insurance event they prefer using personal channel, thus visiting the office or calling to the customer service. Additionally, people with greater confidence and knowledge about the service were more willing to use impersonal or self-service channel. Also, technologically more skillful customers view service quality more positively when to using the self-service channels. (Lovelock et al. 2009, 116.) Also empirical research supported this (finding), interviewee 8 (14 Feb 2014) being very pleased with the service quality and she had only used online services so far.
3.5 Service quality’s effect on customer loyalty

According to Lovelock (2007, 25), improving quality is highly important for product and service differentiation as well as for gaining customer satisfaction and loyalty. Although, the added higher costs involved with quality improvements should also be evaluated and compared to the higher revenues predicted through those improvements, in case the customers are not willing to pay extra for better quality. Service quality’s effect on customer loyalty can be seen in the figure 4 below. (Lovelock 2007, 25.)

![Diagram of customer perceptions of quality and its affect on customer loyalty through customer satisfaction. (Zeithaml, Bitner & Gremler 2006, 107.)](image)

According to EPSI Rating research 2013 of insurance companies in Finland the customer loyalty in the sector is higher than earlier and it has continued to increase for three years in row. In EPSI Rating Finland 2013 survey LocalTapiola became first in service quality and second when measured loyalty among customers, which suggests that LocalTapiola already has quite loyal customers. (EPSI Rating Finland 2013.)
4 Methodology and conducting the research

4.1 Qualitative research

Qualitative research has established a place for itself in research of people sciences. (Syrjäläinen, Eronen & Värr 2007, 7.) Auerbach and Silverstein (2003, 1), define qualitative research as “research that involves analyzing and interpreting texts and interviews in order to discover meaningful patterns descriptive of a particular phenomenon.”

Qualitative research is a creative process requiring education, training and knowledge of the material from the researcher. (Syrjäläinen et al. 2007, 8.) The skills and knowledge of the researcher perform a vital role in the analysis of material as the research process is a mix of rationality and intuitive views. Skills that are especially needed for doing qualitative study include theoretical thinking, capability to recognize and avoid biases as well as being able to keep analytical distance, while using past experiences. (Ghauri & Grønhaug 2010, 105.) Therefore, data analysis has always been considered to be the most challenging part of qualitative research. (Syrjäläinen et al. 2007, 8.)

Especially common qualitative research is in social and behavioral sciences when researcher needs to comprehend human behavior. (Ghauri & Grønhaug 2010, 106.) According to Strauss and Corbin (Ghauri & Grønhaug 2010, 106), qualitative research is actually well suited for researching organizations, groups or persons. As stated by Ghauri & Grønhaug (2010, 106), “it is generally accepted that, for inductive and exploratory research, qualitative methods are most useful, as they can lead us to hypothesis building and explanations.” Thus, qualitative and quantitative methods can be used consecutively and sometimes it is appropriate to use combination of both methods in a same study. (Ghauri & Grønhaug 2010, 105-106; Syrjäläinen et al. 2007, 7-8.)

In qualitative research it is accepted that subjectivity and personal principles are essential part of human interaction and thus cannot be removed or controlled, but researchers need to recognize those and systematically reflect on them. Additionally, according
to Auerbach and Silverstein (2003, 27), “qualitative researchers believe that their own subjective experience can be a source of knowledge about the phenomenon they are studying.” Actually, reflexivity, analyzing meanings and evaluating how researcher’s personal subjectivity impacts on his or her research, is a goal of qualitative research. (Auerbach and Silverstein 2003, 27.)

To continue, the research launches with thinking methodological questions as it is a vital part of the research itself as the researcher has to take a stand on with what methods she or he is performing the research and what are the background commitments. That is because researcher’s ontological and epistemological commitments influence majorly on how the researcher encounters the topic and how researchable phenomena are understood and also how the results are reported and interpreted. (Syrjäläinen et al. 2007, 7.)

4.2 Applied philosophy of science traditions

Tuomi and Sarajärvi (2009, 25), explain that there are various ways of categorizing qualitative research as a whole and the field could open up through history of philosophy. This study can be categorized as phenomenologis-hermeneutic research as according to Tuomi and Sarajärvi (2009, 34-35), the hermeneutic atmosphere is involved in phenomenologic reseach through the need of interpretation.

In short, the meaningful concepts in both phenomenologic and hermeneutic research are experience, meaning and communality. The target of phenomenologial study can be specified as a research of experience where all the phenomena mean something to the individual by shaping one’s experience though the meanings and hermeneutic can mean the theory of general understanding and interpretation. Hermeneutics believe that understanding is always interpreting and it never begins from nothing, because there is always a preliminary understanding as a fundation from where it proceeds as a circle movements. ((Heikkinen & Laine 1997; Laine 2001) Tuomi & Sarajärvi 2009, 34-35.)
4.3 Theme interview as a research method

The research method used in this study was semi-structured theme interview. In transparency the theme interview, being a semi-structured interview, is quite close to in-depth interview as the thematic interview proceeds depending on the pre-chosen key themes and specifying questions connected to those themes. According to Tuomi and Sarajärvi (2009, 75), it is a question of taste as well as a question of qualitative research traditions whether all interviewees need to be presented all the same pre-planned questions in the same certain order having all the same exact wordings in every interview or not, as the degree of uniformity varies from one research conducted using theme interview to another. Basically, the pre-chosen themes in the theme interviews are based on the theoretical framework, thus the already ”known” information about the phenomenon. (Tuomi & Sarajärvi 2009, 75.)

The advantage of using the interview as a research method is its flexibility, also Silverman (2011, 166), admits that “interviews are relatively economical in terms of time and resources.” In interview it is possible for the researcher to repeat the question if the informant doesn’t hear it or to ask clarifying questions if there is misunderstanding in the concepts or wordings. These are some of the advantages there are with the interview over the method of using mail or online survey, which quite normally used methods with quantitative research. Additionally, the interviewer can also operate as an observer while interviewing and make notes about other things that are not said. Thus, interviewers can be active participants in the interviews without trying to monopolize the conversation but neither trying to disappear into background. In responsive interviewing model it is understood that both interviewer and interviewee are human beings and therefore interviewers are not expected to be neutral but it is understood that the form how interviewers bring out themselves influence to the interview. This includes that the researcher needs to be self-aware and analyze the impact of own favoritism and expectations to the interviewee. Although, the interviewer can encourage conversational partner to talk by being an active participant but it can also create problems if researcher’s own opinions and biases affect to what is asked and how the interviewee responds. (Rubin & Rubin 2005, 30-31; Silverman 2011, 164; Tuomi & Sarajärvi 2009, 73.)
In grounded theory research new informants to be interviewed are selected through theoretical sampling, which means selecting the ones who are expected to clarify the theory. In qualitative research it seems quite obvious to use variation of theoretical sampling method for choosing interviewees to talk with by the amount of knowledge they are expected to have about the issue, however like Rubin and Rubin (2005, 65), put it “the problem is that not everyone who should know about something is necessary well informed” and sometimes it cannot be known in advance. Therefore, researcher may be forced to choose the interviewees by his/hers best knowledge that is choosing the ones in a suitable position and evaluate afterwards whether he/she received the needed information. Additionally, in grounded theory there is no pre-set amount of informants and more interviews are conducted until the theoretical saturation is reached; meaning the point when the researcher starts to receive the same information repeatedly and new groups of participants are not generating any new insights to the theory. Also this method of theoretical saturation is used more widely than only by grounded theorists as it can be difficult to know beforehand how many interviews are needed in order to get enough information. (Auerbach & Silverstein 2003, 19-21; Rubin & Rubin 2005, 65-66; Silverman 2011, 73.)

When agreeing about the interview time, it is good to tell the informants what the interview is about, not to mention also ethically correct, so that they know what they agree on. Quite often it is also advisable to give them the questions beforehand, so that they are able prepare for the interview in advance. This ensures the researcher to receive as much information as possible during the interview. However, for example in responsive interviewing model the preliminary questions are normally expressed in a very broad way to ensure the interviewees the possibility answer based on their experiences and give the researcher advise to what topics and concerns to follow and what to reject, thus when using responsive interviewing model it can be useless to send the initial questions. (Rubin & Rubin 2005, 33; Tuomi & Sarajärvi 2009, 73.)
4.4 Conducting the research and data collection

4.4.1 Data collection

The data used for the empirical part was primary data and it was collected through nine semi-structured thematic interviews conducted face-to-face with the customers of LocalTapiola Pirkanmaa who lived at Nokia region. However, there wasn’t any final amount of interviewees set beforehand, because the plan was to keep on interviewing the customers from different age groups until the material saturates, thus there is really more new data gained with new interviews. Still, because of those age groups, there was some idea beforehand to interview minimum of nine and maximum of 18 people. That was in order to get at least few interviews from each group and on the other hand to limit the workload of transcription and analyzing the data.

The interviews were held in LocalTapiola Pirkanmaa branch office in Nokia during January and February 2014. The reason behind choosing Nokia to be the place in Pirkanmaa where all the interviews were held was that it was close to customers living in Nokia region and additionally it was also easier for the researcher to conduct all the interviews there as she worked there as an entrepreneur in LocalTapiola.

4.4.2 Choosing the informants for the research

There were three target age groups from which there were customers chosen to be interviewed to represent that group as a whole. The minimum amount of people to be interviewed was thought to be three people from each target group in order to get enough information and then keep on interviewing more people if necessary. The idea behind the target groups was to see if there is a big variation in the opinions and answers between people in the same target group and between the different age groups.

Participants were first selected from edited listings of LocalTapiola customers belonging into certain age groups, living in Nokia region and having a minimum level of two in centralization in LocalTapiola, thus two services (insurance or bank) offered by LocalTapiola. After selecting a customer from the list the researcher checked that the person has been a customer for minimum of 18 months and that there has been some
service activity in order to receive information about the service quality and service experience as it was known that the best informants are the ones having the most knowledge about the topic. However, it was noticed that very few had contacted and used customer service regularly, especially using various service channels.

Since the researcher had worked at the office Nokia herself, one additional limitation that was used when picking the customers whom to call and invite to the interview was that the customer had not done any business with the researcher as that could have influenced the reliability of respondents answers concerning the quality of the service they had received. Therefore, the ones qualified to be interviewed as representatives of the target group were contacted by phone and asked whether they were interested to be interviewed for research at the office of LocalTapiola in Nokia. The goal was to get customers who have opinions about the service and want to share them with the researcher, thus there was no compensation promised beforehand in order to get more reliable answers and interviewees who actually want to come and share their knowledge.

To continue, the target groups were formed as shown in the table 1. The first group included the young customers between the ages of 18 and 26. This group had the smallest age variable but that was because this group was formed from the customers who had young person discount in their services, for example home insurance is automatically discounted 25% and in banking services e.g. the bank cards and online banking doesn’t cost anything regardless of their level of centralization. The second group included the people between the ages of 27 to 54, thus the stereotyped age of people having families of their own with minor children. The last group included then the customers over 55 years old, who normally have already grown up children and not much of mortgage left to pay, thus stereotypically the people who have time and money for themselves to spent it however they want.
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<th>18-26 years old customers</th>
<th>27-55 years old customers</th>
<th>Customers over 55 years</th>
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<tr>
<td>• having discounts by age</td>
<td>• having families with minor children</td>
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<td>3 interviewed</td>
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Table 1. Shows the pre-categorization used for inviting customers to the interview. The sizes of top boxes also sort of represent customers’ allocation to the groups.

To sum up, since this was a qualitative study and the research method was a theme interview, the purpose was not to collect the information from each member of the target group, but to choose few representatives of the target group, preferably the most knowledgeable ones and interview them.

### 4.4.3 Interview structure

First of all, the research began by reading some theory around the research topic and then forming research questions expected to provide the answers to the research problem. Then, based on those research questions some preliminary questions for the interview were formed. Those initial questions were structured by themes, which were customer relationship, service experience and service quality, use of service channels and customer retention and loyalty. Further, those preliminary questions were thought over with friends and colleagues to find out whether they were understandable and then modified based on their opinions. After the questions had been modified they needed to be tested. Thus, before calling any customers to participate in the interview, few mock interviews with family and friends were conducted in order to determine the clarity of the concepts and wordings used in the interview, as well as to find out approximate duration of the interview.

Moreover, all the customers asked to take part to the interview were explained what the research was about and told the approximate time the interview will take. Additionally, those agreed to participate in the interview were told about the themes along with given few example questions so that they knew what the interview will be about.
and were able to prepare for the interview in advance if they wanted. They were also explained that all the interviews will be audio-recorded and therefore made sure that it is all right for them. Also, the customers asked to take part weren’t promised any compensations or reward for participating to the interview in advance so that no one would promise to participate only because of the reward.

Furthermore, all interviewees were told to book half an hour for the interview so that there was time before starting to settle comfortably in a chair and get ready for the interview. Before the actual interview began all the interviewees were told once more that all the interviews will be recorded and then transcript in order to make analyzing easier and maximum personal information recorded and known about the interviewee will be age and gender, thus everything they say will stay anonymous. Finally, before starting recording all the interviewees were asked if they had any questions and reminded that if they don’t understand some question they are always welcome to ask what is meant by that, also they were asked to respond broadly to the questions and told that they can always go back and supplement some topic covered earlier if they have something to add.

During the interview, researcher marked only the serial number of the interviewee on the prepared question guide paper (Attachment 1) which was used to help the interviewer to remember to ask everything that was planned and also to keep the conversation on track in order to cover all themes during the pre-set timeframe. The interviewer tried to make the interview to be as much conversation-like as possible in order get as much information about customer’s experiences and feelings as possible, therefore spoken language was used instead of literature language and there wasn’t either a lot of note taking during the interview for the sake of not distracting the customer. The interviewer also tried to be without influencing on the responses given by the customer and only asking specifying questions when what the customer had meant wasn’t sure or more specified answer was desired. To sum up, both the constructing and conducting the empirical part of the research was made in Finnish, because all the interviewees spoke Finnish as their mother tongue and therefore also the transcripts of all interviews were written in Finnish and only at the reduction stage the material was translated in English. Due to this direct quotes were not possible to use in final report.
4.5 Limitations for the research

Services are an important element in every business nowadays and can create competitive advantage for the companies whose core business is in tangibles and therefore service quality should not be considered only something to do with companies in services business. However, in this study everything related to services is discussed only from services business perspective since insurance and financial businesses do not offer tangible items. Another limitation to this study is that everything is discussed only from B to C customer’s perspective in order to limit the scope.

“Four key aspects of managing services are managing customer relationships, managing service quality, managing service productivity, managing service staff and positioning.” (Jobber 2007, 898.) This research focuses on services management only from the managing customer relationships and managing service quality point of view in order to reach deeper understanding on the issues. Additionally, both of them are discussed from the external customer point of view leaving out the internal customer perspective. Also, both of these aspects of service management are discussed in this report bearing in mind that the purpose of this study is to find out ways of improving customer retention and loyalty.

Limitations for the empirical part of the research include that it was encouraged by LocalTapiola Pirkanmaa to focus only on one area in Pirkanmaa region in order to get as accurate information as possible from the relatively small amount of customers interviewed. Therefore, it was decided that the research will be conducted with LocalTapiola Pirkanmaa’s customers living in Nokia region so that the findings of the study are more accurate when all the data is gathered from that same area. Then, later on it can be studied whether the findings are transferable elsewhere in Pirkanmaa region, or even in Finland.

The customers asked to participate in this semi-structured theme interview were selected from LocalTapiola Pirkanmaa’s database with pre-done limitations on the lists that they all lived in Nokia region, belonged to certain age groups and had their centralization level in LocalTapiola at least 2, generally meaning that they had more than only
one insurance in LocalTapiola. This was to ensure that they were mainly customers in LocalTapiola, not that they had only for example “forgotten” traffic insurance in LocalTapiola when all of their other insurances were elsewhere.

After choosing a customer from the list it was checked that she or he had been a customer of LocalTapiola for over a year and half in order to have some service experiences with LocalTapiola. Additionally, after the customer relationship criteria had been met, what still needed to be checked before calling them was that the researcher had not met them before in a service situation to assure that they can freely express their opinions about the service quality they had received when in contact with LocalTapiola. This latter criterion caused some trouble with finding suitable interviewees with one age group, because the researcher had served incoming customers at the front desk in Nokia office for the past year before the interviews and therefore many customers didn’t fit that latter criterion anymore. However, this criterion was used to ensure the reliability of the received answers. Then, customers fitting into criteria were called and asked to take part on the interview.

4.6 Data Analysis

The empirical data used in this research has been analysed by adapting theory guided content analysis. In practice this analysis model was the best one to use when considering nature of this study, since the final theoretical framework was quite hollow until the collection of empirical material. Additionally, some original thoughts about the background theories used in this study ended up being irrelevant in the phase of deducting the data, which pursued leading the analyse method towards the theory guided content analysis.

The purpose of analysing qualitative data is to bring clarification into the content and therefore create new information about the topic being researched. Through analysis the idea is to compress the collected data without loosing the vital information for the focus of the study. Generally, data analysis pursues primarily for increasing the informational value by creating understandable and meaningful new information from the scattered material. (Eskola & Suoranta 1998, 138.)
To begin with, in qualitative analysis the character of data varies greatly, not only because of the chosen data collection method but also throughout the process depending on researchers’ epistemological and research frameworks. This is why two researchers can end up with largely different outcomes although given the same research data to be analyzed. Therefore, it can be said that qualitative research is always quite unique.

However, normally qualitative research follows certain stages including data collection stage followed by transcription of the data. After that, data in transcripts is reduced by coding the data by events or themes, which are then categorized. This can then create a fusion of ideas. When the data has been collected through theme interviews, then the interview frame can be a useful tool for the data analysis as it already has been built by using theoretical visions from earlier studies and on the other hand also researcher’s possible own experience. Therefore, the data to be analyzed is screened out with the use of interview frame for those points telling of these issues. At this point it is crucial to remember that already at this stage the researcher makes highly interpretative work. (Eskola & Suoranta 1998, 153; Proctor 2005, 324-325.)

A general description of the qualitative data analysis process is presented in figure 1 below. It shows also the largest challenges are in the analysis process. Firstly, normally there can be many interesting things found in the data, but the researcher cannot go for all of them, therefore it is crucial to choose what is interesting based on the mission of the research and research problems. The second phase is transcription of the material and coding it, which can be done as one prefers. Additionally according to Tuomi and Sarajärvi (2009, 92-93 taken from Eskola & Suoranta 1996; Eskola 2001), coding itself have five important purposes as coding represent notes written in text, they also guide the researcher to structure what the material is about and also work as a tool with describing the text. Codes work also as a platform for testing the structure and help for searching and checking different parts of the text. The third phase includes the process of cutting and grouping the qualitative material based on different topics. (Tuomi & Sarajärvi 2009, 92-93.)
Figure 5. The qualitative data analysis frame explaining the progress of qualitative analysis (Laine, in Tuomi & Sarajärvi 2009, 91-92).

Theory guided content analysis proceeds quite similarly to data-driven content analysis, thus by the terms set by the material. Differences between these two analysing practices emerges at the data reduction stage. The differences can be noticed in the way the empirical data is linked with the chosen theoretical concepts. Data-driven analysis creates the theoretical concepts straight from the data whereas in theory guided analysis those concept are imported ready-made as if they are something already “known” information of the phenomena. However, the most central issue in the analysis of the data is whether the researcher chooses certain issues or phrases from the original data based on certain theory or is the researcher approaching the data on its own terms and only after the analysis progresses forces it to fit into certain appropriate “theory” in his or her view. (Tuomi & Sarajärvi 2009, 117.)

Theory guided content analysis was the best fit for this research to carry out the data analysing stage. All the interview material was transcribed, in other words written down word for word from the audio files into text documents. At the reduction stage, the text files were coded and analyzed by using the interview frame themes and interpreta-
tion. After this the existing theory around the topic was studied more carefully and own knowledge about the topic in hand was scanned by searching similarities and differences from theories in relation to the empirical material collected. Also some theoretifcal frameworks were discarded as unnecessary in regards to research problems and issues arisen from the collected material, when analysed.

4.7 Validity and reliability

According to Crowther and Lancaster (2009, 195), it is clear that at the data reduction stage when selecting mass of data into patterns the researcher’s own viewpoints shape the process. However, there is no need to worry about validity and reliability aspects so long as the reasons for conducting the data reduction process the way it was done is made clear by the researcher so that others are able to evaluate the first phase of analyzing qualitative data. Same clarity issues concerning the validity and especially reliability applies to the data display stage of analysis also as it can be hard for others to assess the analysis process and understand the conclusions drawn from the material unless the data is displayed properly. (Crowther & Lancaster 2009, 195.) Stenbacka (2001, 552) summarizes that in qualitative research the way of creating good validity is simple because the purpose is to understand the other person’s reality based on the stated problem area. Thus, if the informant is part of the problem area and is able to speak freely according to his or her own knowledge, then the validity should be reached by using non-forcing interviews with well-chosen informants.
5 Research Findings

5.1 Content analysis in short

After studying more of the empirical material after the reduction stage, there were many similarities between the material received from different respondents, therefore some conclusions were quite easy to draw from those. However, it was noticed at the reduction stage, if not even earlier, that the original interviewee groupings based on their age were superfluous, since there was not any special findings to be noticed based on the belonged age group and therefore the age groupings were not used in the analysis stage. After further analysis, some mind maps were drawn to get a clearer picture of what the material provided as a whole. Then, those mind maps and conclusions derived from the material where compared with the theory to determine if the theory supported the results, which then allowed formation of final suggestions supported by theory and empirical material.

5.2 Findings structured by the themes of the study

The findings of the study are presented based on the theme framework in the interviews and constructed to give answers to the research questions provided in the first chapter of this report.

5.2.1 Factors affecting on service experience and quality

According to the empirical research findings excellent service means businesslike service including listening to customer’s needs and taking them into account when offering services, not just pushing the customer to buy everything else on top of that what she or he came for. Mutual understanding between the service personnel and the customer was also mentioned to be very important, also meaning that the employees explain important matters to the customer even though the customer would not understand to ask everything. This should be done in a friendly way so that the customer feels that she or he was served correctly giving all the information she or he wanted and the service didn’t feel forced. Additionally the possibility to get an appointment quickly and have the issue solved during that one visit was also seen as an excellent
service. All these aspects of good service quality brought up during the interviews fall under earlier described dimensions of service quality also shown in the figure 4.

5.2.2 Factors affecting on the length of the relationship

Even before the reduction stage of analysis it was noticed that the customers who had been customers since a child were loyal towards LocalTapiola and not willing to change the company easily, thus, the customer relationship is quite strong. Therefore, it can be concluded that when the customer relationship begins as a child, the length of the relationship will probably be longer. However, all interviewed said that having overwhelming issues with the insurance company would make them change or at least think about changing the company. Thus, in the end the service they receive from the company matters the most for the retention and receiving bad service for example insurance company not covering the damage or covering it poorly is the biggest reason for changing the company. Additionally most of the interviewees admitted that money matters at least at some point. When asked about the amount of money savings that would make them think about changing the company the variation laid between tens of euro and hundreds of euro. Interviewee 2 (16 Jan 2014) and interviewee 4 (30 Jan 2014) also mentioned that price would matter more to them if they had financial issues and shortage of money, and still needed to keep all their insurance in effect. Based on the figure 1 the factors affecting on the length of the relationship are experienced competition, strength of the customer relationship and surviving through critical situations. Therefore, it can be said that the interview results about the factors affecting on the length of the relationship support the theory.

5.2.3 Factors valued in customer relationship

It was found that having a personal contact person was a valued aspect in customer relationship by almost everyone interviewed during the research. Only interviewee 4 said that having an office near home is enough for her because she visits or needs the insurance company so rarely. However, when asked about the preferred direction of contacting with the contact person the answers were spread into two directions, some hoping to have only a contact person whom to call or send email when needed and others wishing to receive some regular contacting from the company to check that eve-
rything is ok in the customer relationship. This is explained more thoroughly in the next chapter with the recommendations. Also, all mentioned that the received service affects at least some amount to their loyalty towards the insurance company, accompanied by other factors like price and bonds like centralization and mortgage. This supports the theory shown in figure 3 about the factors affecting to the strength of the customer relationship.

5.2.4 Reasons ruining the customer relationship

According to the research findings, most interviewed had changed their service provider because of non-functioning or bad service, having their bad service examples mostly from the service received with telephone operator companies or banks. This supports the EPSI Rating 2013 results, according to which bank customers have become more and more unsatisfied whereas with insurance companies the trend has been the opposite (Vänskä 2013). Like explained earlier all interviewees mentioned bad insurance compensation being one of the main reasons why they would change the company.

5.2.5 Preferred service channels in different situations

LocalTapiola offers all kinds of service channel options to the customers. However, from nine interviewees only a few had used them all. Personal service at the office or in phone was valued especially with the compensation issues; almost all mentioned that they perceive it to be the easiest way to take care of that. Interviewee 8 (14 Feb 2014) had only used electronic services through internet banking and she valued the personal service most when purchasing new insurances, while finding purchasing new insurance online somehow weird or stupid. It was surprising to notice that the age variation of the interviewees did not really affect to that how they felt about personal customer service.
6 Conclusions and improvement suggestions

6.1 Key results

To begin with, based on the implemented research, the existing customer relationship program is good, but since it’s only bonding strategies is a first level program it could be improved to the next level by adding social bonds in addition to financial bonds. This could be implemented by having a personal contact person in the company for each customer. Thus, this contact person could work as a middle man between the company and the customer with most issues and with those issues not under the expertise of the contact person then guides the customer to contact the right person or arranges the right person to contact the customer. Therefore, tight social bonds would be created between the company and the customer through the contact person. The only possible risk with this bond is if that the contact person changes a job and leaves the customer hanging; therefore a strategy for this kind of situations should also be created.

Additionally, another issue affecting on the customer relationship that rised during the research was that the old customers are not remembered at all or given any benefits for being customer for many years whereas new customers get all kinds of benefits. This matter was especially addressed by couple interviewees, although one mentioned that “bonus safety” for car insurances offered by LocalTapiola is something to that direction, a benefit for old customers. Therefore, there could be some little gift send occasionally to long-term customers to make them feel appreciated. This doesn’t need to go to all customers but to some selected ones who have been customers for a long time.

In addition, as perquisite for a good customer service was mentioned earlier the ability to get an appointment quickly and all issues solved during that one visit to the office. Therefore, one recommendation proposal is to include some booking calendar on the LocalTapiola Pirkanmaa’s front page so that the customer could just pick the office where she or he wants to visit and then the calendar would show the available times for the meeting in that particular office. After the booking the selected insurance advisor could receive a notification about the meeting to his or her calendar. Also, some
customer services chat, where customer could ask some short questions instead of going to visit the office to ask that question. This could be added also to the main page of the company, so that it was easy for customer to find it.

6.2 Development recommendations and suggestions for further research

Based on the finding presented earlier, suggestions for improving customer retention include assigning a personal contact person for all customers. Therefore the customer would always know whom to contact when there is something to ask or some issues concerning insurances and in case of insurance claims the contact person could direct the customer to call to the right compensation handler or arrange so that the compensation handler contacts the customer directly.

Figure 6 presents a proposal of the division of customers into groups according to their contacting preferences.

It was found that over half of the interviewed customers valued the availability of the personal contact person whom to contact when needed, but on the other hand didn’t wish to be contacted by the company. However, it turned out that some interviewees preferred having a contact person contacting them regularly either by email or phone. Suggestion for dividing all customers into customer portfolios based on these findings is shown in figure 6.
In order to implement this portfolio model of serving customers, all customers should be assigned to own contact person and then contacted by that contact person to find out whether the customer prefers having a regular communication with the contact person or not in the future. After doing this, customer’s contacting preferences should be marked into customer information system in order to follow customer’s request in the future. This kind of personalized service could higher customer satisfaction by exceeding customer expectations, because the ones appreciating the contact from the company would feel remembered. On the other hand, the ones getting irritated by the calls coming from the insurance company would also be pleased. Additionally, this suggestion can help with dividing contact person’s workload when customers wishing for regular contacting from the company could be divided evenly into all contact people’s portfolios.

Further research suggestions include conducting a research about the topic in another area to test if the findings are transferrable elsewhere. Also, the reasons behind customer deflection could also be studied by focusing on ex-customers.

6.3 **Assessment of the thesis process**

Firstly, surprisingly many of the customers were interested about the study and only a few declined to participate because they weren’t interested to participate or didn’t feel they can offer any answers. However, mainly the reason why some had to decline was that they were abroad or very busy for work during the couple weeks that was scheduled for the interviews and otherwise they would have been willingly participating.

Again, selection of interviewees should have included even more background checking about their use of different service channels, also instead of having quite centralized customers who had most or all of their insurances in LocalTapiola there could have been customers also from the lower levels of centralization to see if that had created bigger variation in interview answers since now the point of theoretical saturation of the material was met already after 9 interviews. In the beginning, however, it was worried that customers from the first level of centralization may only have some forgotten
traffic insurance in LocalTapiola and therefore has never even used customer service nor have any experience about the service in LocalTapiola Pirkanmaa.

Additionally, it has to be also mentioned that what was meant with some terms like service channel appeared to be unclear to some of the interviewees and though to mean different services they had. Therefore, interviewer needed to ask further specifying questions to get answers to what were the actual service channels they used and when. In order to combat this issue with following interviews the interviewees were asked before the interview about the clarity of some terms used in the interview and told that they are always welcome to ask if they don’t understand some terms or questions. This was because the initial interview questions weren’t changed between the interviews in order to maintain some consistency between the interviews although using adapted responsive interviewing model.

In general, it has to be said that during the interviews interviewing skills approved and for the next research I would conduct the interviews in a little different way and maybe use some additional method of data collection also in order to use method triangulation, which can help to create fuller view on the issue.

Finally, this research process taught me a lot of patience and perseverance as a person, because the whole process took almost a year to be finally finished. This also leads to the disappointment I had with myself with not being able to finish this work a lot earlier. However, during the process I understood the purpose of scheduling enough time for the study, so that it doesn’t need to be rushed and also having a research plan followed with a discipline, which I will definitely do with my studies in the future. Additionally, this process taught me a lot about myself and my capabilities to be able to conduct something similar or maybe even a larger scale research in the future.
References


LocalTapiola Group, A.


LocalTapiola Group, C.
LocalTapiola Group’s annual brochure 2012.


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Attachments

Attachment 1 Questions for the semi-structured interview in Finnish

Taustakysymykset

1. Ikä
2. Sukupuoli
3. Asiakassuhde
   a. Kuinka pitkään olet ollut asiakkaana LähiTapiolassa tai sitä edeltäneissä yhtiöissä?
   b. Oletko myös jonkin muun vakuutusyhtiön asiakas?

Varsinaiset kysymykset

1. Mitä palvelukanavia tiedät LähiTapiolan tarjoavan ja mitä niistä olet käyttänyt tai käytät? (verkkopalvelua, puhelinpalvelua, henkilökohtaista asiakaspalvelua toimistolla)
   - Vaihteleko käyttämäsi palvelukanava sen mukaan miksi kontaktointi LähiTapiolaa?
   - Milloin arvostat eniten henkilökohtaista asiakaspalvelua puhelimitse tai kasvotusten?

2. Miten kuvailisit erinomaista asiakaspalvelua? Mitä se sinulle tarkoittaa?
   - Tuleeko mieleesi esimerkkitapausta tällaisesta asiakaspalvelusta? Ei tarvitse liittyä vakuutuksiin.

3. Miten olet kokenut LähiTapiolassa saamasi palvelun?
   - Mitä mieltä olet laadusta ja osaamisesta?
   - Vaihteleko osaamisen taso ja palvelunlaatu kokemasi perusteella eri palvelukanavissa? Jos vaihtelee, niin miten?

4. Miten saamasi palvelun laatu ja ja palvelukokemuksesi LähiTapiolassa vaikuttavat suhtautumiseesi LähiTapiolaa kohtaan?
   - Vaikuttaako se lojaalisuutesi LähiTapiolaa kohtaan?
5. Mitä pitäisi kehittää palvelun laadun ja/tai palvelukanavien suhteen? 
Parannushdotuksia siis.

6. Olisitko valmis tinkimään palvelun laadusta jos saisit säästöjä vai olisitko jopa valmis maksamaan hieman ekstraan hyvästä palvelusta?
- Miten ja milloin hinta vaikuttaa lojaalisuuteesi vakuutusyhtiöitä kohtaan?
- Oletko kilpailuttanut vakuutuksia? Mikäli olet, niin annoitko mahdollisuuden omalle yhtiöllesi vastata kilpailuun ja pitää teidät asiakkaana?

7. Mitä asioita arvostat asiakassuhteessa vakuutusyhtiön kanssa?
- Ovatko nuo asiat riippuvaisia vakuutusyhtiöstä vai pätevätkö vastaavasti kaikkiin yhtioihin?
- Mitkä näistä asioista vaikuttavat eniten lojaalisuuteesi vakuutusyhtiöitä kohtaan tai vastaavasti kiinnostukseesi kilpailuttaa?

8. Oletko kokenut/saanut jossakin sellaista palvelua, joka sai sinut vaihtamaan tai melkein vaihtamaan palvelun tarjoajaa?
- Miten tilanne hoidettiin? Mikäli lähdit, niin mitä olisit odottanut tehtävän?

9. Onko sinulla LähiTapiolassa yhteyshenkilö, jolle voit soittaa tai lähettää sähköpostia mikäli sinulla on kysyttävää tai tarvitset neuvoa miten toimia johonkin vakuutusasiaan liittyen?
- Haluaisitko, että sinulla olisi sellainen kontaktihenkilö? Mikäli, niin toivoisitko tämän henkilön olevan sinuunpäin aktiivisesti yhteydessä tietyin väliajoin vai lähinnä vain tarpeentullun tavoittettavissa?

10. Lisättävää, muuta kommentoitavaa yms.
Attachment 2 Questions for the semi-structured interview translated in English

Background questions
1. Age
2. Gender
3. Customer relationship
   a. How long have you been a customer of LocalTapiola or its previous companies?
   b. Are you also a customer of some other insurance company at the moment?

Actual questions
1. What service channels do you know that LocalTapiola offers and which ones of them you have used or you use? (E.g. Internet, phone, face-to-face service at the office)
   • Does the service channel you use depend on the matter of contacting LocalTapiola?
   • When do you value personal service (via phone or face-to-face) the most?

2. How would you describe excellent customer service? What does it mean to you?
   • Do you have any example of this kind of customer service? It doesn’t need to have anything to do with insurances.

3. How have you experienced the service you have received in LocalTapiola?
   • What do you think about the quality and expertise?
   • Does the level of expertise and quality vary in different channels based on your experience? If it does, how?

4. How does the service quality and service experiences you have had in LocalTapiola influence your attitude towards LocalTapiola?
   • Does it affect to your loyalty towards LocalTapiola?
5. What should be improved concerning the service quality and service channels? Improvement suggestions.

6. Would you be ready to compromise something in service quality in order to gain savings or would you be even willing to pay little extra for a good service?
   - How and when does the price affect your loyalty towards insurance company?
   - Have you done competitive bidding with your insurances? If you have, did you gave your company a possibility to respond to the bidding and keep you as a customer?

7. What do you value in a customer relationship with your insurance company?
   - Are those things dependent on the insurance company or do they apply equally to all companies?
   - Which ones of these issues affect the most for your loyalty towards your insurance company or opposite towards your interest in the competitive bidding?

8. Have you experienced somewhere such a service that made you change the service provider or at least almost did?
   - How was that situation handled? If you left, what would you have expected to be done?

9. Do you have contact person in LocalTapiola to whom you can call or send email if you have questions or you need advice in what to do concerning insurances?
   - Would you appreciate to have that kind of contact person? If yes, then would you wish for this person to be actively in touch with you at certain intervals or mainly to be able to be reached if necessary?

10. Something to add, to comment, etc.
Attachment 3 Interviewees

Interviewee 1: 24, male, customer of LT for at least one and half years. Interviewed 15.1.2014.

Interviewee 2: 25, male, customer of LT since was a child. Interviewed 16.1.2014.

Interviewee 3: 66, female, customer of LT for over 5 years. Interviewed 30.1.2014.

Interviewee 4: 69, female, customer of LT for at least 15 years. Interviewed 30.1.2014.

Interviewee 5: 40, male, customer of LT for about 15 years (has been couple times elsewhere during that time). Interviewed 5.2.2014.

Interviewee 6: 39, female, customer of LT for about 10 years. Interviewed 6.2.2014.

Interviewee 7: 34, male, has always been a customer of LT. Interviewed 7.2.2014.

Interviewee 8: 20, female, customer of LT since a child. Interviewed 14.2.2014.

Interviewee 9: 58, male, customer of LT for at least 10 years. Interviewed 17.2.2014.